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THE MINISTRY OF EDUCATION

Annual Report

2019 For the year ended 30 June 2019

Hon Chris Hipkins

Responsible Minister for the Ministry of Education
Minister of Education

Hon Kelvin Davis

Associate Minister of Education (Māori Education)

Hon Jenny Salesa

Associate Minister of Education

Hon Tracey Martin

Associate Minister of Education

Report of the Ministry of Education

For the year ended 30 June 2019

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 2019.



Iona Holsted

Secretary for Education

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Introduction from the Secretary for Education



We have a role in both shaping the education system and delivering services to achieve equitable and excellent outcomes. For 2018/19 that has involved maintaining and improving our core services while listening to and engaging New Zealanders on the Government's extensive Education Work Programme.



Never before has every aspect of education been under scrutiny at the same time. This presents a huge opportunity to consider how the system works as an integrated whole and to advise on strengthening its coherence and alignment.

The Ministry has led and supported unprecedented engagement with teachers, whānau, tamariki, rangatahi, community leaders and employers on every aspect of the Education Work Programme. The results of that engagement will mostly be revealed or decided after the end of this annual reporting period.

We have also provided advice for government decisions to improve the National Certificate of Education Achievement (NCEA) and release a new Learning Support Action Plan setting out priority improvements to strengthen learning support. To improve our core learning support services we are implementing a new Learning Support Delivery Model across more than 200 clusters of around 3,000 schools and early learning services.

To improve equity we are working to support Māori education success as Māori. We have co-designed Te Hurihanganui – to address racism in the education system and better support whānau – and started implementing Te Ahu o Te Reo Māori to improve the capability of the workforce to use te reo Māori.

Woven through all of our advice is the overwhelming message from New Zealanders for hauora | wellbeing and a strong sense of belonging to be hallmarks of education in Aotearoa. There was also a call for the voices of young people to be heard and for their identity, culture and language to be respected and responded to. New Zealanders also asked for the system to be fair, easier for all ākonga | learners to navigate, and open to high levels of whānau and community connection.

The focus on hauora is evident in the Government's Child and Youth Wellbeing Strategy and Joint Venture to Eliminate Family Violence and Sexual Violence. The Ministry of Education is a key partner with the Ministries of Oranga Tamariki, Health, Justice, Social Development and others to make social services more integrated and the whole greater than the sum of its parts.

Our purpose and performance expectations

Our purpose



Our commitment to the Treaty of Waitangi | Te Tiriti o Waitangi

Under the Treaty of Waitangi | Te Tiriti o Waitangi, we have joint responsibility with iwi, hapū and whānau to help ensure the education system supports excellent outcomes for Māori ākonga | learners and whānau and sustains the Māori language and Māori culture. We want the education system to be a major contributor to cultural participation and wellbeing. We honour the obligations of partnership, participation and protection.

Together, our kāwanatanga role and tino rangatiratanga can bring about equity through the Treaty. For the Ministry this involves understanding Māori views and genuinely working in partnership, ensuring our practices are culturally responsive, and delivering inclusive services and equitable outcomes.

What we do

We are the lead advisor to the Government on education and the steward of the education system.

We 'shape' by:

- focusing on educational progress for all children, young people and adult students, in support of their social and economic outcomes and wellbeing
- providing advice on the sustainability and performance of the education system
- providing support for an effective education workforce to raise the quality of teaching
- ensuring the system reflects and fulfils our responsibilities under the Treaty of Waitangi | Te Tiriti o Waitangi.



We also deliver services through:

- regulating and supporting early learning providers, to ensure they are set up to provide quality education and support to children
- supporting schools and teachers to improve ākonga | learner progress and achievement through advisory and support initiatives, as well as learning programmes for individual students and their families or whānau
- providing learning support services to children and young people, and support to early learning services and schools
- delivering direct infrastructure services to help schools function, including property, transport and information technology (IT)
- setting payroll strategy and monitoring the schools payroll service to support school workforces
- administering the funding for early learning services and schools, and holding responsibility for the tertiary education funding administered by the Tertiary Education Commission (TEC)
- gathering, analysing, publishing and using evidence, data and knowledge across the system.



Government expectations for improving the education system

The Government wants a high-quality public education system that provides all New Zealanders with lifelong learning opportunities so they can discover and develop their full potential, engage fully in society, and lead rewarding and fulfilling lives. It has committed to rebuilding the system so it meets the needs of all ākonga | learners and helps them to succeed.

In February 2018, the Government agreed to a work programme covering early learning through schooling, tertiary and beyond with the following objectives, which have recently been updated:

- **Learners at the centre.** Learners with their whānau are at the centre of education.
- **Barrier-free access.** Great education opportunities and outcomes are within reach for every learner.
- **Quality teaching and leadership.** Quality teaching and leadership make the difference for learners and their whānau.
- **Future learning and work.** Learning that is relevant to the lives of New Zealanders today and throughout their lives.
- **World class inclusive public education.** New Zealand education is trusted and sustainable.

Through the Education Work Programme (refer page 7), the Government is revising medium-term strategies, system settings and other services to create a fit-for-purpose education system, aligned with an emerging long-term vision for education.

This Government has also called for broader measures of success and value, and a renewed focus on the hauora | wellbeing of New Zealanders.

Meeting performance expectations

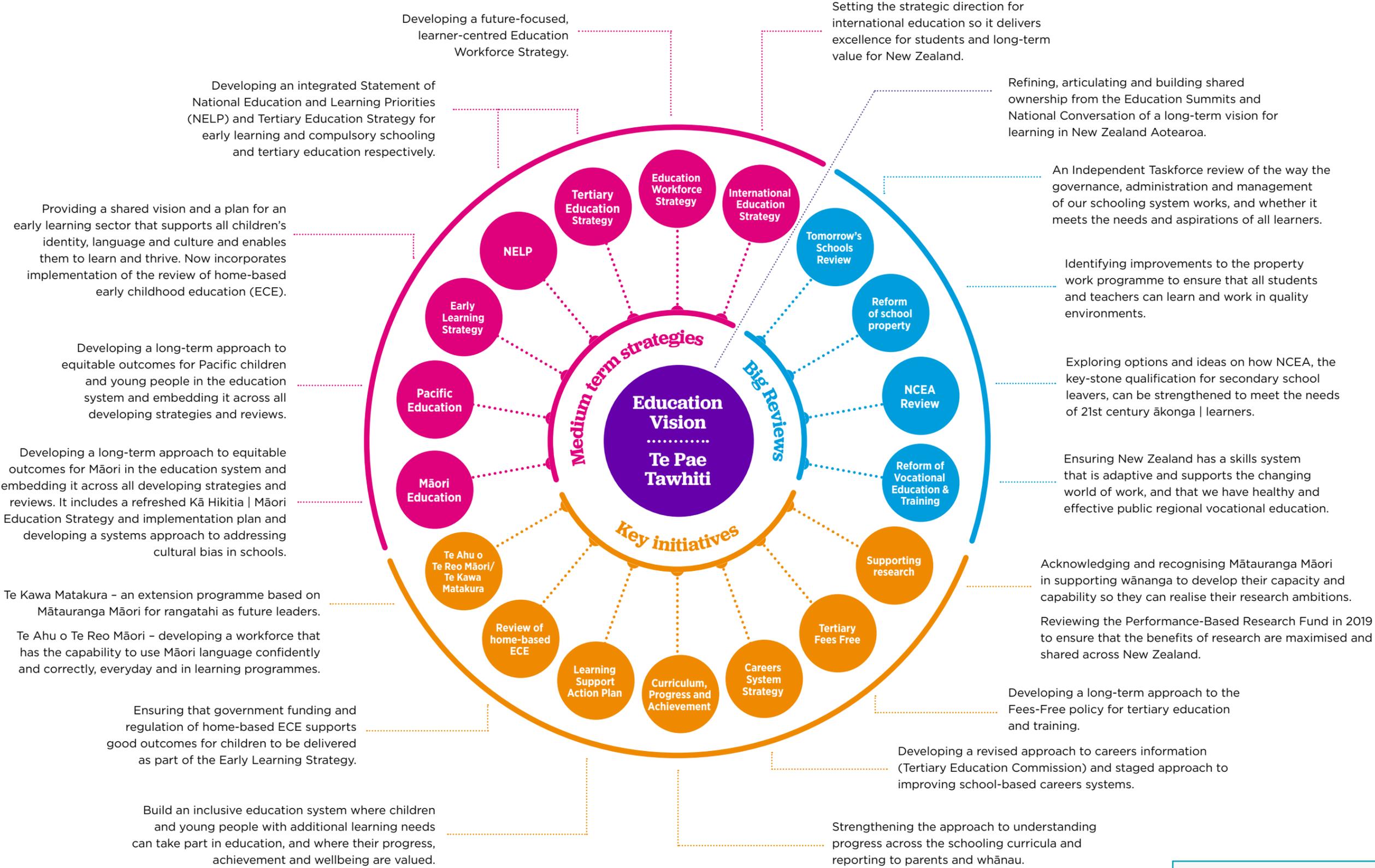
The *Ministry of Education Statement of Intent 2018-2023*, which was tabled in Parliament in December 2018, set out what we planned to deliver and how we would measure our contribution to the education system. It has a strong focus on supporting the Government's Education Work Programme and key initiatives highlighted in the diagram on page 7 as part of a multi-year work programme.

In this Annual Report we have highlighted progress on this work programme and how, through the delivery of our core services described above, we are maximising our contribution to equitable and excellent education outcomes. We also highlight how we are working more broadly with other agencies to improve the hauora | wellbeing of New Zealanders.

We have assessed progress against a set of high-level performance indicators, with the results summarised on page 48 and highlighted in Part 1 where relevant. Progress is measured over multiple years and requires input from multiple players – we cannot achieve these results on our own. Most indicators are trending in the right direction.

We also report on service specific measures set out in the Estimates of Appropriations for 2018/19 in Part 2 (pages 57 to 84). We have achieved the targets set for the majority of our measures. We have been challenged with the volume of demand in key areas, like learning support and Ministerial servicing, and continue to focus on how we can improve and optimise service delivery. All Ministerial satisfaction ratings have met the standard set in the Estimates of Appropriations.

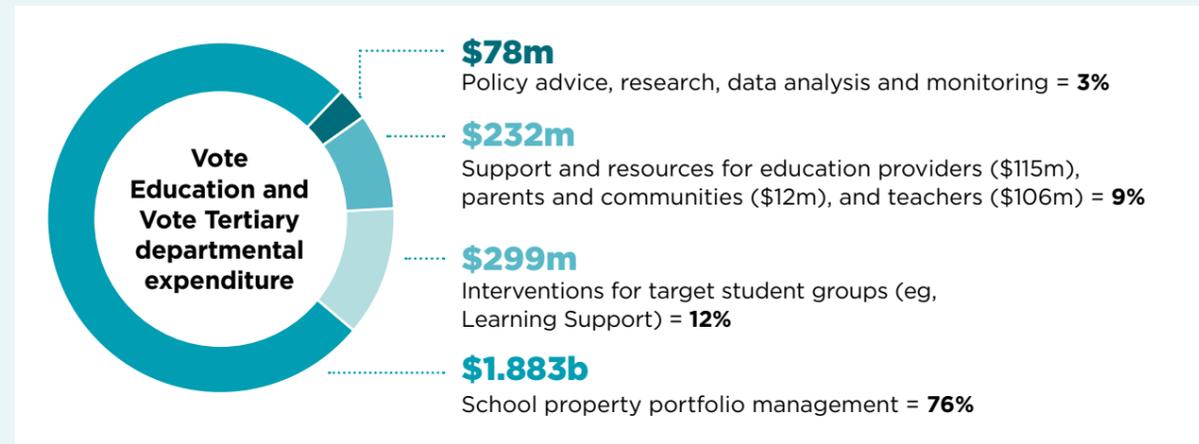
Education Work Programme



Updates on every big review, medium-term strategy and key initiative are provided in **Part 1**

The year at a glance

Our work helps shape an education system to deliver equitable and excellent outcomes

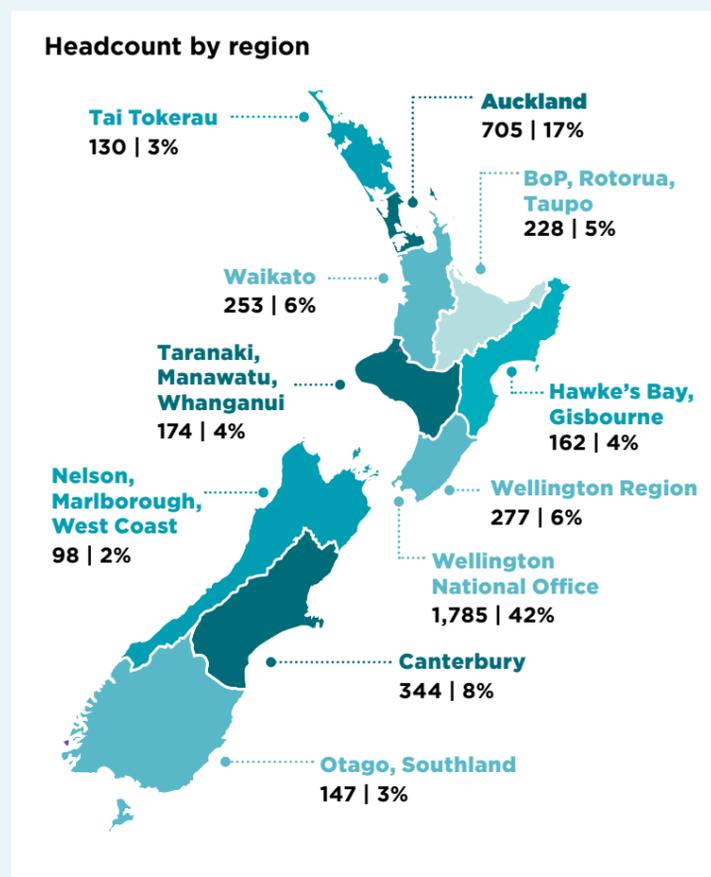


More than half of Ministry staff are frontline and in regions

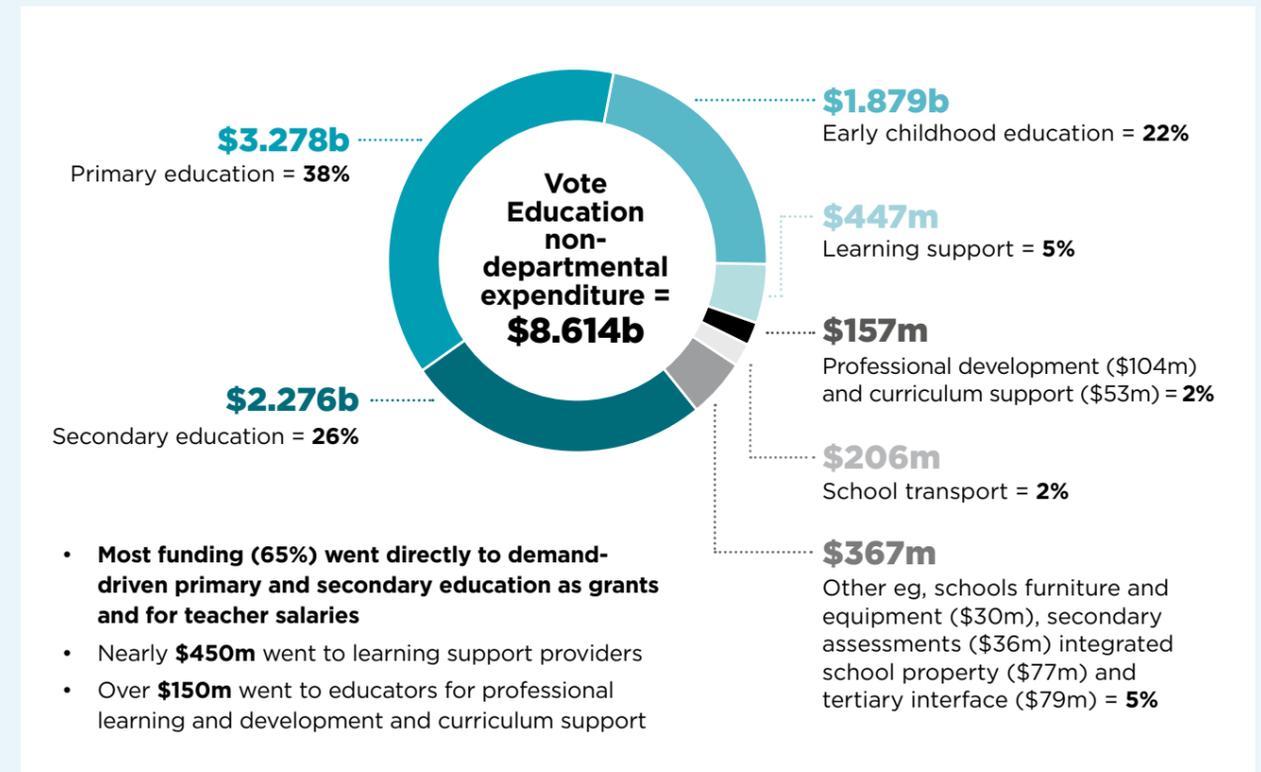
- At 30 June 2019, **3,253** full-time equivalent staff working from 45 Offices.
- 75%** support children and young people, educators and/or education services on the frontline.
- 58%** are in regions, providing support for local communities.

Delivering core services

- Delivered specialist learning support services to approximately **41,700** children and young people.
- Managed a school property portfolio of **\$18.3b**, completing **25** new schools and expansion projects, and major redevelopments at 32 existing schools.
- Assisted over **100,000** students with school transport to and from school.
- NCEA Vocational Pathway Awards helped over **21,800** school leavers achieve one or more awards.
- Provided responses to **4,270** Ministerial information requests.
- Engaged over **48,800** people in conversation about the future of New Zealand education.

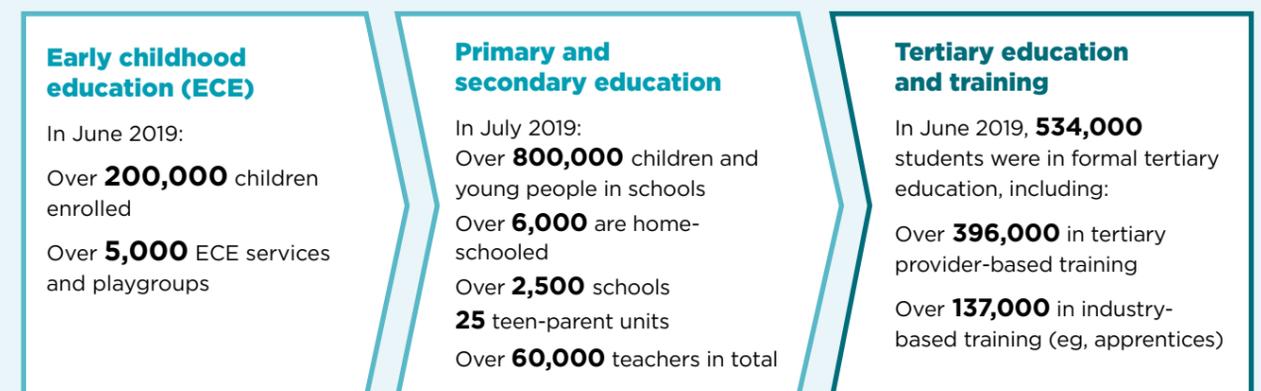


And we oversee the Crown's broader investment in the sector



We support more than 1.5 million children, young people and life-long ākonga | learners

through this funding, and the Crown's investment in other education sector Crown entities.



Total Votes: Education **\$12.136b**

Tertiary Education **\$3.300b**



PART 1

Our key achievements

This section outlines our key achievements during 2018/19 and what we had set out to achieve in our Statement of Intent for 2018-2023. This reporting is framed in terms of how the work has contributed to the Government's five objectives:

- **Learners at the centre**
- **Barrier-free access**
- **Quality teaching and leadership**
- **Future of learning and work**
- **World class inclusive public education.**

It then reports on progress during 2018/19 for the Ministry in:

- **Building capability and managing responsibly.**

This section concludes with a summary of results for the high-level performance indicators in our Statement of Intent for 2018-2023 and governance information.





Introduction

Listening to the views of New Zealanders

Building on the success of the 2017/18 Education Summits that were attended by over 1,400 people, the Ministry led extensive public engagement on the future of education through the **Education Conversation | Kōrero Mātauranga** during 2018/19. This public engagement has included:

- 48,800 people participating in the Kōrero Mātauranga
- 16,400 survey responses about the future of education
- #EdConvo18 trending #1 on Twitter
- more than 500,000 views on the Kōrero Mātauranga website by the end of 2018
- more than 650 group wānanga, fono, hui or meetings.

Conversations have been, and are being, held with Māori, children and young people, Pacific communities, parents, teachers, principals, advisory and reference groups, employers, people with disabilities or in need of learning support, political parties, school boards, whānau, iwi, LGBTQIA+¹ students and ethnic communities. These have taken place in a series of online surveys, wānanga, fono, co-design labs, social media posts, discussion documents and meetings.

We have worked very differently, proactively seeking views from people not usually heard, deliberately listening and co-creating options for change. This involved:

- expanding how we communicate, with more use of social media to engage with a broader audience
- having more face-to-face meetings and using creative workshop techniques to improve participation
- drawing on the expertise of subject matter experts and independent commentators
- providing communication material in multiple languages and formats to suit different audiences.

The themes that emerged are actively being used to influence the shape of our future education system as we progress the various initiatives within the Education Work Programme and beyond.

Developing a 30 year vision for education

The Ministry has supported the co-production of a 30 year **Education Vision | Te Pae Tawhiti** in association with the Guardians of the Education Conversation | Kōrero Mātauranga. This is a small, but diverse and representative, independent group tasked with helping to ensure recommendations for change to the Minister of Education and the Government reflect consideration of the big ideas that emerged from the conversations. The draft vision has subsequently been agreed in principle by the Government.

The Coalition Government's 30 year vision and purpose for education

Whakamaua te pae tata kia tina - take hold of your potential so it becomes your reality ...

We are descendants of explorers, discoverers and innovators who used their knowledge to traverse distant horizons. Our learning will be inclusive, equitable and connected so we progress and achieve advances for our people and their future journeys and encounters.

Whaia te pae tawhiti kia tata - explore beyond the distant horizon and draw it near!

¹ Lesbian, gay, bisexual, transgender, intersex, queer and aromantic.

Learners at the centre

Learners with their whānau are at the centre of education. We have both a shaping and service delivery role in this area.

Integrated strategy development with the learner at the centre

In 2018/19, the Ministry has reviewed key strategies that support the Education Work Programme, taking an integrated approach to strategic priorities across early learning, schooling and tertiary education. We have developed and consulted on:

- proposals for the **Early Learning Strategy** (see opposite)
- proposals for the **Reform of Vocational Education and Training (RoVE)**, subsequently agreed by Cabinet on 1 August 2019 (see page 36).

Together, two key instruments have a strong emphasis on improving wellbeing and belonging for all students, and particularly for Māori and Pacific peoples, ākonga | learners with disabilities and those with additional learning needs. These are the:

- **Statement of National Education and Learning Priorities (NELP)** for schools/kura, early learning services and ngā kōhanga reo
- **Tertiary Education Strategy (TES)**, which informs the Tertiary Education Commission's (TEC) investment process and supports it to communicate the priorities to tertiary education organisations.

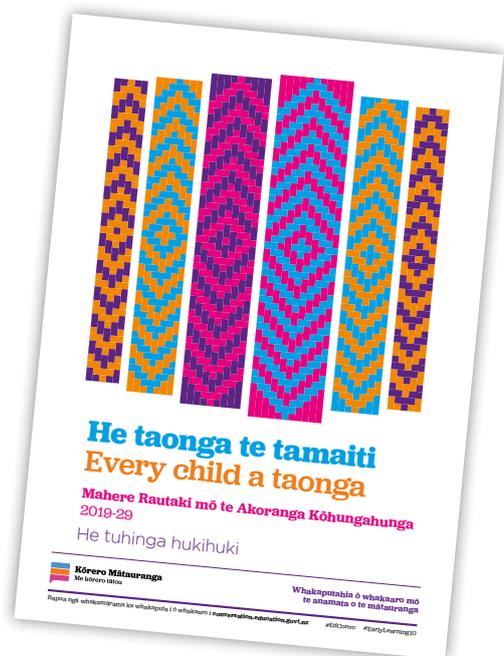
During 2018/19, the Ministry undertook preliminary work to co-develop these two draft strategic documents before seeking approval from Ministers to undertake consultation with the sector in 2019/20. The Government is taking an integrated approach to describing its priorities across the education system.

Developing an Early Learning Strategy

The Ministry has also developed a draft **Early Learning Strategy | He taonga te tamati**, based on 44 hui with over 1,900 people, 2,264 online survey submissions and 219 written submissions. Overall, there was a high level of agreement with most draft proposals, which include:

- moving towards a 100% qualified teacher workforce in ECE centres
- introducing higher adult:child ratios for babies and toddlers
- increasing the consistency and levels of teacher salaries and conditions across the sector
- a more planned approach to establishing new services, greater support and increased monitoring.

The Early Learning Strategy | He taonga te tamati is expected to be finalised later in 2019.



*We also supported the Independent Taskforce undertaking the **Review of Tomorrow's Schools** which is reviewing the governance, administration and management of our schooling system and whether it meets the needs of all ākonga | learners (see page 38).*



Strengthening the curriculum

We need to make sure every child and young person experiences rich opportunities to learn, with a curriculum and qualifications framework that supports progress and achievement.

Review of Curriculum, Progress and Achievement

The Ministry has been refocusing current curriculum, marau ā-kura, assessment and aromatawai supports to help kura and schools concentrate on students' progress across the curricula. A Ministerial Advisory Group, including experts and practitioners, has worked with a Reference Group of teachers, kaiako, school and kura leaders to consider how to make this shift. This has also been informed by discussions with Māori and Pacific educators, and educators with learning support and disability perspectives.

This work aims to strengthen progress across the national curriculum, including the development of progress maps | anga tupuranga, records of learning for ākongā | learners and parents, and updating the national curriculum. Meanwhile, new features have been added to existing progress and achievement tools.

Improving the National Certificate of Educational Achievement (NCEA)

In 2018/19, the Ministry continued to provide advice on how NCEA – the main qualification for secondary school leavers – could better meet the needs of 21st century ākongā | learners. More than 16,000 people engaged in the NCEA Review, including 4,000 young people.

We also helped advisory groups to provide independent advice on changes to NCEA and organised the consultation on these. Following the Government's in-principle agreement in June 2019 to key NCEA changes, we then started the design and implementation phase.

Creating more positive learning environments

Creating positive, safe and caring environments is essential for improving the participation, engagement, and the overall hauora | wellbeing of all ākongā | learners.

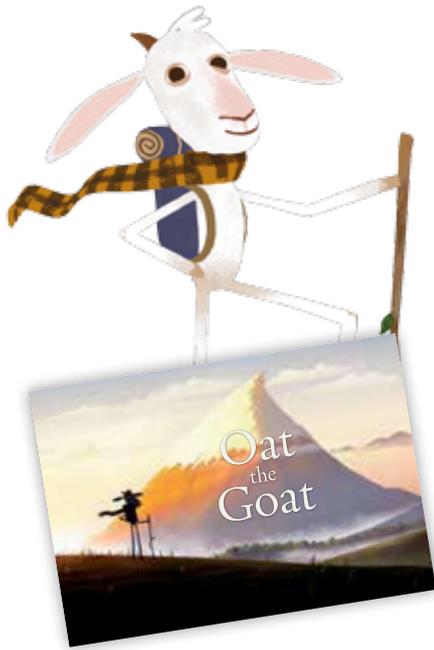
Addressing bullying at school

Bullying in schools is part of a complex social problem, which has significant negative impacts on learner wellbeing. International studies have shown rates of bullying in New Zealand schools to be significantly higher than international averages. However, a New Zealand Council for Educational Research (NZCER) report found that over the 2013 to 2018 calendar years, there was a continued slight decrease in the number of students reporting experiences of bullying behaviour. This pattern is observed across the different year levels and decile groups².

Many schools have comprehensive approaches to building safe and caring school environments and preventing bullying. The Ministry established and facilitates the **Bullying Prevention Advisory Group**, a collaboration of 15 agencies and professional organisations to coordinate a national response to bullying. A centralised website provides Boards of Trustees, school leaders, teachers, parents and whānau with easy access to a range of information and resources that support their bullying prevention activities. There is also specific guidance provided to support the inclusion, safety and wellbeing of LGBTQIA+ and disabled ākongā | learners.

The Bullying Free-NZ School Framework provides a structured process to help schools develop and review their bullying prevention and response approaches, based on research into 'what works'. Schools raised awareness of bullying prevention through the annual nationwide **Bullying-Free NZ Week**, held in conjunction with the Mental Health Foundation's Pink Shirt Day. They also took part in the Bullying-Free NZ Week competition showcasing student bullying prevention activities.

² Housiaux, A, Lawes E, Boyd S and Gardiner, B (2019). Delivery of services for Wellbeing@School & Inclusive Practices Tools Milestone Report (2018 data). NZCER. This finding is based on data from students in schools that voluntarily use the Wellbeing@School tools, which is not a representative sample of schools. It is possible the slight decrease in reported bullying is due to more schools with lower rates of bullying using the Wellbeing@School tools.



Our interactive digital book “Oat the Goat | Oti te Nanekoti” released in 2017/18, continues to help children learn the power of kindness. It has been further enhanced this year, with a hard copy made available and translation into seven Pacific languages.

During 2018/19 the Ministry has also established processes to support the Royal Commission into Abuse in Care, which includes looking at education settings.

Informing and supporting parents, whānau, iwi, communities and employers

Evidence confirms that effective partnerships between educators and those outside the ‘school gate’ – parents, whānau, communities, hapū, iwi, and employers – significantly improves education outcomes for children and young people.

The Ministry used 2017 parent market research to start a co-design process with four schools and their parent communities to understand how we can best support schools, parents, families and whānau to improve communications and engagement. Early surveys indicate that participating parents have received better information from schools and feel more able to support their children’s learning. Other examples of creating and supporting partnerships include Te Hurihanganui (page 19) and Pacific PowerUP (page 20).

Working with others to enhance hauora | wellbeing

Child and Youth Wellbeing Strategy

We have worked closely with the Department of Prime Minister and Cabinet (DPMC) to develop the Child and Youth Wellbeing Strategy. A range of education initiatives are in the Government Programme of Action to achieve the outcomes of the strategy. We have been co-leading cross-agency policy work in two key areas.

Advancing wellbeing for children aged 0 to 6 years

We are working with the Ministries of Health, Social Development and Oranga Tamariki to bring a collective approach to government support for children, parents, families and whānau. This includes:

- simplifying the system across health, education and welfare agencies to improve responsiveness to the needs of children, parents, family and whānau
- taking a life-course approach and ensuring children, their families and whānau receive the right level of support at the right time from the antenatal period onwards
- developing a work programme to better coordinate services for parenting, family and whānau across government agencies.

Freeing children and young people from racism and discrimination

We have jointly led, with the Ministry of Justice, the development of a vision and objectives that work towards freeing all children and young people from racism and discrimination. The objectives are to:

- ensure all emotional and physical spaces are safe, supportive and inclusive
- build understanding of racism and discrimination, power and privilege
- transform the way government operates to be equitable and anti-discriminatory.

These objectives were developed through research and engagements with children and young people, academics, sector representatives, other government agencies, the Youth Advisory Group and other experts. We have identified an initial set of short and medium-term actions across government to help achieve these objectives.



Indicators of child and youth wellbeing

We have worked with the Social Investment Agency and DPMC to develop child and youth wellbeing indicators and corresponding measures, especially for the outcome that children and young people are learning and developing. We currently administer some of the proposed measures, including:

Outcome: Children and young people are learning and developing

Indicator	Measure
Participation in early learning	Percentage of children attending early childhood education for 10 or more hours a week on average at age 3 and at age 4 – see page 17 of this report
Regular school attendance	Percentage of children and young people who are regularly attending school – see page 18 of this report
Literacy, numeracy, and science skills	Percentage of 15 year-olds meeting the Level 2 benchmark for reading, maths and science – see page 49 of this report (indicator number 7)

Once the review process is completed, DPMC will seek joint Ministerial approval to finalise the full list of child and youth wellbeing indicators and measures.

Improving physical and mental health

We have worked with the Ministry of Health and Sport New Zealand to develop the 2019 **Healthy Active Learning** budget package. The package secured just under \$48 million in new funding for a focus on healthy eating, an enhanced delivery of the health and physical education | Hauora curriculum, and the provision of active school environments.

Budget 2019 also provided \$19.6 million to Vote Health to expand the **Nurses in Schools** programme, and \$455 million for Vote Health to develop a **nationwide mental health service** so more children and young people with mental health issues can access the services they need.

Joint Venture to Eliminate Family Violence and Sexual Violence

The Ministry of Education, as a member of the Joint Venture to Eliminate Family Violence and Sexual Violence, worked in collaboration with nine other responsible government agencies to develop the 2019 Family Violence and Sexual Violence Budget package. The package secured \$320 million in new funding and set a precedent for joined-up holistic approaches to tackling complex social issues.

Disability system transformation

On 1 October 2018, a Ministry of Health-led prototype for a transformed disability support system (**Mana Whaikaha**) started in the MidCentral District Health Board region. Mana Whaikaha tests new ways of supporting disabled children and young people and their whānau through the education system. Our focus is on integrating services and supports across agencies, and seamless pathways, ie, transitions into, out of and between schools. As at 31 March 2019, 1,958 disabled people were engaged with Mana Whaikaha, with 580 allocated to a Ministry of Health Connector and 157 waiting on allocation. The number of 0 to 8 year olds allocated (or waiting on allocation) to a Connector was 127 (16.8%) and the number of 9 to 21 year olds was 233 (30.8%).

As part of Mana Whaikaha we are working with secondary schools to deliver information sessions for young people, their whānau and school staff, to improve transitions from secondary to tertiary education and into employment. We are also working to improve cross-agency service and support integration, and pathways for children and young people on the autism spectrum and between 0 to 8 years old.

We have also strengthened our engagement with disabled people and the disability sector. The rate of disabled young people not in employment, education or training (NEET) is significantly higher than the rate for non-disabled people. In 2018/19 we have established regular working groups with the Disability Rights Commissioner on issues such as curriculum, progress and achievement, vocational education and transitions to work. We have also created an engagement toolkit for our own staff – Te Kīwai Whaikaha – to help our people engage effectively with disabled people so they can participate in the changes happening in education.

Barrier-free access

Greater education opportunities and outcomes are within reach for every learner. We have both a shaping and service delivery role in this area.

ECE participation and engagement

Participation in quality early learning has positive and lasting associations with literacy, numeracy and social skills later in life. Every child needs access to a high-quality early learning service that is valued by their parents and supports their identity, language and culture.

Participation has plateaued and lower rates continue for Māori, Pacific and students in lower socio-economic areas. June 2019 data on the percentage of school entrants who attended ECE before starting school (called prior participation) shows that, overall, prior participation in ECE has marginally lifted to 97% since June 2018. The intensity of attendance, however, has increased for all ākonga | learners.

Overall, the percentage of children attending ECE for 10+ hours a week and 20+ hours a week is, on average, increasing when aged 3 and 4. See Figures 1 and 2 for the percentage attending ECE for 10+ hours a week at both ages)³.

Participation is largely demand driven, including by parental choice to engage in early learning, and influenced by a range of factors such as confidence, appreciation of the value of ECE and the supply of services.

Ministry actions to support participation include developing the Early Learning Strategy (see page 13), leading the Review of Home-based ECE (see page 38), strengthening accountability in the early childhood sector and supporting the delivery of key programmes such as Engaging Priority Families and Strengthening Early Learning Opportunities for children, whānau, families and communities.

Figure 1 - ECE participation intensity (10+ hours per week) at age 3

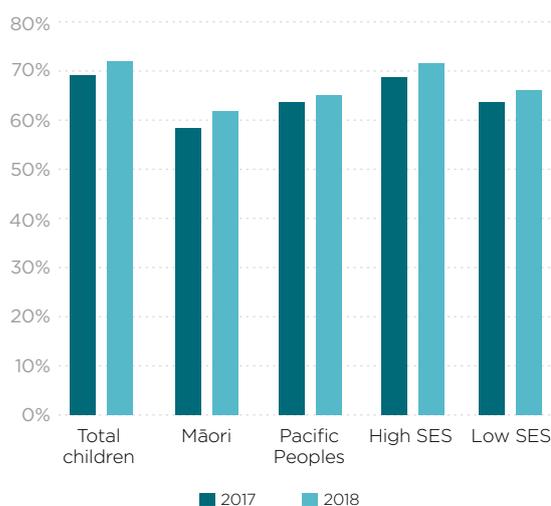
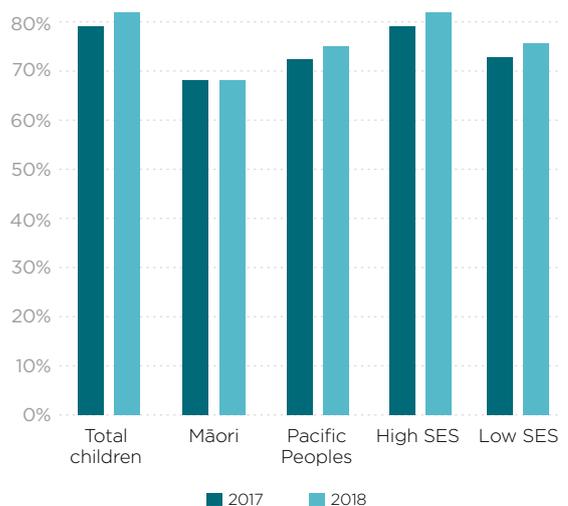


Figure 2 - ECE participation intensity (10+ hours per week) at age 4



³ These measures are based on StatsNZ estimates of the total population of children aged 4 and 5 at 30 June 2017 and 30 June 2018, and their participation intensity from Ministry records in the preceding year. SES means socio-economic status. These measures do not include attendance from services that do not report their data via the Early Learning Information system, such as ngā kōhanga reo or playgroups.



Primary and secondary education participation and engagement

Attendance at school is important as it supports student success in education.

Participation in primary and secondary education has improved for all ethnicities and decile ranges

Regular attendance means students attending school for more than 90% of available half-days. In 2018, the percentage of regular attendance for all students marginally increased to 63.8%, following declines in the two previous years.

Rates improved for all ethnicities and decile ranges shown in Figure 3 (Ministry of Education 2018 Term 2 Attendance Survey data).

Chronic absence has slightly increased

2018 data on the percentage of students with chronic absences⁴ show it generally increased slightly for all students (from 5.8% to 6%), but to a lesser extent than between 2016 and 2017 (from 5.1% to 5.8%) (see Figure 4).

Māori and Pacific students, and students in Decile 1 to 5 schools, have the lowest rates for regular attendance and the highest rates for chronic absence.

The rate of chronic absence is about four times higher in Decile 1 (13.2%) schools than in Decile 10 (3.2%) schools. Māori students also have higher rates of early leaving exemptions compared with students from other ethnic groups.

Supporting schools to increase attendance and engagement

Regular school attendance is one indicator of the strength of student engagement and is directly linked with educational progress and achievement. There are a diverse range of reasons why students are not attending school regularly. Responsibility for ensuring students are enrolled in and attending school is shared between students, parents, schools, Attendance Service providers and the Ministry.

We are exploring options for the **Attendance Service**, including how resources to manage attendance could be located closer to schools.

Other actions to support primary and secondary schools to improve attendance and engagement this year have included:

- Ministry regional offices focusing on attendance and the voice of schools in their continuous improvement work with schools
- developing prototypes to test new approaches to improve attendance

Figure 3 - Percentage of students attending school regularly (by ethnicity and decile ranges)

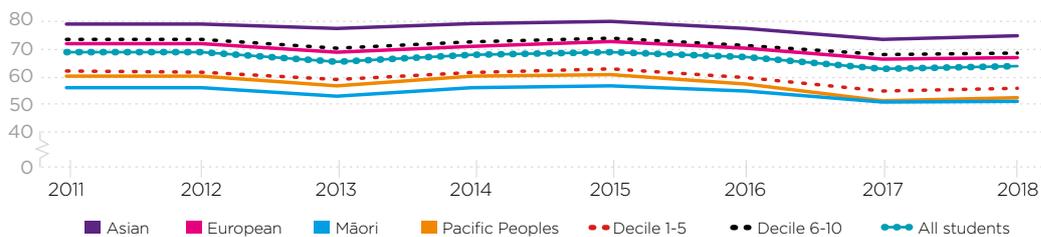
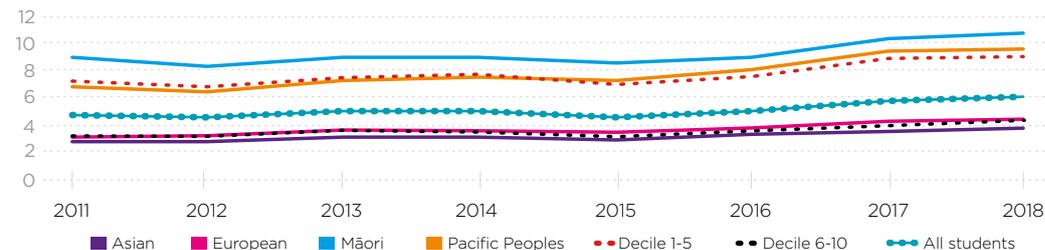


Figure 4 - Percentage of students with chronic absence (by ethnicity and decile ranges)



4 Chronic absence means students attending school 70%, or less, of available half-days.



- the **Every Day Matters** initiative providing schools with their attendance data patterns and trends to support decisions on how to improve attendance – as at June 2019, 457 schools (19%) were signed up for Every Day Matters, a 94% increase since June 2018
- the Learning Support Action Plan (refer page 21) supporting children and young people at risk of disengaging from school, including work to redesign Alternative Education services.

Ākonga | learners progressing and achieving to their potential

For children and young people to thrive, they need to experience high-quality education that values and sustains their identity, language and culture.

Achievement levels for 15 year olds have compared well internationally and achievement levels for 18 year olds increased in the 2018 school year, including for Māori and Pacific students (as reported in 2019).

New Zealand has a comparatively wide range of achievement between the highest and lowest performers, and comparatively high proportions of very low performers compared with countries with similar average achievement. There are high and low performers in all ethnic groupings, but the New Zealand education system supports the progress and achievement of students from Māori and Pacific backgrounds and with lower socio-economic status the least.

Achievement levels for 10 to 11 year olds have compared less well internationally and student progress tends to be slower around the intermediate school years. This is being considered as part of the review of Curriculum, Progress and Achievement (see page 14).

Supporting Māori to succeed as Māori

Ka Hikitia | Māori Education Strategy and Te Hurihanganui

The Ministry is working in stages to refresh **Ka Hikitia | the Māori Education Strategy** to provide the strategic direction for Māori education and an organising framework for the work we will undertake. In 2018/19, our focus has included:

- updating our evidence base about Māori education
- reviewing domestic and international research, theory and practice
- engaging with Māori ākonga | learners, whānau and other interested people through 36+ wānanga across New Zealand to discuss their aspirations
- refreshing relationships with Māori Education Peak Bodies and establishing a new standing forum
- taking stock of the current services and programmes provided to Māori ākonga | learners and whānau across the education system.

We have developed a tool to provide consistent guidance about issues and opportunities for Māori ākonga | learners across the overall Education Work Programme, and will build an implementation plan in 2019/20 that ensures our vision and outcomes for Māori education are aligned to the Education Vision | Te Pae Tawhiti.

We also completed the design work for **Te Hurihanganui** (Restarting Te Kotahitanga). This involved developing a *Blueprint for Transformative System Shift* with mātanga (e.g. experts) to address racism, strengthen equity



and accelerate the educational achievement and wellbeing of ākonga | learners and their whānau. Budget 2019 provided \$42 million to test and evaluate this kaupapa in six communities over three years.

Supporting Māori ākonga | learners and their whānau

We are tailoring our approaches to partnering with and supporting Māori ākonga | learners, their whānau and iwi to realise Māori success as Māori. For this we have:

- developed the **Iwi and Māori Education Relationships Investment Framework**, and implemented partnership agreements to allocate resources to co-develop initiatives with iwi and Māori organisations
- supported the Maru Whakatipua conference and the development of a Tairāwhiti Māori-medium education strategy
- provided many resources through Te Aho Ngārahu so iwi can tell their stories. For example, we
 - › launched *Te Kura I Monoa* at Waipatu Marae in Hastings, a story of a Ngāti Kahungunu chief and his travels and exploits through the local area. *The Treasured Plume*, an English language version of *Te Kura I Monoa*, was also published
 - › launched *Manawatū* at Te Rangimārie Marae in Palmerston North, which is an augmented reality graphic novel resource that tells the ancient stories and history of the local region.

Supporting Pacific peoples to succeed

Improving Pacific education

Accelerating the progress and achievement of Pacific students is critical for delivering equity and excellence. The Ministry has been co-developing the **Action Plan for Pacific Education** based on the voices and findings from 27 Pacific education fono with Pacific families, communities and the sector. These fono engaged with over 2,000 people and received 7,000 comments on the future of Pacific education. This work has been used to steer and influence the wider Education Work Programme.



The Strategic Adviser Māori role has been established in each of the 10 Ministry regional offices. They provide strategic advice and leadership across the region to help the organisation accelerate Māori educational achievement, seeking equity outcomes and the promotion of Māori identity, language and culture and to support the Director of Education to lead engagements with iwi and Māori stakeholders. Three examples of the work they have been progressing locally include support for the Kōrero Mātauranga, working with iwi and Kāhui Ako to partner to better support identity, language and culture, and the Toikuranui project, with a focus on investing in shared aspirations between the Ministry and mana whenua.

Supporting Pacific ākonga | learners and families

We are tailoring our approaches to partnering with and supporting Pacific learners, their families and communities. In Budget 2019, the Government allocated \$27 million over four years to ensure Pacific students and their families have the skills, knowledge and opportunities to pursue education. This includes funding for **Pacific PowerUP** which supported Pacific parents, their children, families and communities through 20 PowerStations in 2018/19. The 2016-2018 Longitudinal Evaluation and Case Studies found that after completing Pacific PowerUP:

- a higher proportion of parents said they felt very confident to engage with teachers (84% up from 42% at the start of the programme)
- parents felt confident they had the knowledge to support their child's with their learning (88%, up from 39%)
- parents understood the pathways available to their children such as further studies, vocational pathways, employment (73%, up from 33%)

- more students felt confident talking to their teachers (68%, up from 29%)
- classroom teachers noted “students asked more questions, contribute to classroom discussion and complete work more competently”.

To celebrate and support learning of, and in, Pacific languages the Ministry:

- released digital learning supports through the **Languagenut app** in five Pacific languages (Samoan, Tongan, Cook Island Māori, Niuean and Tokelauan)
- sponsored the Auckland secondary schools **ASB Polyfest** speech competition in four Pacific languages (Samoan, Tongan, Cook Island Māori and Niuean).

In 2018, the **Pasifika Early Literacy Project** (PELP) continued to build on the early language and literacy experiences young Pacific students bring to school, and to promote reciprocal partnerships between home and school. PELP worked with 10 schools, 30 teachers and 503 new entrant to Year 2 Pacific students in English-medium classrooms. Over 300 parents participated in fono with teachers to build their partnerships with families and Pacific communities. Impacts include that:

- parents reported placing increased value on their own linguistic and cultural capital
- teachers reported increased knowledge about learning second languages and early literacy practice
- Pacific student vocabulary and writing improved.

Supporting those with extra learning support needs

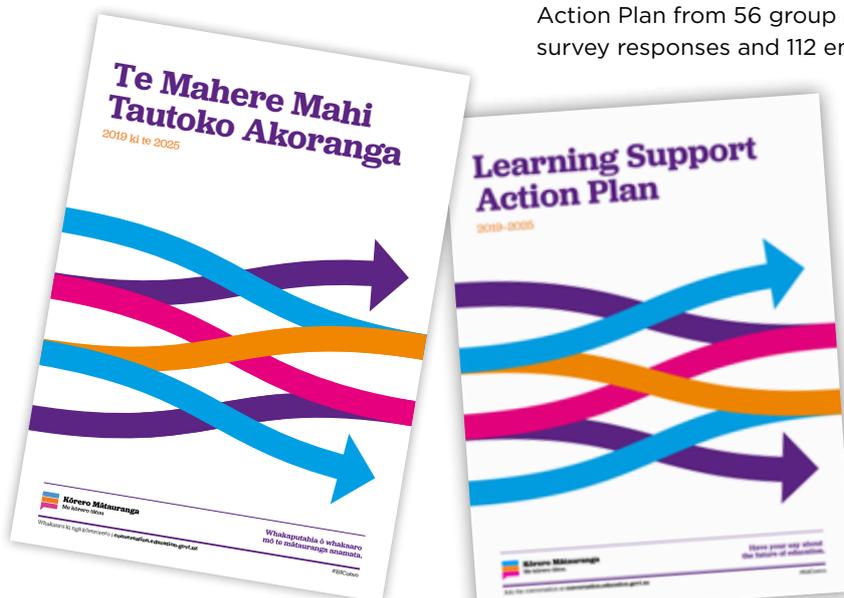
Learning Support Action Plan

The Ministry is improving learning support to build more inclusive education where all children and young people are welcome, and their progress, achievement, wellbeing and participation is valued and supported. Working alongside education and learning support stakeholders, we developed the **Learning Support Action Plan 2019-25**, which the Associate Minister of Education announced in July 2019. The plan includes six strategic priorities:

- introducing the first tranche of Learning Support Coordinators (LSCs) in schools and kura
- developing new screening tools to help the early identification of learning support needs
- strengthening early intervention for pre-schoolers
- creating a flexible set of services and supports for neurodiverse children and young people
- better meeting the learning needs of gifted children and young people
- improving education for children and young people at risk of disengaging.

This plan responds to:

- the findings of the Select Committee Inquiry to improve identification and support for children and young people with dyslexia, dyspraxia and autism spectrum disorders
- the feedback and submissions on the draft Action Plan from 56 group meetings, 736 survey responses and 112 email submissions.





The plan was published in full in te reo Māori, English, Cook Island Māori, Tongan, Tokelauan, Korean and simplified Chinese, with summaries available in New Zealand Sign Language and other languages and formats including Braille.

Budget 2019 provided \$336 million of operational funding and \$95 million of capital funding to learning support in the following areas:

- \$217 million to provide 623 new LSCs to strengthen in-school support for disabled children and young people and those with learning support needs in around 1,000 schools. \$95 million was also provided in capital funding to support schools to accommodate the first tranche of LSCs due to be appointed and in place in schools from January 2020
- \$81 million for addressing critical cost and demand pressures, to ensure that children and young people with learning support needs receive timely and quality support
- \$8 million for other improvements, including to support gifted students and students most at risk of disengagement from the education system.

Responding to demand for specialist learning support services

We have experienced growing demand for specialist learning support services. Regional staff report strong demand for services for children and young people with mental health and other behaviour-related needs. Between 2013/14 and 2018/19 the total number of requests for core specialist services increased by 19%. This has been driven by a range of factors, including earlier identification of learning support needs (due to higher rates of and earlier participation in ECE), an increasing school-aged population and rising referrals for children with complex needs (eg, foetal alcohol spectrum disorder).

Through working in more flexible ways we have been able to deliver services to more children and young people. However, it has been difficult to meet our waiting time standards, particularly for early intervention services (see the table on page 23). Recruiting and retaining experienced learning support specialist staff is an ongoing challenge.

We are implementing a new **Learning Support Delivery Model (LSDM)** to provide timelier and more accessible, flexible, child-centred and connected learning support (and wider social, disability and health support and services).

The LSDM brings local early learning services, kōhanga reo, schools and kura together to work with the Ministry, other agencies, iwi and service providers so all children and young people can get the right support, in the right place, at the right time. The LSDM organises learning support based on what best meets ākonga | learners' needs, rather than criteria for fixed services. It introduces more local control to deliver a more tailored response, with local communities deciding how best to use available resources.

The LSDM will be in place at varying levels of implementation across New Zealand by the end of 2019. By 30 June 2019, the model was supporting more than 200 clusters of schools and kura (up by more than 50 since the start of 2018/19), which are responsive to local needs (1,851 schools, 1,029 early learning services and over 613,695 of New Zealand's 814,891 school students).

We have also:

- started implementing a new satisfaction survey, to better understand from parents and educators how things are going and to review the delivery of services
- agreed a Learning Support Monitoring and Evaluation Strategy to progressively build our understanding of the effectiveness of learning support services and the quality of information available on who is accessing services, the impact and unmet demand
- started co-developing a One Practice Framework with a representative group of Ministry and Resource Teachers: Learning and Behaviour (RTLB) staff to support those working with students
- started developing a **Learning Support Workforce Strategy** to support the recruitment and retention of the necessary specialist staff.

Services provided and associated results for 2018/19

This table summarises the purpose, coverage and results from specific learning support services.

	Service	Purpose	Coverage and results
Core services	Early Intervention	Supports children, and their whānau and kaiako, from their birth until they start school in relation to their needs such as behaviour, hearing and vision, social or developmental, disabilities and communication.	<ul style="list-style-type: none"> • 4.8% more children received Early Intervention support in 2018/19 (15,109 in total, an annual increase of 695). • As at 30 June 2019, 2,714 children were waiting to receive Early Intervention (up from 2,552 as at 30 June 2018). Average wait times lengthened to 105.39 days from 97.52 last year. • A number of regional actions are underway to address wait times. For example, in South Auckland Ministry specialists are working with Plunket to provide support to parents with concerns about their child's learning development. At the national level we are working to understand what practice support is needed for regional actions and to improve reporting consistency and accuracy. • Also as part of the Expanding Behaviour Services we have partnered with community providers to deliver the Mellow Parenting programme and the Incredible Years Toddler programme.
	Behaviour Services	Collaboratively assesses and supports the needs of ākonga learners who experience behavioural challenges, and co-designs tailored support plans for them and Professional Learning and Development for their schools and early learning services.	<ul style="list-style-type: none"> • Overall 7.7% more children received Behaviour Services support in 2018/19 (4,714 in total, an annual increase of 337). • As at 30 June 2019, 447 children were waiting to receive Behaviour Services support (down from 510 as at 30 June 2018). • Average wait times lengthened to 49.12 days from 41.83 days last year. At the national level we are working to understand what practice support is needed for regional actions to improve this.
	Communication Services	Speech language therapists work with children and build capability of their whānau, family and teachers to support their ability to communicate – this is prioritised for children 0 to 8 years old.	<ul style="list-style-type: none"> • Overall 6.35% more children received Communication Services support in 2018/19 (7,540 in total, an annual increase of 450). • As at 30 June 2019, 882 children were waiting to receive Communication Services support (up from 855 as at 30 June 2018). • Average wait times reduced to 73.15 days from 74.13 days last year. For example, in Wellington we are working with 16 kindergartens to provide initial support to parents to facilitate speech and language development. By working earlier with children we may minimise the need for more intensive support later in a child's life.
	Ongoing Resourcing Scheme (ORS)	Provides a package of resources and specialist support for ākonga learners who have highest ongoing levels of need for specialist support throughout their schooling years.	<ul style="list-style-type: none"> • Specialist support is available to support students in the ORS at any time throughout their schooling. • ORS supports close to 2% of the school population who require high and very high levels of specialist teacher and specialist input.
	Te Kahu Toi Intensive Wraparound Service	Builds on the collective actions of family and whānau, friends, community and professional supports to co-design a plan of care for 5 to 14 year old ākonga learners with highly complex and challenging behavioural, social and/or learning needs.	<ul style="list-style-type: none"> • Te Kahu Toi Intensive Wraparound Service worked with 369 children and young people and their whānau and families in 2018. • An evaluation in 2018 found equal improvements for both Māori and non-Māori ākonga learners and their whānau and families, illustrating how equity can be improved.



Specialist teachers	Resource Teachers: Learning and Behaviour (RTLBs)	Provides resourcing to 40 lead school primary and secondary Boards of Trustees for RTLBs to provide learning and behaviour services and support to teachers, schools, kura and Kāhui Ako to develop inclusive classroom environments.	<ul style="list-style-type: none"> In 2018/19, 962 RTLBs (up 33 from the previous year) supported 14,201 individual student cases. This is an increase of 1,230 which means 9.48% more children received support from the RTLB service. RTLb built the confidence of their teachers and helped schools/kura include students with diverse learning needs in regular classroom programmes. As well as individual student cases, RTLb support groups of students, whole classes and school wide programmes. More children are supported through these projects and initiatives. An ERO evaluation (published 2018) highlighted significant improvements in the quality and consistency of the RTLb service, especially in overall governance and management.
	Resource Teachers of Literacy (RTLit)	Provides specialised literacy assistance to ākonga learners in Years 1 to 8 who are experiencing difficulties with literacy learning, and English reading literacy, written literacy, and oral language support to teachers of identified or targeted ākonga learners.	<ul style="list-style-type: none"> RTLits supported 4,753 students (directly or indirectly) in 2018 compared to 4,360 students in 2017. Supported teachers and schools to meet the needs of those in Years 1 to 8 experiencing difficulties with literacy learning. 38% of students successfully completed the intervention (down 3% from 2017), and 28% continued to receive support (up 2% from 2017).
Targeted services	Reading Recovery	Provides daily one to one teaching with a specially trained teacher for ākonga learners making the slowest progress in literacy learning after a year at primary school. It is supplementary to classroom instruction.	<ul style="list-style-type: none"> Reading Recovery supported 8,936 students in 2018 (9,463 in 2017), with a greater proportion of Māori and Pacific students involved than European/Pākehā and Asian students. Most students (74%) who completed it were able to work effectively with their peers without extra support. Completion rates were slightly lower (60-73%) for boys, Māori and Pacific students, and students from schools in the lowest socio-economic areas.
	Foundational Learning	Foundational learning weaves knowledge, skills and capabilities (critical learning including literacy, numeracy, English, mathematics and the key competencies) across the learning pathway. It also includes a range of foundational learning supports.	<ul style="list-style-type: none"> The short-term supports, Accelerated Learning in Literacy (ALL), Accelerated Learning in Mathematics (ALiM) and Mathematics Support Teacher (MST), were delivered to 6,312 students in 2018. ALL, ALiM and MST accelerated the achievement of 70% of students involved by at least one year. In 2019 foundational learning supports with a broader curriculum focus (including social and emotional wellbeing) are being delivered and we will be able to report early impacts in January 2020.
New services	Incredible Years Autism (IYA)	Part of a series of programmes for parents of children aged 2 to 5 on the autism spectrum that aims to promote children's emotional regulation, positive social interactions and language development.	<ul style="list-style-type: none"> In 2018, we began offering two IYA programmes specifically designed for teachers and caregivers, parents, and whānau of children on the autism spectrum aged 2 to 5 years. All providers are now using the IYA web app, with an exceptionally high consent rate (87% of enrolled participants), and online assessment enabling efficient collation of quality data for the impact evaluation. Early evidence, gathered through an online data management system, shows a significant increase in parental wellbeing, and largely positive shifts in teacher confidence and reported practices.

New services (cont)	<p>Oral Language and Literacy Initiative (OLLI)</p>	<p>Enhances teacher knowledge, practices and confidence to successfully support the oral language and early literacy development of children in selected early learning services.</p>	<ul style="list-style-type: none"> Delivered to 102 early learning services in eight regions from February to June 2019 (118 early learning services in the control group are involved from July to November 2019). Results of the monitoring and evaluation will be used to enhance OLLi support, practice and delivery, and ensure the quality and integrity of the evaluation. A significant change in reported teacher practice and confidence due to OLLi was found. Moreover, positive effects of OLLi are experienced in early learning services, with results shared in two <i>Educational Gazette</i> articles.
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Supporting gifted learners

Development of the Learning Support Action Plan identified the need to provide more and better learning support for gifted ākonga | learners with estimates of up to 40,000 such ākonga | learners in New Zealand. As was announced in February 2018, extra resources are being made available to help gifted ākonga | learners to experience success and wellbeing. The Gifted Education Package recognises that gifted ākonga | learners and notions of giftedness are diverse. It builds on the strengths and aspirations of gifted ākonga | learners, and enables better support for them in and out of the classroom.

Providing extra targeted support

The Ministry has been reviewing **Alternative Education**, while continuing to support existing programmes and introduce new programmes to help all children and young people progress and achieve their potential.

Alternative Education supports students who are not engaged well in mainstream education. We held an Alternative Education Hui in February 2019, where a vision for the future of alternative education was presented. Following further engagement with young people in alternative settings themselves, we tested a refined vision for the future with stakeholders in June 2019. Another hui is planned for later in 2019, to workshop how to make this vision a reality.

The **Year 9 Plus** trial of early intervention and ongoing support for ‘at risk’ ākonga | learners has continued to improve their chances of educational success, to better their future life opportunities. Of the original cohort of Year 9 students in 2016, 76 remain in the region receiving support to keep education in their pathway. Of this group, 79% are in education, with 34 in secondary school and 26 in tertiary education, including work-based courses. 10.5% are in employment but not studying. Champions continue to work with the remaining 10.5% not in employment, education or training (NEET) to re-engage them through short courses.

Key recent achievements include:

- ākonga | learners completing Resilience and Life Skills accredited short courses and developing strategies for managing stress
- parents and whānau increasingly initiating partnership actions with their school to address issues for younger siblings
- paying school driver licence fees which has improved taura engagement
- a team-style approach of championing education successfully managing transience when taura moved between homes across the East Coast, Gisborne and Wairoa
- champions role modelling to teachers, who attended and observed short courses about how to actively engage and support ākonga | learners through positive expectations.

In 2018, targeted support was provided for students to achieve NCEA Level 2 or equivalent:

- 6,784 students from 330 schools utilised 6320 trades academy-funded places in 2018 - 77.3% of the 4,138 Year 12+ students involved achieved NCEA Level 2 or equivalent, including 73.7% of 1,445 Māori students and 75.6% of 732 Pacific students⁵

5 1,429 students were either Year 10 or Year 11



- 3,346 students, including 1,649 Māori and 891 Pacific, were supported through the Achievement, Retention, Transitions – Numbers, Names, and Needs initiative for Year 10 and 11 students who may be at risk of disengagement across 127 schools, as well as at-risk students in tertiary education organisations. 1,883 (56%) attained NCEA Level 2 or equivalent, including 878 Māori students (53%) and 521 Pacific students (58%).

Addressing financial barriers

Removing barriers for schooling

We continue to provide advice for the Government on initiatives to remove barriers to education. For example, Budget 2019 allocated \$265.6 million in funding to replace school donations, removing a financial barrier to education access for the benefit of up to 500,000 students and their families in around 1,700 schools.

Changes to NCEA through Budget 2019 included removing NCEA fees that families pay each year. It is anticipated more than 145,000 households will benefit from this financial barrier being removed.

System improvements

The Ministry is working towards phasing in the proposed **Equity Index** as a replacement for school deciles, to improve the targeting of resources to better mitigate the impacts of socio-economic disadvantage.

We are also delivering a new **Education Resourcing System** to determine funding for ECE, schools and learning support. New functions include Additional Relief Teacher Funding, operational funding for playgroups and make-a-payment functionality. Over 2,600 sector users are set up with access.

Improving access through Fees-Free tertiary education

During 2018/19, we oversaw eligibility changes to support access to tertiary education and training in 2019, and the implementation of the Fees-Free policy. Fees-Free supports ākonga | learners to access study or training and apprenticeships for the equivalent of one year's study, or the first two years of a training programme (apprenticeship through an Industry Training Organisation).

We also provided advice to the Government about using a long-term approach to the Fees-Free policy for tertiary education and training, to apply in stages from 2021 and 2024.



Quality teaching and leadership

Quality teaching and leadership makes the difference for learners and their whānau. We have both a shaping and service delivery role in this area.

Teaching needs to build from ākonga | learners' strengths and adapt to their context so they progress, achieve and excel. We need our educators to be valued and influential as part of a trusted high-status profession. Recent 2018 international data showed most of our teachers feel effective, engage students and get on well with others, but that job satisfaction had decreased slightly since 2014.

Key workforce statistics and trends

In 2018, there were 60,634 teachers (excluding relief teachers): 34,439 primary and 26,195 secondary. Among these teachers:

- 45,513 identified as female (75%)
- 2,825 were beginning teachers (1,698 primary and 1,127 secondary) – 215 more than 2017
- 12% identified as Māori and 4% as Pacific
- since 2017:
 - › the average age was maintained at 45.3 years for primary and 46.6 for secondary teachers
 - › entry rates increased by 0.5% to 6.7% (6.1% for primary and 7.4% for secondary)
 - › retention rates increased by 0.5% for primary (to 95%) and 1.2% for secondary (to 94%)
- 70% of the 2012 beginning teachers' cohort was still teaching.

Developing an education workforce vision and strategy

The Ministry set up a Workforce Strategy Governance Group, with 25 education sector members, and co-developed a **Vision for the Education Workforce 2032**. This is part of New Zealand's first integrated **Education Workforce Strategy** which will:

- ensure we attract, retain and develop the workforce needed for all ākonga | learners to progress and succeed
- help address inequities and unique needs across both Māori-medium and English-medium settings
- reduce workloads and strengthen teacher capability across our education system.

Cabinet consideration of the proposed Education Workforce Strategy is expected in late 2019. To assist with this work we have improved our education workforce data and analysis by:

- establishing a single source of workforce data, including through the new Schooling Workforce Data Series, and the Teacher Supply and Demand Planning Tool
- analysing beginning teacher trends in detail
- establishing an Education Workforce Data Dashboard to track changes in the workforce
- refreshing our internal Education Workforce Analysis and Data Oversight Group for technical support.

Attracting and retaining teachers

During 2018/19, the Ministry has **improved teacher supply** by:

- recruiting New Zealand trained or overseas trained teachers and increasing funding for Initial Teacher Education (ITE)
- developing the Teacher Demand and Supply Planning Tool to underpin workforce planning and funding decisions
- supporting the Teaching Council to strengthen ITE programmes to meet the Council's new requirements.



As at 17 June 2019:

- over 1,200 overseas teachers were available for interview by principals through an overseas recruitment campaign – 339 overseas trained teachers have accepted roles
- more than 700 applications were received to reimburse costs when returning home or moving to New Zealand, and more than 320 applications were received for finders' fees from schools these teachers accepted roles in
- over 1,600 teachers were enrolled in the Teacher Education Refresh Subsidy
- 128 of the 230 beginning teachers able to be recruited under the National Beginning Teacher Induction Grant were in place
- 52 of the 60 beginning teachers able to be recruited through the Auckland Provisionally Certified Teacher project were teaching in schools
- 76 participants commenced the Teach First NZ programme
- three rounds of the TeachNZ Scholarships were completed – 345 awarded for Rounds 1 and 2.

Budget 2019 allocated a further \$95 million to increase teacher supply for the future.

The Ministry also supported workforce negotiations, bargaining and pay equity. The average pay increase for all teachers is 9% over three years. Settlements were achieved for the:

- Primary Teachers' Collective Agreement
- Area School Teachers' Collective Agreement
- Secondary Teachers' Collective Agreement
- Te Aho o Te Kura Pounamu Early Childhood Teachers' Collective Agreement, and the
- Special Residential Schools Collective Agreement.

Pay parity for primary and secondary teachers with the same qualifications was achieved.

An accord was also agreed to support high-quality teaching and reduce teacher workload, and subsequent identification of 14 areas for reducing teacher and principal workloads.

Professional learning and development (PLD)

In total we spent \$104 million on PLD in 2018/19. Of this, approximately \$85.9 million was spent on PLD support for teachers, kaiako and principals in areas such as Digital Technologies | Hangarau Matihiko, inquiry-based practice and Networks of Expertise.

We also enhanced PLD by:

- developing a prototype cloud-based PLD Learning System to replace the PLD journal, simplifying administration and providing more meaningful data for schools, kura and the Ministry
- supporting schools and kura to improve their capability for evaluating the effectiveness of PLD
- implementing a PLD package to support sector engagement with the **updated Te Whāriki** (early childhood curriculum), including:
 - › engaging with over 200 services identified as needing extra support or PLD, to shift practice to support children's learning (81% of participants rated the approach 5 or 6 out of 6)
 - › developing online PLD resources for early learning services
 - › creating more local opportunities for kaiako and kaiāwhina to access ongoing PLD through Te Whāriki a te Kōhanga Reo – over 300 whānau from 60 Kōhanga Reo attended wānanga with broad representation, including kaumātua, kaiako, kaiāwhina and whānau.

An Education Review Office report from November 2018 exploring how early learning services were engaging with the updated Te Whāriki found that uptake of PLD was high. Leaders and kaiako reported high awareness of, and growing confidence in, Te Whāriki. Te Kōhanga Reo Trust and individual kōhanga reo have also recorded positive shifts in practice, particularly in te reo Māori capability.

*The draft **Early Learning Strategy | He taonga** has a strong focus on improving the early learning workforce – moving towards a 100% qualified teacher workforce and increasing the consistency of salaries and conditions across the sector (see page 13)*

Building a culturally responsive workforce

Capability to use Māori language confidently and correctly

We are implementing **Te Ahu o Te Reo Māori** to improve the capability of the workforce to use Māori language confidently and correctly by:

- releasing the report by mātanga (mātauranga and reo Māori experts), *He Puna Whakaaro: Mo Te Ahu o te Reo Māori me Te Kawa Matakura*, which outlined their key recommendations for Te Ahu o te Reo Māori
- co-designing Te Ahu o te Reo Māori with mātanga, including confirmation of four priority regions for testing in 2019
- recruiting over 600 participants, including teachers, kaiako, support staff and principals from English-medium and Māori-medium schools, kura and early learning centres, and confirming funding contributions towards teacher release for 624 eligible participants
- developing Ngā Taumata o Te Ahu o te Reo Māori, a Māori Language Framework to guide regional delivery that includes proficiency levels, learning outcomes and success indicators
- starting Te Ahu o te Reo Māori in Taranaki-Whanganui and Te Waipounamu ki Ngāi Tahu, and preparing for Waikato Tainui and Kapiti-Horowhenua-Porirua initiatives.



Supporting resources for teachers and ākonga | learners

We also delivered resources to assist teachers and ākonga | learners. For example, we:

- co-designed the online **Kauwhata Reo** platform with the education sector, Māori experts, language experts and education agencies. We successfully loaded about 2,500 resources onto it, providing integrated resources that strengthen te reo Māori in education for all teachers and ākonga | learners
- developed Teaching and Learning Guidelines for Māori-medium and English-medium focusing on classroom suggestions, resources and curriculum links to support **Tuia Mātauranga**
- published and distributed a range of:
 - › te reo Māori language resources supporting local curriculum subjects – **Te Aho Ngārahu** – to Kōhanga Reo, early childhood education (ECE) centres, schools and kura in June 2019
 - › e-books showcasing local events, people and experiences, and inquiry-based learning activities for kura and Māori-medium that are adaptable for early learning, and primary and secondary schools.

Supporting teachers of Pacific ākonga | learners

We also launched **Tapasā** in September 2018, a Cultural Competencies Framework for teachers of Pacific learners to support teachers and school leaders be more culturally aware, confident and competent when engaging with Pacific learners and their families and communities. It was distributed to every early learning centre and school across New Zealand. Implementation co-design workshops started across the country from February 2019.



Promoting active teaching of hauora | wellbeing in schools

Effective schools take a whole-of-school approach to the promotion of hauora | wellbeing, by developing strategic actions based on their vision and values and fostering a positive and consistent school culture. Evidence shows actively teaching for hauora | wellbeing is critical.

Supporting school-wide improvements

The Ministry and ACC jointly enable free school access to the **Wellbeing@School** survey tools so they can understand student and teacher perceptions about aggressive and bullying behaviour in their school, prioritise and plan their responses, and assess whether these are effective. By the end of December 2018:

- 1,655 schools (approximately 66%) had registered for the Wellbeing@School website and tools
- 582 schools had made active use of the surveys within the 2018 school year, representing 312 new registrations and a 58% increase in survey use since 2017.

The **Positive Behaviour for Learning** (PB4L) School-Wide approach provides schools with training, coaching and resources. It helps develop a consistent whole-of-school approach to support teaching, monitoring and acknowledgement of pro-social behavioural expectations. As at December 2018:

- 34% (883) of all schools and 56% (198) of all secondary schools were implementing PB4L School-Wide – 46% of PB4L School-Wide schools were in Deciles 1 to 3
- approximately 329,000 students attended a PB4L School-Wide school in 2018, of which an estimated 29% (95,400) were Māori and 12% (39,500) were Pacific.

Active teaching of hauora | wellbeing

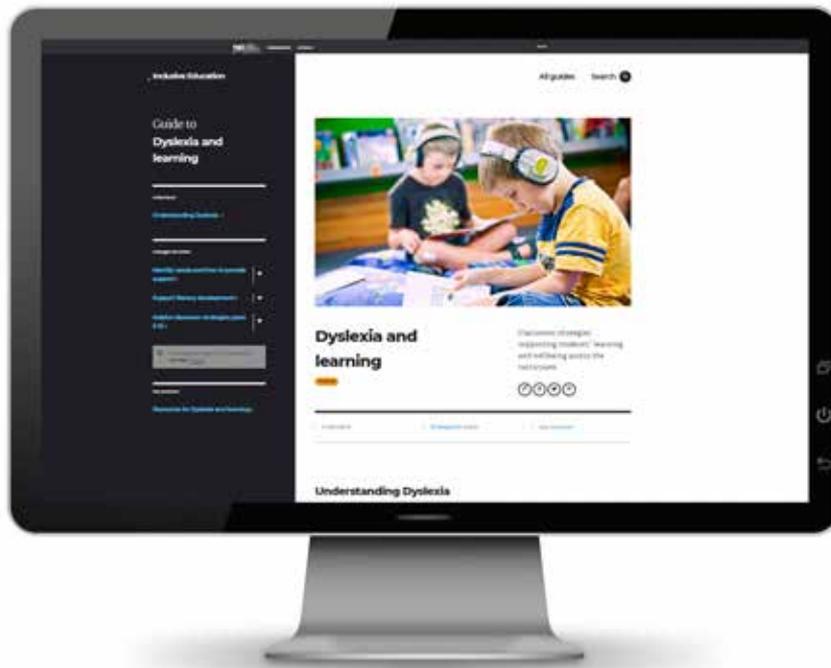
In 2018/19, 277 schools completed the Ministry of Education workshop **Understanding Behaviour, Responding Safely**. This aims to provide support to primary and secondary school staff to establish and maintain positive environments for learning.

In 2018/19, 1,877 teachers of students aged 3 to 8 years participated in the **Incredible Years Teachers** programme. This provides tools and strategies to help teachers build positive relationships with students and proactively address problem behaviours by using positive attention, encouragement, praise and teaching of social skills, empathy and problem solving.

At the end of June 2019, 297 schools had undertaken PB4L **Restorative Practice** training, which offers staff best practice tools and techniques to restore relationships when things go wrong. Participating schools have reported calmer learning environments, and students report this is an effective and respectful classroom management strategy.

Schools are able to access a range of guidance to promote and respond to the wellbeing of their students.

- The **Inclusive Education website** offers schools online practical guides to recognise, plan for and meet the learning and wellbeing needs of diverse ākonga | learners. Guides include: dyslexia and learning, LGBTIQ+ ākonga | learners, positive peer relationships, behaviour and learning, and curriculum accessibility.
- **Teaching for Positive Behaviour** is a print and web-based resource that supports primary and secondary school teachers to understand and draw on effective practices to enhance ākonga | learners' behaviour, engagement, participation and learning.
- **Te Pakiaka Tangata: Strengthening Student Wellbeing for Success** assists secondary schools and wharekura to deliver good practice pastoral care and guidance counselling.



- **Preventing and Responding to Suicide: Resource Kit** for Schools, currently being revised, supports a collaborative approach to recognising and responding to young people in distress, and communicating effectively and safely about suicide and suicide risk to reduce and relieve the impact of suicidal behaviour.
- **The Restraint Guidelines**, also under revision, provide school Boards of Trustees, managers, principals, teachers and authorised staff with guidance around their responsibilities under the physical restraint provisions of the Education Act, and rules relating to the use and reporting of physical restraint. The guidelines emphasise the importance of student wellbeing and provide best practice guidance on how to minimise the need for and use of physical restraint, and how to safely manage and respond to potentially unsafe behaviour.

Response, recovery and wellbeing after the tragic Christchurch event

The Ministry's Christchurch regional office led the Ministry's response to the Christchurch mosque shootings on 15 March 2019, with support from National Office. The immediate response was to contact all schools, kura and early learning services in New Zealand and offer Traumatic Incident support. We also sent guidelines for parents and educators to all schools, to support conversations with children and young people. Schools and principals, particularly in Christchurch, were appreciative of the Ministry's support and advice. Our staff and the sector displayed great courage, professionalism and compassion in meeting the needs of our children and young people at this tragic time.

Keeping schools and early learning centres open and functioning normally was a priority for recovery. While the attacks in Christchurch were carried out by an extremist, their roots are in racial and religious intolerance. We are supporting initiatives to address these issues, and providing resources for teachers and education leaders to assist conversations in the classroom and promote wellbeing more broadly.



Future of learning and work

Learning needs to be relevant to the lives of New Zealanders today and throughout their lives, as we meet the changing opportunities and challenges of the future of work. We have more of a shaping role in this area, with service delivery provided through Education New Zealand (ENZ), the New Zealand Qualifications Authority (NZQA), the Tertiary Education Commission (TEC) and the tertiary education organisations they monitor.

Ensuring the curriculum is relevant and responsive for diverse ākonga

We need to ensure education is preparing our children and young people to participate, create and thrive in this fast-evolving digital world. Schools are expected to fully integrate incorporate **Digital Technologies and Hangarau Matihiko** into their local curriculum or marau ā-kura by the start of the 2020 school year. To support this we have provided a range of support for schools and kura, aimed at both educators and ākonga | learners. Over \$38 million has been ring-fenced to support our educators to deliver the new digital technologies learning in the National Curriculum. We expect that, over time, teachers will become more and more confident and capable in teaching digital technologies. Our Digital Readiness Programme alone had supported more than 12,200 teachers by July 2019.

The Ministry introduced a new package of dual language learning resources and curriculum supports for 2019, with a focus on Pacific languages and New Zealand Sign Language. A trial of a digital language learning app is underway in a small number of schools.

We developed tools and resources for communities to engage with **Tuia Mātauranga**, which supports national identity through local curriculum development in the context of local people, places and events that shaped their history and identity. The **Local Curriculum Design Toolkit** was delivered in English-medium and Māori-medium for Kāhui Ako, kura, schools and early learning kaiako and teachers to review and co-design local curriculum with their community.

This toolkit engages ākonga | learners and their whānau by reflecting their identities, culture and language.

We have begun developing a refreshed curriculum teaching resource responding to and supporting ākonga | learners with dyslexia, which will be accompanied by a parent resource for learning support at home.

Learning in and through te reo Māori

Latest data (from 1 July 2018) shows there were:

- 191,084 students participating in Māori language immersion Levels 1 to 5
- 20,511 students (97% identifying as Māori) engaged in Māori-medium education, spread across 278 schools – about 3% of the total school population (and 10% of all Māori ākonga | learners)
- 170,573 students engaged in Māori language in English-medium education, spread across 1,093 schools – about 21% of the total school population.

We have been focused on strengthening learning in and through te reo Māori. For example, we:

- are co-developing **Tau Mai Te Reo, the Māori Language in Education Strategy**, which reflects the central role of Māori identity, language and culture within education
- supported the development and launch of **Maihi Karauna**, the whole-of-government Māori Language Strategy
- sponsored **Te Matatini** to showcase the best of Kapa Haka, where **Mōu te Reo** (the Ministry's campaign to inspire and support all children and young people to learn in and through te reo Māori) received a positive response with resources in high demand.

Supporting Mātauranga Māori

To help grow rangatahi as future Mātauranga Māori leaders, we launched **Te Kawa Matakura** in April 2019 – an extension programme based on Mātauranga Māori. Recommendations from mātanga for Te Kawa Matakura are in the released report – *He Puna Whakaaro: Mo Te Ahu o te Reo Māori me Te Kawa Matakura*.

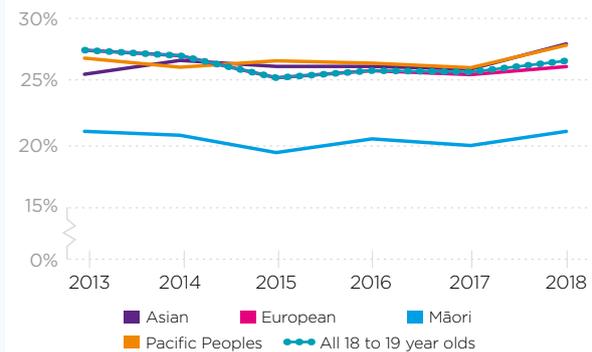
Access to tertiary education and training

First-time participation rates for 18 to 19 year olds have increased in Level 3 to 7 tertiary education, including for Māori and Pacific students ...

Latest data from 2018 (Figure 5) shows that since 2017, as a proportion of the total population of 18 to 19 year olds, there has been an overall increase (1%) in all first-time participation rates in Level 3 to 7 tertiary education (approximately 1,500), a 1.6% increase for both Pacific and Asian first-time participation rates, and a 1% increase for Māori.

Total participation in Level 3 to 7 tertiary education, including first-time participation (as a proportion of the total population of 16 to 24 and 25 to 40 year olds) is shown in Figure 6. There has been a 1.2% increase for 16 to 24 year olds (approximately 1,400), and a marginal reduction for 25 to 40 year olds, but the total increased by approximately 1,700.

Figure 5 - First-time participation rate of 18 to 19 year olds in Level 3 to 7 tertiary education and training (by ethnicity)



... but transitions from school to tertiary education and training slightly decreased overall

Latest data from 2018 (Figure 7) shows that since 2017 the proportion of school leavers transitioning Level 3 or higher education or training within three years of leaving school:

- slightly decreased overall by 1%
- remained constant for both European and Māori
- increased by 2% for Middle Eastern, Latin American and African (MELAA)⁶.

A number of factors influence this such as economic conditions.

Figure 6 - Total participation rate in Level 3 to 7 tertiary education and training

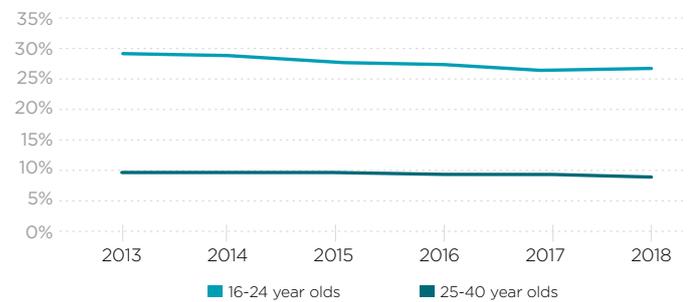
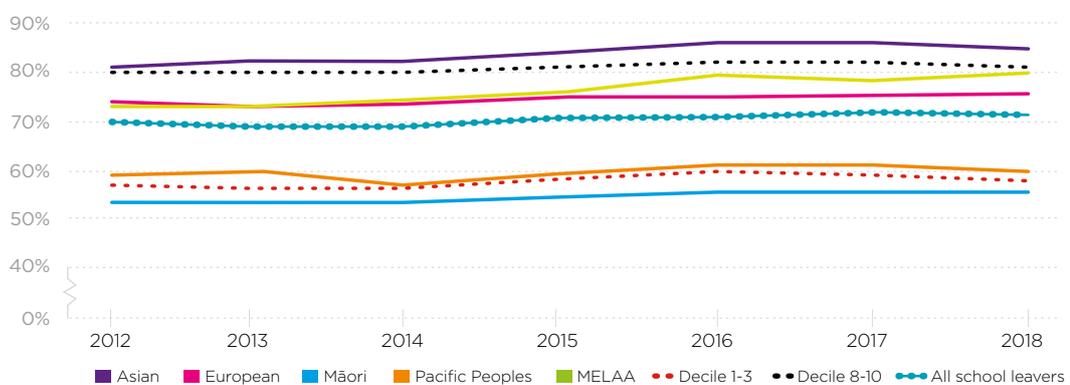


Figure 7 - Proportion of school leavers enrolled in Level 3 or higher education or training within three years of leaving school (by ethnicity and decile ranges)



6 Source: Single Data Return and industry training register, and Statistics NZ population estimates.



Strengthening pathways through secondary education into further education and/or employment

Supporting school leavers' transitions

The Ministry completed engagement with a wide range of students, school staff and employers to produce the high-level **School Leavers Toolkit** design, and launched a schools-facing toolkit website with an initial tranche of content. Targeted workshops continue with secondary schools on improving pathways out of school, which is aligned with the toolkit.

The Ministry also supported transitions by:

- identifying future directions for **Youth Guarantee Fees-Free** and **foundation education in the tertiary education system**, to improve the performance of foundation tertiary education for young people and adults who leave school with little or no qualifications
 - developing a range of proposals to strengthen careers education in schools that could form the basis of a **Career Action Plan**
 - establishing an **NCEA Vocational Pathways Award** to help students into future employment – more than 21,800 school leavers achieved one or more of the awards in 2018
 - working with the Universal College of Learning to develop initiatives to increase the participation of young disabled people
 - working with the Manawatu Chamber of Commerce (Talent Central) and schools to increase access to explicit teaching of work readiness skills in their area.
- We have supported various other initiatives to help connect employers, business, industry and young people so they can explore potential career pathways through:
- the **Got a Trade? Got it Made!** Campaign for over 250 young people and their families in four regional centres
 - the **Wharekura Pathway Expo** in Christchurch for 100 rangatahi from five wharekura across the South Island
 - the **It's Your World, Upskill for the Future** event in Gisborne, which provided 450 young people with insights into a range of career pathways
 - the **Otara STEAM⁷ Innovation** event attended by over 600 ākonga | learners and 100 teachers, which focused on enhancing culture through technology, and promoting the importance of STEAM subjects in future pathways of young people
 - supporting over 9,000 young people from over 350 schools to engage with STEAM subjects and explore the world of technology through **Tech Week** activities and **GirlBoss** workshops
 - supporting the **Mayors Taskforce for Jobs** to see how communities can be more engaged with education-to-employment initiatives and make opportunities for employers and schools to create chances for young people to experience work
 - engaging business and industry through the **Education to Employment Matters Group**, and our regular meetings with philanthropic organisations.

Competencies for participating in society

More adults now hold qualifications to participate in society ...

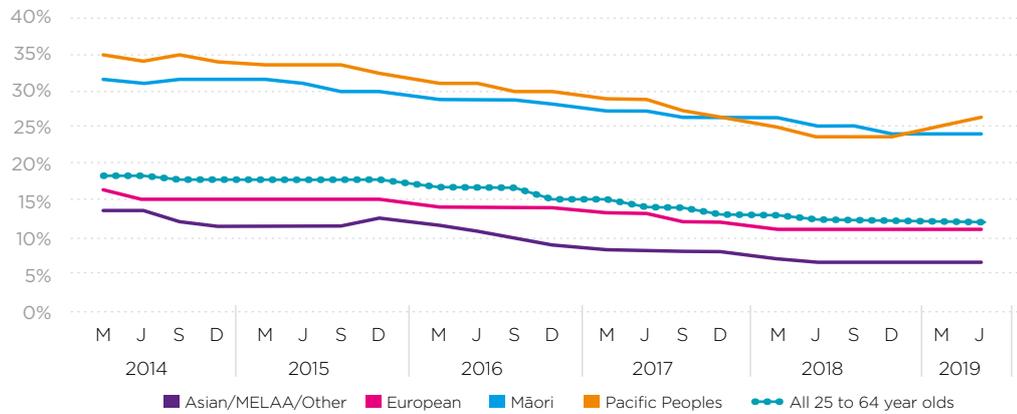
Latest data from June 2019 (Figure 8) shows that since June 2018, the proportion of 25 to 64 year olds with no formal qualifications has:

- decreased overall (by 1%)
- decreased by 1% for Māori
- remained the same for European and Asian/MELAA/Other
- increased by 2% for Pacific.

These trends are affected by the population ageing and migration.

7 STEAM – Science, Technology, Engineering, Arts and Mathematics.

Figure 8 - Proportion of 25 to 64 year olds with no formal qualifications (by ethnicity)

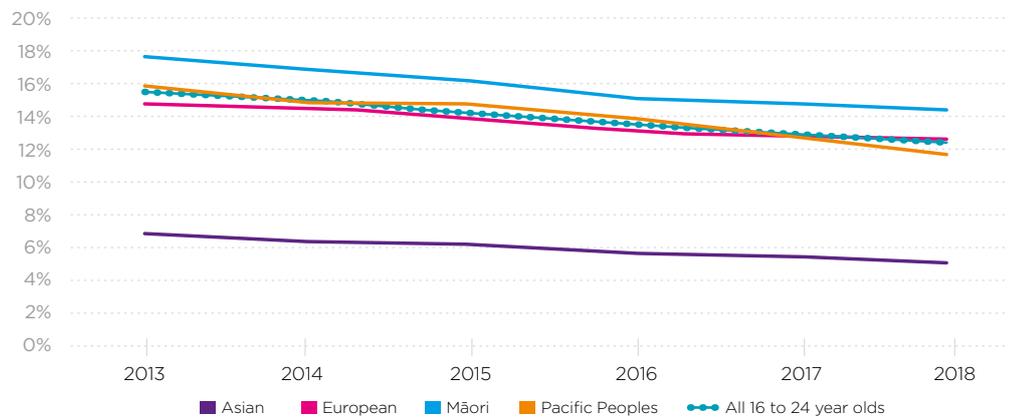


... but vocational education and training participation decreased slightly

From 2017 to 2018, there was a 0.3% decrease in the proportion of 16 to 24 year olds participating in vocational education and training (about 1,800 fewer in total).

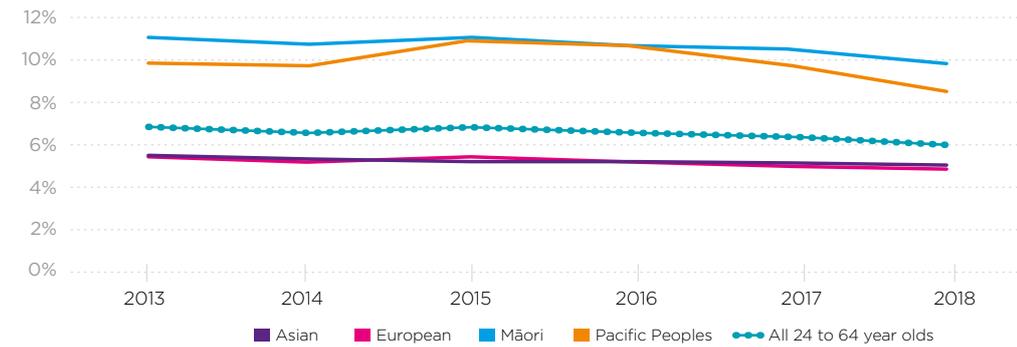
The rate reduced for Māori, Pacific and Asian but stayed the same for European (Figure 9).

Figure 9 - 16 to 24 year old participation rate in vocational education and training (by ethnicity)



From 2017 to 2018, there was a 0.4% decrease in the proportion of 24 to 64 year olds in vocational education and training (about 8,000 fewer in total) - the rate reduced for all major ethnicities (Figure 10).

Figure 10 - 24 to 64 year old participation rate in vocational education and training (by ethnicity)





Reforming vocational education and training

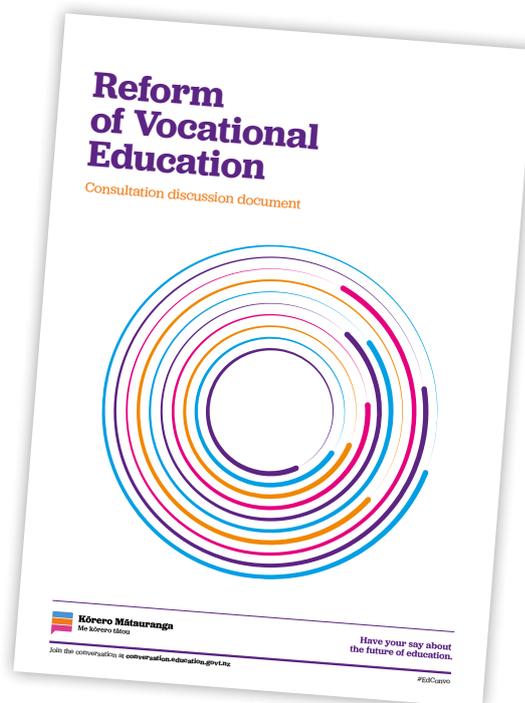
Through the **Reform of Vocational Education and Training (RoVE)** we considered how New Zealand can have a skills system that is strong, unified and adaptive and delivers the skills that ākonga | learners and employers need now, as well as supporting the changing world of work.

In early 2019 Cabinet agreed to public consultation on a proposed set of reforms which combined the Ministry's sector review and the TEC's Industry Training Provision (ITP) 'Roadmap 2020'. Consultation took place from 13 February until 5 April 2019. We received 1,500 submissions and met with more than 5,400 people through approximately 190 events and meetings across New Zealand. These included iwi, wānanga, Industry Training Organisations (ITOs) and ITP boards, council members, staff and ākonga | learners, employers, industry bodies, and community leaders, and a range of diverse employers.

On 22 July Cabinet agreed to seven key changes that will create a unified vocational education system:

1. create Workforce Development Councils with leadership across the whole vocational education system
2. create a New Zealand Institute of Skills & Technology
3. shift the role of supporting workplace learning from ITOs to providers
4. support the Ministry of Business, Innovation and Employment to establish Regional Skills Leadership Groups
5. establish Centres of Vocational Excellence
6. establish Te Taumata Aronui: to ensure that the Reform of Vocational Education reflects the Government's commitment to Māori-Crown partnerships.
7. unify the vocational education funding system.

Subsequently on 1 August 2019, the Government announced the first steps they plan to take to create a strong, unified, sustainable system for all vocational education. The legal transition to the new system is expected to be completed by the end of 2022, unless extended by the Minister.



We began work to establish **Te Taumata Aronui** to ensure that the tertiary education reforms reflect the Government's commitment to Māori-Crown partnerships. This includes working with Māori to improve ākonga | learner and community outcomes, and on the Universities New Zealand proposal aimed at lifting Māori ākonga | learner progress and achievement in universities. We also oversaw the establishment of a fund for tertiary providers to review student learning experiences, identify improvements and develop better interventions to improve equity, including for Māori and Pacific students.

Significantly, we started to co-develop the Government's **Tertiary Education Strategy** – proposals for current and medium-term priorities for tertiary education and training, as noted on page 13. We also had meetings with sector groups and participated in a workshop to co-design a **future vision and priorities for the Adult and Community Education sector**.

A post-schooling Outcomes Framework, consistent with the Treasury's Living Standards Framework, has been agreed to inform better decision-making on education that will improve the wellbeing of New Zealanders.



Internationally credible skills and institutions

Improving international education

All inter-agency governance arrangements and processes are now established to implement the new **International Education Strategy**. This sets the strategic direction for international education so it delivers excellence for students and long-term economic, social and cultural value for New Zealand.

The Ministry began work on changes to **Export Education Levy** rates, to increase fairness by introducing a risk-rated premium, and engaged with the sector on options for this.

We amended the Code of Practice to strengthen protections for international students, including contracts and disciplinary measures, safety checking and issues with education agents. We also developed draft definitions of global competencies for the national curriculum.

Supporting international relationships and collaboration

The Ministry has continued to support key **bilateral education relationships**. This has enabled policy dialogue on a range of aspects of our education system through, for example:

- supporting a Ministerial visit to China and the hosting of high-level delegations from China
- officials' engagements with Singapore
- hosting heads of Ministries of Education from Tonga and the Cook Islands
- receiving visits from more than 30 delegations from across Asia, the Pacific, Europe and the Americas.

We have shaped and contributed to policy dialogue at the OECD and through **APEC** forums, enabling opportunities to showcase our strong education system, while also acknowledging our challenges and seeking chances to learn from others to inform our Education Work Programme.

We have also ensured that we have participated well in our international reporting obligations to the **United Nations** and developed the education components of New Zealand's first Voluntary National Review of the Sustainable Development Goals.



World class inclusive public education

New Zealand needs a world class inclusive public education system that meets the needs of our diverse population, now and in the future. We have shaping and delivery roles in this area.

Improving ECE services

The Ministry led the **Review of Home-based ECE**, involving hui in six cities with 450 providers and 300 educators, around 1,700 online survey responses, 250 submissions and discussions with 300 educators. The Government agreed changes in February 2019 that will form part of the Early Learning Strategy, including:

- moving towards all educators holding at least a Level 4 ECE qualification, or Te Ara Tuarua (the Level 5 kōhanga reo qualification), and incentivising a qualified workforce by lifting the funding criteria over time
- new requirements for service providers, including Health and Safety training and professional learning and development (PLD) for educators, and police vetting for all adults who live and/or may be present in the home
- strengthening the roles of the teacher-qualified coordinator and Education Review Office (ERO) early learning curriculum oversight.

This year we have strengthened accountability in the early childhood sector through:

- new guidance for more robust frontline assessment of new licences
- updating the tool for assessing applications and compliance following ERO reviews, incidents or complaints
- setting new expectations for the change of management processes.

Supporting the Review of Tomorrow's Schools

The Ministry has provided policy advice and secretariat support for the Independent Taskforce undertaking the Review of Tomorrow's Schools, which is looking at the governance, administration and management of our schooling system and whether it meets the needs and aspirations of all ākonga | learners. This review involved extensive consultation. The Taskforce's interim report was based on over 200 meetings, 2,274 online survey submissions, 94 submissions and 319 social media posts.

The Government asked the Taskforce to undertake public consultation on their interim report from December 2018 to April 2019. As part of this second round of consultation, over 100 public and targeted meetings were held by the Taskforce from Kaitiāia to Invercargill, which were attended by over 3,000 people. The Taskforce also received 2,263 submissions and 3,338 online survey responses. The Taskforce's final report was submitted to the Minister of Education on 2 July 2019. The Ministry continues to support the Government as it considers the final recommendations.

*The **Reform of the Vocational Education and Training** (see page 36) is seeking to ensure New Zealand has a skills system that is strong, unified and adaptive and delivers the skills that learners and employers need now, as well as supporting the changing world of work.*

Supporting a learning system

Everyone from students, their families, whānau and education providers, to Ministers should be able to access education information and data that enables good decision-making and public participation in education.

The Ministry has continued to gather, synthesise and share educational information and data for external stakeholders to use for decision-making. For example, we:

- collated and analysed the views received through Kōrero Mātauranga, and consultation on individual parts of the Education Work Programme, ensuring these voices were shared through online publications and other channels
- progressed the **Data for Wellbeing** programme, including improving Te Rito (formerly the Student Information Sharing Initiative) and planning for a national learner repository
- co-developed the first iteration of the **Iwi Education Dashboard**, to understand iwi data needs and build a product that gives access to more timely data. This includes prior participation rates in ECE, distribution of students by year level and Māori language learning, attainment and tertiary destinations
- administered **international benchmark studies** to enable robust comparisons and monitoring of national changes over time, including the Teaching and Learning International Survey, Programme for International Student Assessment, Progress in International Reading Literacy Study, Trends in International Mathematics and Science Study, and Programme for the International Assessment of Adult Competencies
- released **National Monitoring Study of Student Achievement** key findings reports for Science and Health & Physical Education in November 2018, and Insights reports in May 2019. We also helped 200 schools to take part in the Social Studies and Mathematics & Statistics assessments
- released 45 new research and/or evaluation reports, including the new He Whakaaro series of insights papers, on the **Education Counts** website, which received 13,564 page views and 6,353 downloads.

Ensuring the benefits from research and development

Cabinet agreed and announced terms of reference for the review of the **Performance-Based Research Fund** in September 2018, to ensure that the benefits of research are maximised and shared across New Zealand. The Ministry also started to improve the responsiveness of the tertiary funding system from 2019 by removing performance-linked funding and establishing a short-term fund for sector-led initiatives. This review is being led by an independent panel who are due to report back to Ministers with initial recommendations by the end of 2019.

Budget 2019 allocated new funding that quadruples annual support for **mātauranga Māori in wānanga**, to develop their research capacity and capability so they can realise their research ambitions.

Ensuring we have high-quality schooling infrastructure

Maintaining and improving the Crown's property portfolio

The Ministry manages the State school property portfolio, the Crown's second largest social asset portfolio, to ensure that schools have quality learning environments as part of a well-managed and sustainable portfolio.

During 2018/19, we spent **\$1.883 billion** managing the school property portfolio. This included completing:

- **25** new school and expansion projects
- major redevelopments at **32** existing schools
- **347** new teaching spaces across the country, with **77** accommodating roll growth in Auckland.

We have continued to progress the Christchurch Schools Rebuild programme, which is on track for completion by the end of 2022. As at 30 June 2019, we had spent \$572 million (or 61%) of the development budget made available for the programme.



Annual school visits

In the 2018/19 financial year, the Ministry's 48 property advisors made 2,000 formal schools visits between them, although the number of interactions with schools over a year is triple that.

The purpose of the school visit is to satisfy the Ministry that the property is being well looked after. A key part of the visit is the school walkabout. This is to allow the property advisor to look for any obvious property issues and check that projects agreed in the 10 year property plan are progressing well. Much of the time is spent talking to the principal about their learning environment and whether their property is supporting their teaching.



Of the 115 schools that are part of the programme, 40 are complete and 26 are under construction. Of the remaining schools, 47 are at various stages of planning and design and only two are yet to enter the programme.

Implementation of the renewed school building weather-tightness strategy is underway and all remaining projects are on track to be completed by the 2023/24 financial year.

Planning for the future

The Ministry has prepared a draft of **Te Rautaki Rawa Kura - The School Property Strategy 2030**, which sets our direction for the management of school property. This will be updated in light of government decisions on the Review of Tomorrow's Schools later in 2019.

We have also developed the first-ever **National Education Growth Plan**, with an Auckland Education Growth Plan as a sub-component. This plan identifies the anticipated location and nature of patterns of growth for school-aged children, and measures the Government may need to consider to meet forecast growth through to 2030. This plan is essential to improving equity and access to our schooling network.

A number of improvements to school property have been funded through Budget 2019 and will start to be delivered from July 2019, including \$1.2 billion for school property investment over the next 10 years.

We have been working to improve the quality of our information about the school property portfolio for better decision-making. We monitor the condition of the State school property portfolio using a number of methods and tools, including a high-level indicator that shows the relative level of maintenance required based on the most recent condition assessment for school buildings. This condition indicator shows about 95% of State school buildings are being sustainably maintained, having 10-year maintenance requirements costing no more than 20% of their replacement value. We have also progressed an improved indicator that will help us better understand, plan and deliver capacity in the State and State Integrated school network to meet present and future demand. Work is underway to implement this new utilisation indicator.

Investing in digital transformation

Alongside Digital Technologies and Hangarau Matihiko curriculum implementation, we continue to improve digital infrastructure so that every student, in every school, has access to high-quality and reliable broadband. As at 30 June 2019:

- 850,000 students and teachers were using digital services through the Network for Learning managed network, to expand learning opportunities

- 99.8% of schools are connected to and receiving the Network for Learning managed network service
- the Wireless School Network Upgrade programme has delivered Wi-Fi connectivity to over 2,400 schools
- the Network for Learning completed a rollout of new technology to better protect schools from cyber threats and harmful websites.

The Ministry has delivered and embedded key initiatives in the Ministry's overall **Digital Transformation Strategy**. The new **Education Sector Logon Service** won the IPANZ 2018 Public Sector Project of the Year Award for superior performance and exceptional execution. We began enhancing Te Kete Ipurangi, our online bilingual education knowledge portal, and made several improvements to its content including Māori history, The NZ Curriculum Online, Assessment Online and Enabling e-Learning.

Around 100,000 school-aged students do not have access to home internet. Pilots are underway in Christchurch, Naenae and the Bay of Plenty to address this and improve digital technology equity.

Delivering school transport

The Ministry is the second largest purchaser of passenger services in New Zealand. In 2018/19 we spent \$206 million to assist 100,000 students to attend school each day, including some of our most vulnerable students. We managed around 7,000 daily vehicle movements a day, with around 40 million passenger journeys across the year.

We are proud that we continue to provide a safe and effective school transport service. Across those 40 million journeys, no passengers were seriously injured using our services. We are seeing increased levels of incident reporting, which provides greater transparency and opportunities to further reduce the risk of accidents and injury.

Having identified that there was no New Zealand benchmark organisation providing guidance on how to transport people with complex needs, this year we also led the formation of the Specialised School Transport Assistance (SESTA) Industry Working Group in partnership with other agencies and major SESTA providers.

An improved payroll experience for schools

The Ministry monitors the performance of the schools payroll service provided by Education Payroll Limited (EPL), a Crown-owned company. EPL provides payroll services to around 2,500 schools, paying on average \$198 million to 92,000 school staff per fortnight. In total, EPL disbursed \$5.1 billion to school staff in 2018/19.

The Ministry has been supporting EPL's implementation of its **Education Payroll Development Programme**. Its new online digital service, EdPay, will replace Novopay Online. EdPay aims to improve user experience, reduce school effort, increase pay accuracy and reduce payroll cost. EPL began testing EdPay with a small group of schools, and will continue an incremental rollout into 2019/20.

EPL continues to meet its key performance indicators.

We have completed initial analysis of **Holidays Act non-compliance**, and started more detailed analysis to identify potential solutions. This has involved, and will continue to involve, regular meetings and consultation with representatives of sector unions, Boards of Trustees, principals and school employees.

Budget 2019 confirmed \$63 million to contribute to future remediation of non-compliance issues discovered and analysed to date.



Building capability and managing responsibly

We are building our capability and better aligning our resources to shape an education system that delivers equitable and excellent outcomes.

It is important that the Ministry has strong leadership and clear strategic direction, capable and engaged staff, good financial and resource management, and good information management systems and processes. It is also important that we model the transformation the Government wants in the broader education system, including being more culturally responsive, adaptive and innovative.

Providing strong leadership and clear strategic direction

Reviewing our strategy and operating model

In late 2018, we produced a new Ministry Statement of Intent for 2018-2023, setting out how we planned to shape an education system that delivers equitable and excellent outcomes. It also introduced a broader set of high-level indicators, with the latest results detailed in this report and summarised on page 48. This Statement of Intent is a transitional document that will be updated when the longer-term implications of changes from the Government's Education Work Programme become clearer.

During 2017/18, as part of a strategy and operating model review, the Ministry identified a set of five strategic priorities which have progressively shaped how we do our work. Building on this work, the Ministry completed a design of a comprehensive new operating model in late 2018, which describes the shifts and capability improvements the Ministry needs to make to better deliver on our purpose. Fully implementing the new operating model would require a significant change programme at a time when the Ministry is already committed

to supporting transformational change across the education system. A decision has therefore been made to focus on phased implementation – starting with 'no regrets' activities that build capability across the Ministry to better position us to support future changes.

The first tranche builds capability to 'Listen and Respond' and our fundamental understanding of, and relationships with, the people we serve and our work for them. Lifting this capability will enhance trust and confidence in the Ministry. For this we are:

- building the processes and systems required to engage effectively with the people we serve
- building a shared understanding of their needs and their expectations of the Ministry
- using insights from the people we serve to inform our work and improve our services
- building our internal capability to show we have listened and deliver in a responsive way.

Overall perceptions of the education system and related services remain positive

The State Services Commission's annual survey of satisfaction with public services (Kiwis Count) found that in 2018 average satisfaction was maintained for ECE, schooling and learning support services, and increased for tertiary services. Overall:

- ECE satisfaction remains the highest of the three education sectors (a score of 81 out of 100⁸), four points above average public service satisfaction across all services (77)
- schooling satisfaction has been maintained (a score of 78 out of 100⁹), marginally above average public service satisfaction
- tertiary education satisfaction has increased by four points to 74 out of 100¹⁰), which is statistically significant but remains below average public service satisfaction

8 People's satisfaction was surveyed if they: "Used or contacted a kindergarten, day-care, crèche, preschool, home-based service, playcentre, Kōhanga Reo, Aoga Amata, Puna Reo or playgroup etc. that a child in your care attends or may attend in the future."

9 People's satisfaction was surveyed if they: "Used or contacted a state or state integrated (public) school that a child in your care attends or may attend in the future."

10 People's satisfaction was surveyed if they: "Attended or contacted a university, polytechnic or wānanga about a course you are attending or may attend in the future."

- learning support satisfaction marginally increased by one point to 65 out of 100¹¹.

The survey also found that average satisfaction with all education services (combined) has increased for Māori and Pacific peoples but decreased for disabled people¹².

A survey of 32 business leaders suggests the overall quality of New Zealand’s education system ranks in the top 10% of 137 participating countries (World Economic Forum Global Competitiveness Report, 2017-2018).

We met our targets for Ministerial satisfaction

Our Ministerial satisfaction rating slightly decreased by one point in three standard areas from a high in 2018, but all ratings still met our target of 7 as published in the Estimates of Appropriations for 2018/19.

Satisfaction with the Ministry	2017/18 rating	2018/19 rating
Quality, timeliness and value for money of our policy advice	8	7
Quality of monitoring advice about Crown entity agencies	8	8
Quality and timeliness of support for Ministerial delegations and visits	9	8
Overall performance of the Ministry	8	7

Improving staff capability and engagement

As at 30 June 2019, we had 3,253 full-time equivalent (FTE) staff working from 45 locations around New Zealand. Around 75% of our staff directly support either children and young people, or educators and education services. Our staff include a broad range of occupations from child psychologists to building engineers. We have 58% of our staff based in the regions, providing support for local communities.

Our staff numbers increased during 2018/19 largely due to increases to key work programmes and preference given to fixed-term or permanent roles, where possible. Key work programmes that required more staff included:

- Early Learning Strategy
- Curriculum, Progress and Achievement programme
- NCEA Review
- Fees-Free programme of work
- a variety of initiatives to support Māori ākonga | learners
- Education Workforce Strategy, teacher supply and PLD development.

Unplanned staff turnover decreased slightly in 2019

We continue to monitor unplanned turnover (see Figures 11 and 12).

Data from 2019 shows the Ministry’s total unplanned turnover is slightly down, to 14.3%. Unplanned turnover of new staff has decreased by 4.7%. We are focused on improving staff retention and development (see page 44).

Figure 11 - Percentage of total unplanned turnover

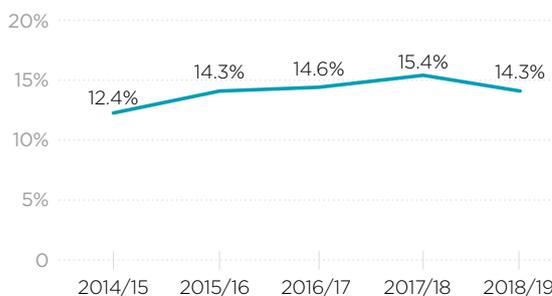


Figure 12 - Percentage of new staff unplanned turnover



11 People’s satisfaction was surveyed if they: “Had a child in your care that has received special education services (e.g. early interventions services, speech and language support, resource teachers: learning and behaviour, vision and hearing).”

12 Data weights the sectors based on how many people of each ethnicity said they used the services in the survey. None of the changes from 2017 to 2018, or in previous years, were statistically significant due to the sample sizes so actual point changes are not reported.



The Welcome survey, distributed at the 100 day mark of people's tenure at the Ministry, identified areas where we are enabling our new hires to get up to speed. The survey found that around:

- four out of five people found the online learning modules relevant
- three out of four people found the on-the-job training useful and having the necessary equipment available to them when they first started in their role helpful.

Other focus areas are improving development and career planning, and regular catch-ups between managers and staff, as exit surveys found less than half of people indicated they were receiving regular feedback.

Improving recruitment, retention and staff development

We have continued to implement our People Strategy and various initiatives to attract, retain and develop the people we need. We have:

- implemented our Great Place to Work recruitment initiatives, focused on making engagement for potential employees easy
- provided new learning programmes to support managers with interviews and quality staff conversations

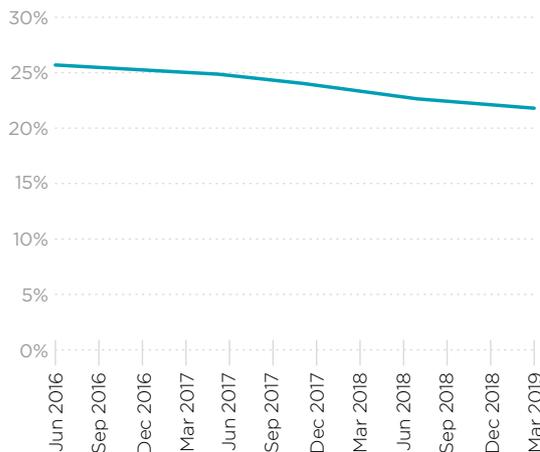
- implemented a new staff survey tool, and are monitoring both 100 day and exit surveys
- continued to focus on early-in-career recruitment, engaging young Māori and Pacific interns and graduates, presenting the Ministry as a great place to work and offering a great introduction to career opportunities in the public service
- negotiated and settled four collective agreements and one pay equity settlement that cover all Ministry employed staff (who are non-managers) with the three unions: the Public Service Association, New Zealand Educational Institute Te Riu Roa and Association of Professional and Executive Employees
- implemented a new performance system that supports ongoing conversations between managers and staff to achieve stronger work outcomes and a focus on development
- developed a new remuneration system that provides transparency for staff, removes barriers to progress and any potential for bias which can contribute to gender and ethnic pay gaps.

Enhancing diversity and inclusion

We continue to strive for better diversity and inclusion outcomes

- Females comprise around 50-55% of all managers below the Leadership Team, and around 55% of all specialists (maximum targets of 60% were exceeded for total female employees and executive managers).
- 15% of all employees (minimum target was 16%), and 12% of managers, are Māori.
- 7% of all employees, and 2% of managers (minimum target was 6%) are Pacific.
- 10% of all employees, and 2% of managers, are Asian.
- The Ministry's gender pay gap keeps decreasing (Figure 13)¹³.

Figure 13 - Ministry-wide gender pay gap



The Ministry continues to grow the proportion of its workforce under 30 years old, with our desired position at 15 to 20% of our workforce. We have reached 11.6% and continue to focus on initiatives such as our Early in Career Programme to support a change in our workforce demographics. However, turnover rates for this age bracket continue to increase at a higher rate, with a current rate of 23.8%. A youth network is being established and they are going to work on understanding if turnover reflects issues of inclusion, or perhaps the mobility this workforce is seeking from their employer.

Our Welcome survey has identified that we could be a more inclusive organisation, reinforcing our focus on diversity and inclusion (described next).

Progressing initiatives to develop a culture of diversity and inclusion

A key focus has been our Te Ara Whiti Programme which delivers a range of initiatives to support the growth of our Māori capability and strives for a workforce that is culturally competent, with enhanced understanding and respect for Te Tiriti o Waitangi and tangata whenuatanga, by prioritising development of cultural competence and addressing bias. In particular we have:

- delivered Te Ara Whiti training (on cultural responsiveness and unconscious bias) to 450 staff across the country
- delivered Te Tiriti o Waitangi training to 361 staff across the country
- delivered te reo classes to 115 staff ranging from Levels 1 to 4
- offering specialist support to assist staff to work through any racially based questions of inclusion
- delivered a specialist speaker series
- engaged and collaborated with teams across the Ministry, and focused on reviewing the organisational culture through identifying Māori cultural values and corresponding behaviours.

We have also continued to embed our People Strategy to ensure our workforce reflects, understands and values the diversity of the communities we work within and serve. In particular, we have:

- focused on meeting our diversity and inclusion targets (see highlight box) through a number of initiatives that support the gender pay principles outcomes and working inclusively with a new diversity and inclusion committee
- established a Disability Action group to ensure we meet our obligations under the all-of-government Accessibility Charter
- finalised our Gender Pay Gap Action Plan and made progress closing the gender pay gap (see highlight box)
- taken on 12 summer interns with diverse backgrounds – two Māori and eight Pacific, with five out of the 12 continuing in the Ministry in fixed-term or permanent roles.

¹³ If we exclude Support Workers, our gap will drop by 3.8 percentage points, which will bring the gap closer to the public service average of 12.2.



Good financial and resource management

We have been improving our strategic planning and financial management to ensure resources are invested optimally, which is important with increased pressure on departmental funding. In 2018/19, we have:

- focused on improving our overall Investment Management Framework, which helped the Ministry improve its Investor Confidence score to a B rating
- further developed our asset management policies and strategies
- developed an interim Long-term Investment Plan that can be updated if policy settings change
- developed business planning guidance and associated tools to help build internal capability.

We maintained a **'Good'** rating in the 2018 audit assessment of the Ministry's ESCO (Environment, Systems and Controls) rating for the three categories assessed - management control environment, financial information systems and controls, and service performance information and associated systems and controls.

For capital management, the 2018 Investor Confidence Rating (ICR) assessment undertaken by the Treasury has resulted in a **'B'** rating for the Ministry, which is an improvement from the last **'C'** assessment. It is a health-check at a point in time and is used by the Treasury to ensure robust and transparent stewardship of public funds. Moving from a C to a B means we can now invest in bigger projects without having to go back to Cabinet for approval.

Investor Confidence Rating



Improving our infrastructure

We continue to improve the work environment, tools and resources for delivering our services. All Ministry offices within our property portfolio have had physical security inspections completed, and office duress training has been completed at key offices.

New governance models for health, safety, security and privacy have been established, along with an associated Risk Management Framework.

Increased engagement and training in Health and Safety, security and privacy has usefully led to an increase in incident reporting across all areas. The Ministry took part in the SafePlus online self-assessment Health and Safety survey and overall achieved a rating of **'Performing'**.

Emergency management response capabilities of the Ministry continued to mature, with development pathways created for managers and key staff to increase their knowledge and ability to apply best practices.

The Ministry continues to build resilience into the design of all new technology systems, complemented by the strengthening of a Cyber Security Operational support team to actively monitor and manage any warnings and alerts generated by our increasing online presence. The Ministry has a continuous security awareness education campaign to counter the major threat posed by phishing emails, where global research shows that people responding to such emails are the most frequent entry point for system compromise and data loss. This approach complements the strengthening of the technical controls being designed into our operational systems.

We have met all of our IT asset measures (see pages 85 to 86) and delivered support for key initiatives across the Ministry.

The Ministry is also ranked 10th lowest for emissions out of 71 mandated agencies in the New Zealand Government Procurement Fleet Emissions Dashboard.

Good information management and systems and processes

We have approved a new privacy policy on the collection and use of personal information across the Ministry.

We have been building the Ministry's data warehouse to include ECE, schooling and workforce data by adding key data sets (eg, ENROL data and National Student Index data). This will enable us to provide better advice for decision-making.

Improving human resource systems and processes

We have also implemented improved human resource management systems and processes:

- new paperless recruitment process and converting existing paper approvals to new digital forms
- automated on-boarding systems to improve employee experience and make actions easy for managers
- piloted an online platform to foster professional learning and development within regional offices
- a Human Resource Information system for better information management, automated processes and better information security.

Delivering on external information requests

For Ministerial Servicing – responding to Official Information Act (OIA) requests, Parliamentary Questions and Ministerials – we have had unprecedented volumes of requests. In 2018/19, we:

- received 5,625 Ministerial requests compared with 3,460 in 2017/18 (63% more – see Figure 14)
- completed 4,270 responses compared with 3,428 in 2017/18 (25% more – see Figure 15)¹⁴.

We achieved the timeliness standard for Vote Education but narrowly missed it for Vote Tertiary Education – 94% against a target of 95%. As part of being open and transparent, since February 2018 we have been regularly releasing reports and OIA responses on the Ministry's website, with 601 reports and responses proactively released in the 2018/19 year.

Figure 14 - Ministerial servicing received

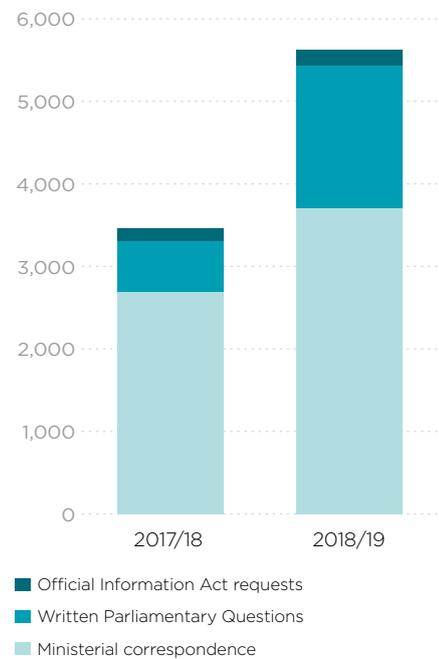
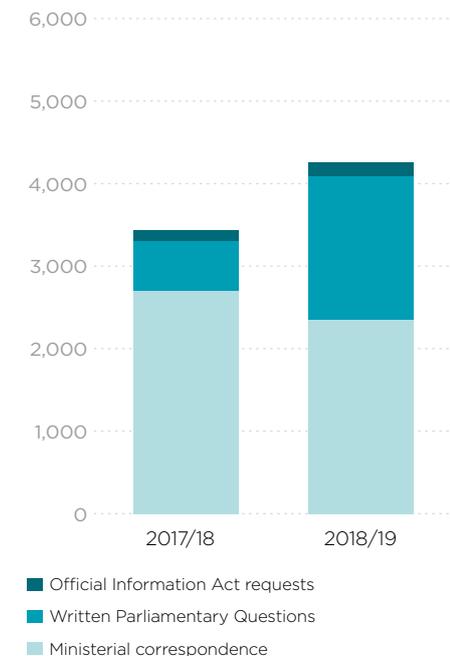


Figure 15 - 2018/19 Ministerial servicing completed



¹⁴ Requests (in particular correspondence) may not be recorded as completed where the request is withdrawn, subsequently revised or completed outside the reporting period. Approximately 24% of Ministerial requests are actioned but not completed.



Summary of results for high-level performance indicators

This table provides a summary of the high-level performance indicators included in the Ministry's *Statement of Intent 2018-2023*.

	Desired trend	What this means?
Key		We are seeking to maintain current levels of performance or see an overall increase in results.
		We are seeking an overall increase in the result.
		We are seeking an overall decrease in the result, which is a positive outcome. For example, we want rates of bullying in schools to go down.

Outcomes	Result area	Indicator	Desired trend	2018/19 result
The education system is relevant and reaches all children and students	1. International assessment of the education system	International monitoring agency results from recent surveys. World Economic Forum Global Competitiveness Index – Quality of the Education System.		Benchmarks set, no new data in 2018/19
	2. Public assessment of service	Kiwis Count Service Quality score(s) for Education and Training Services.		Overall improvement
	3. Condition of the school property portfolio	Percentage of State school buildings with a maintenance index of '3' or better as an indicator of relative maintenance requirements.		Overall met standard, maintained result ¹⁵

¹⁵ There was a slight (1%) decrease in the result, but this is not considered statistically significant.

Outcomes	Result area	Indicator	Desired trend	2018/19 result
Every child and student progresses and achieves educational success	4. Prior participation in ECE	Percentage of school entrants who have attended ECE before starting school.		Overall maintained
	5. Participation in primary and secondary education	Percentage of students attending school regularly.		Overall improvement
	6. Rates of bullying	Rates of bullying in school and international comparisons.		Benchmarks set, no new data in 2018/19
	7. Achievement in international assessment of key skills	Proportion of students at or above a baseline level of skills (Level 2 or above) at age 15.		Benchmarks set, no new data in 2018/19
	8. Senior secondary attainment	Proportion of 18 year olds with NCEA Level 2 or equivalent qualifications.		Overall improvement
New Zealanders have skills and knowledge for work and life	9. All New Zealanders can access the tertiary education and training they need	First-time participation rate in Level 3 to 7 education and training. Participation rate in vocational education and training.		Overall improvement
	10. Improved transition from school to tertiary education and training	Proportion of school leavers enrolled in Level 3 or higher education and training within three years of leaving school.		Overall decrease
	11. Adult competencies to participate in society	Proportion of 25 to 64 year olds with no formal qualifications.		Overall decrease

	Result area	Indicator	Desired trend	2018/19 result
Building capability and managing responsibly	12. Ministerial satisfaction	Satisfaction rating given by the Minister of Education with the overall performance of the Ministry.		Overall met standard, slight decrease in rating
	13. Staff engagement	Staff engagement is similar to comparable public sector agencies.		No new data in 2018/19
	14. Diversity and inclusion	Progress on the Ministry's diversity and inclusion measures.		Improved
	15. Sound financial governance	Maintain and improve monitoring agency assessment of financial governance.		Improved



Our governance

Our Ministers at 30 June 2019

We administered Vote Education and Vote Tertiary Education on behalf of our Ministers, as set out below.

Minister and portfolio	Associates
Hon Chris Hipkins Responsible Minister for the Ministry of Education Minister of Education	Hon Kelvin Davis Associate Minister of Education (Māori Education) Hon Jenny Salesa Associate Minister of Education Hon Tracey Martin Associate Minister of Education

Our education system partners

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

Education Review Office (ERO) - Te Tari Arotake Mātauranga

Reviews and reports publicly on the quality of education in all New Zealand schools and ECE services. The ERO also publishes national reports on current education topics.

Education New Zealand (ENZ)

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

Education Payroll Limited (EPL)

A Crown-owned company managing the payroll for schools to ensure an accurate and reliable payroll service.

Network for Learning (N4L)

A Crown-owned company providing schools with a government-funded managed network service package that includes access to a secure network, uncapped monthly data, online content filtering and security services.

New Zealand Qualifications Authority (NZQA) - Mana Tohu Mātauranga o Aotearoa

Ensures that New Zealand qualifications are regarded as credible and robust, nationally and internationally.

Te Aho o Te Kura Pounamu - The Correspondence School

Provides distance education from early childhood to Year 13.

Tertiary Education Commission (TEC) - Te Amorangi Mātauranga Matua

Responsible for government-funded tertiary education and training offered in New Zealand. The TEC also provides career services from education through to employment.

Teaching Council of Aotearoa New Zealand - Matatū Aotearoa

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

New Zealand Council for Education Research (NZCER)

An independent, statutory education research and development organisation that carries out and disseminates education research and provides information and advice.

Our organisation as at 30 June 2019

The **Secretary for Education (Iona Holsted)** leads the organisation, which focuses on our purpose to shape an education system that delivers equitable and excellent outcomes.

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

To support the sector and better invest our resources, the **Evidence, Data and Knowledge Group (Deputy Secretary, Dr Craig Jones)** is strengthening our ability to turn data into knowledge that the sector and the Ministry can act on to improve student progress.

The **Early Learning and Student Achievement Group (Deputy Secretary, Ellen MacGregor-Reid)** focuses on raising the quality of teaching and leadership and system performance by setting the direction for what and how students learn, building sector capability and an effective workforce, and encouraging innovation in the development of new teaching practice and the use of digital technology.

The **Graduate Achievement, Vocations and Careers Group (Deputy Secretary, Dr Grant Klinkum)** delivers policy advice, and provides strategy and research on international education, tertiary education and achievement, and secondary-tertiary transitions.

The **Parent Information and Community Intelligence Group (Deputy Secretary, Rose Jamieson)** involves parents, families, iwi, communities and employers in education because they matter to the success of children and young people.

The **Sector Enablement and Support Group (Deputy Secretary, Katrina Casey)** is the key sector-facing part of our organisation and provides a single point of contact for early learning providers and schools. It also directly provides learning support to children and young people with high and complex needs.

The **Education Infrastructure Service Group (Head of Education Infrastructure Services, Kim Shannon)** contributes to the achievement of education outcomes by assisting school

Boards of Trustees to manage school property including the upgrading of learning spaces and information and communications technology (ICT) infrastructure. The Group delivers new schools, expansions and roll growth teaching spaces in response to increased demand. They also help students to access education by providing school transport assistance and monitor the schools payroll service.

The **Strategy, Planning and Governance Group (Deputy Secretary, Emily Fabling)** is responsible for the development, coordination and oversight of business strategy, monitoring education Crown entities and supporting board appointments, planning and governance, risk and assurance, legal services, communications, Ministerial services and supporting the Ministry's work with the Royal Commission on Abuse in Care.

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

The **Office of the Secretary Group (Deputy Secretary, Sean Teddy)** provides high-level strategic advice, and manages key external relationships across the education and wider public sectors. They work across the Ministry to coordinate and provide advice to the Secretary and Ministers.

The **Raukura/Chief Advisor Te Ao Māori Advisor (Dr Wayne Ngata)** leads an integrated focus on Māori progress and achievement and works with leaders across the Ministry to improve results for Māori.

Our governance arrangements

We have various governance arrangements in place to ensure the appropriate scrutiny of the Ministry's performance, which include:

- Leadership Team Governance Board
- Investment and Finance Board
- ICT Governance Board
- Risk and Assurance Board
- Education Infrastructure Services Governance Board.



Statement of Responsibility

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

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

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2019 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2020 and its operations for the year ending on that date.

Iona Holsted

Secretary for Education
30 September 2019



Independent Auditor's Report

TO THE READERS OF THE MINISTRY OF EDUCATION'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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

- the financial statements of the Ministry on pages 90 to 126, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2019, the statement of comprehensive revenue and expenses, statement of changes in taxpayers' equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Ministry for the year ended 30 June 2019 on pages 48 to 49 and 58 to 86; and
- the statements of budgeted and actual expenses and capital expenditure incurred against appropriation and statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority of the Ministry and statement of departmental capital injections for the year ended 30 June 2019 on pages 136 to 141; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 127 to 135 that comprise:
 - › the schedules of assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2019;
 - › the schedules of revenue; capital receipts and expenses for the year ended 30 June 2019;
 - › 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 90 to 126:
 - › present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year ended on that date; and
 - › comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Ministry on pages 48 to 49 and 58 to 86:
 - › presents fairly, in all material respects, for the year ended 30 June 2019:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - › complies with generally accepted accounting practice in New Zealand.



- the statements of expenses and capital expenditure of the Ministry on pages 136 to 141 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 127 to 135 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2019; and
 - expenses; and revenue for the year ended 30 June 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Secretary for Education and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Emphasis of matter

We draw attention to the Schedule of Non-Departmental Liabilities on page 129 of the financial statements, which describes the uncertainty related to the potential impact of non-compliance with the Holidays Act 2003 within the schools' payroll. Our opinion is not modified in respect of this matter.

Responsibilities of the Secretary for Education for the information to be audited

The Secretary for Education is responsible on behalf of the Ministry for preparing:

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

The Secretary for Education is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Secretary for Education is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Secretary for Education is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's information on strategic intentions.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Education.
- We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Secretary for Education and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Secretary for Education regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.



Other information

The Secretary for Education is responsible for the other information. The other information comprises the information included on pages 1 to 47, 50 to 56 and 87 to 89, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an assurance engagement related to school payroll reporting and delivered some digital technology programmes on behalf of the Ministry.

Other than the provision of these engagements, we have no relationship with, or interests, in the Ministry.

Grant Taylor

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



PART 2

Our performance information

This section describes what we were funded to deliver in 2018/19. The information on pages 58 to 86 in this section is audited and reports on what we achieved with each appropriation against what was intended to be achieved and how performance would be assessed, as set out in the Estimates of Appropriations for Vote Education and Vote Tertiary Education in 2018/19 and any changes made through the Supplementary Estimates.

We are the appropriation administrator for some multi-category appropriations (MCA) which include both departmental and non-departmental expenditure. For these appropriations, we must report on what has been achieved with the whole appropriation as well as each of the categories. Non-departmental categories have been highlighted grey. Non-departmental outputs are outputs (goods and services) purchased from a provider other than the Ministry. The provider may be a government agency, a non-governmental organisation or a private sector organisation.

Additional information on asset measures is provided on pages 85 to 86. This information is required to be included in the Annual Report as part of the Treasury's Investor Confidence Rating.





Vote Education

Portfolio Minister – Minister of Education

Oversight of the Education System

About this appropriation

The overarching purpose of this appropriation is to provide policy advice, research, monitoring and related services that enable Ministers to discharge their responsibilities for a well-functioning education system (excluding tertiary education).

This is a multi-category appropriation containing the following categories of expense.

Ministerial Services (Departmental Output Expense) – This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Monitoring the Education System (Departmental Output Expense) – This category is limited to the monitoring and reporting on education at a system-wide level to support Ministers in discharging their responsibilities for education related matters.

Policy Advice (Departmental Output Expense) – This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on education related matters.

Research and Analysis (Departmental Output Expense) – This category is limited to the production and dissemination of research and data analysis to support the work of other agencies and Ministers in discharging their responsibilities for education related matters.

Education Research Initiatives (Non-Departmental Output Expense) – This category is limited to the purchase of research about teaching and learning in our education institutions and independent research on education issues, policies and practices.

Independent Advice on Government Priority Areas (Non-Departmental Output Expense) – This category is limited to the provision, independently of the Ministry of Education, of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision making by Ministers on government priority areas.

What we intended to achieve

This appropriation is intended to provide advice to Ministers to support decision-making, managing the Government's investment in the education sector, and monitoring and oversight of the sector.



What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
Oversight of the Education System				
8	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	7	Achieved
Note 1 - The rating measures Ministers' satisfaction on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.				
Ministerial Services				
This category is intended to achieve effective and efficient ministerial services.				
92.1%	Percentage of Ministerial correspondence replies, Parliamentary question replies and Ministerial Official Information Act replies completed within the timeframes agreed between the Ministry and the Office of the Minister.	95%	95%	Achieved
98.3%	Percentage of Ministerial correspondence replies, Parliamentary question replies and Ministerial Official Information Act replies provided that are factually accurate, meet any legislative requirements, and contain no avoidable errors, as measured by acceptance rates by the Office of the Minister.	95%	99.7%	Achieved



Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
Monitoring the Education System				
This category is intended to monitor the overall education system including the performance and compliance of Crown entities and statutory bodies.				
Accurate to within 1% of actual values	Forecasts of enrolment numbers, and expenditure for early childhood education and primary and secondary schooling, are accurate.	Accurate within $\pm 3\%$ of actual values	Accurate within $\pm 1.6\%$ of actual values	Achieved
8	The satisfaction rating given by the Minister of Education on the quality of monitoring advice provided by the Ministry about Crown agencies (see Note 1).	7	8	Achieved
Policy Advice				
This category is intended to achieve the provision of quality advice to the Minister and ensure that education policy and programmes support the performance of the education system.				
New measure	Internal quarterly assessment of the quality of the Ministry's policy advice (see Note 2).	Mean of 3.5 out of 5	3.14	Not achieved Papers scored a 3 ('Adequate') meeting most of the Ministry's policy quality standards but with some elements missing, preventing a score of 4 ('Good'). This is consistent with the 2017-18 result (3.22) when the new internal assessment process and target were introduced. Improvement processes are in place (eg, training and mentoring) to address gaps and work towards achieving the target.
8	The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey) (see Note 3).	7	7	



Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
\$136	The total cost per hour per person of producing policy outputs (see Note 4).	Up to \$155	\$151	Achieved

Research and Analysis

This category is intended to undertake research initiatives focused on the education system and produce and disseminate data and statistics for the sector.

Page visits 13,566	For newly-released research and/or evaluation reports on the Education Counts website, the minimum number of:	Page visits 7,000	Page visits 13,564 Downloads 6,353	Achieved
Downloads 5,438		Downloads 4,000		

- page visits per annum
- downloads per annum.

Note 1 - The rating measures Ministers' satisfaction on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

Note 2 - Based on a five-point scale: 1 = 'Poor'; 2 = 'Borderline'; 3 = 'Adequate'; 4 = 'Good'; 5 = 'Very good'.

Note 3 - The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

Note 4 - This measure provides the total cost of an hour of professional staff time devoted to both policy advice and other policy outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support production.

The following information is an indication of expected numbers and is provided for context only.

Performance 2017/18	Activity Information	Budget Standard 2018/19	Actual Performance 2018/19
37	Number of newly-released research and/or evaluation reports on the Education Counts website.	25	45



Financial performance

	2017/18	2018/19		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	66,800	62,495	71,229	65,275
This is made up of the following category information:				
Departmental Output Expenses				
Ministerial Services	5,685	5,211	5,211	5,146
Monitoring the Education System	11,008	12,428	18,492	14,556
Policy Advice	17,972	21,995	24,115	21,173
Research and Analysis	28,941	19,353	19,903	21,206
Non-Departmental Output Expenses				
Education Research Initiatives	3,008	3,008	3,008	3,008
Independent Advice on Government Priority Areas	186	500	500	186
Funding for Departmental Output Expenses				
Revenue from the Crown	68,364	58,977	67,711	67,711
Ministerial Services	5,763	5,201	5,201	5,201
Monitoring the Education System	13,450	12,428	18,492	18,492
Policy Advice	20,322	21,995	24,115	24,115
Research and Analysis	28,829	19,353	19,903	19,903
Revenue from Others	-	10	10	-
Ministerial Services	-	10	10	-

Improved Quality Teaching and Learning

About this appropriation

The overarching purpose of this appropriation is to improve the quality of teaching and learning for children and young people aged 0-18 years.

This is a multi-category appropriation containing the following categories of expense.

Support and Resources for Teachers (Departmental Output Expense) – This category is limited to expenditure on policies and services focused on supporting the work and enhancing the capability of teachers.

Curriculum Support (Non-Departmental Output Expense) – This category is limited to the purchase of supplementary educational programmes for schools and communities to ensure wider access to these opportunities.

Professional Development and Support (Non-Departmental Output Expense) – This category is limited to the delivery of professional development and advisory support to early childhood education services and schools to support effective teaching and enhance self-management.

What we intended to achieve

This appropriation is intended to achieve improved professional development of the workforce and enhanced learning for age 0 to 18 years.

What was achieved

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
Improved Quality Teaching and Learning				
70%	Communities of Learning Kāhui Ako and schools/ kura who have accessed centrally-funded professional development and have reported a positive shift in the capability of teachers and leaders.	Maintain or improve	80%	Achieved
Support and Resources for Teachers				
This category is intended to achieve a highly effective workforce and resources to enhance learning for years 0 to 18.				
92%	Percentage of school teachers surveyed who are satisfied that English-medium teaching and learning resources provided support curriculum delivery.	80%	85.26% ¹⁶	Achieved

¹⁶ This is based on responses from 115 teachers.



Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
Curriculum Support				
This category is intended to achieve wider access to opportunities within schools.				
New measure	Children successfully discontinued from Reading Recovery are able to read at cohort expectation.	80%	74%	Not achieved We are currently undertaking an evaluation of Reading Recovery, which will inform decisions about how to improve the effectiveness of this service.
New measure	Percentage of schools aware and engaged with the Digital Technology and Hangarau Matihiko curriculum change.	Baseline year	54%	Baseline established
New measure	Number of teachers accessing the Digital Technology and Hangarau Matihiko Readiness Programme.	10,000	16,453	Achieved
Professional Development and Support				
This category is intended to achieve a more effective educational workforce and provide resources to enhance learning for years 0 to 18.				
82%	Percentage of early childhood education services participating in the Strengthening Early Learning Opportunities for children, whānau, families and communities (SELO) programmes focused on improving teaching and learning demonstrate positive shifts in practice (see Note 1).	80%	84.55%	Achieved
New measure	Beginning Principals report positive feedback about the support they have received from their Leadership Advisors.	Baseline year	80%	Baseline established

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
New measure	Communities of Learning Kāhui Ako and schools/ kura who have accessed Professional Leadership and Development for Digital Technology and Hangarau Matihiko and have reported a positive shift in the capability of teachers and leaders.	Baseline year	Not available	Not available ¹⁷

Note 1 - We expect to deliver SELO programmes to between 1,200 and 1,500 early childhood education services.

Financial performance

	2017/18	2018/19		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	217,942	246,026	263,596	263,091
This is made up of the following category information:				
Departmental Output Expense				
Support and Resources for Teachers	80,527	89,664	102,085	105,782
Non-Departmental Output Expenses				
Curriculum Support	55,301	56,252	52,076	52,945
Professional Development and Support	82,114	100,110	109,435	104,364
Funding for Departmental Output Expense				
Revenue from the Crown				
Support and Resources for Teachers	85,850	89,654	102,075	102,075
Revenue from Others	-	10	10	-
Support and Resources for Teachers	-	10	10	-

Actual expenditure for this MCA is \$17.065 million higher than budget mainly due to the carry forward of funding from 2017/18 for the allocation of centrally-funded professional learning and development to schools, kura and Kahui Ako (\$14.900 million).

¹⁷ During the course of 2018/19, it was decided not to directly survey schools as originally planned but we have used other available information sources to monitor and refine the support we provide. An early implementation report was released by the Education Review Office in September 2019 www.ero.govt.nz/publications/its-early-days-for-the-new-digital-technologies-curriculum-content/. Our own data shows:

- as of July 2019, 12,232 users were registered with the Kia Takatū ā Matihiko | Digital Readiness Programme, including 3,236 leaders
- over 6,500 teachers and leaders have participated in face-to-face workshops
- over 1,000 teacher have or are engaged in the Tahi Rua Toru Tech (Digital Challenge) programme, representing a 50% increase since 2018
- over 19,000 students and their teachers have participated in the Digital Technology for All Equity Fund which provides hands-on learning.



Outcomes for Target Student Groups

About this appropriation

The overarching purpose of this appropriation is to improve outcomes for targeted student groups.

This is a multi-category appropriation containing the following categories of expense.

Interventions for Target Student Groups (Departmental Output Expense) – This category is limited to expenditure on policies and services focused on targeted student groups or individuals' participation in education.

Learning Support (Non-Departmental Output Expense) – This category is limited to providing additional resources to enable students with additional learning needs to participate in education.

Service Academies (Non-Departmental Output Expense) – This category is limited to providing military-focused programmes for disengaged or disengaging senior students in secondary schools.

Students Attendance and Engagement (Non-Departmental Output Expense) – This category is limited to providing services to support increased attendance for non-attending students.

What we intended to achieve

This appropriation is intended to achieve equitable participation and increased engagement within the education system.

What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
Outcomes for Target Student Groups				
All	Participation in early childhood education prior to starting school:	All	98%	<p>Not achieved</p> <p>Participation has plateaued and we have not met the 98% year end target.</p> <p>Participation is demand driven and influenced by a range of factors.</p> <p>The Ministry is developing the Early Learning Strategy which sets out to raise quality, support informed choice and improve equity, including to enable children to access early learning. The Ministry is also continuing to implement various initiatives to support participation of target populations (refer Part 1, page 13).</p>
Māori		Māori	98%	
Pasifika		Pasifika	98%	
Decile 1-3		Decile 1-3	98%	
96.9%			All	97.0%
95.5%			Māori	95.6%
93.4%			Pasifika	93.1%
94.3%			Decile 1-3	94.1%

63%	Participation in primary and secondary education: The percentage of students attending school regularly (see Note 1).	70%	63.80%	<p>Not achieved</p> <p>In 2018 (latest available data – Term 2, 2018) regular attendance stabilised at 63.8% of students following declines in the two previous surveys.</p> <p>Ensuring students are enrolled in and attending school is a shared responsibility and non-attendance is influenced by a range of factors. Various initiatives are underway to increase attendance and engagement (refer Part 1 pages 18 to 19).</p>
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Note 1 - Attending regularly is defined as attending at least 90% of half-days. This is measured through a Term 2 survey that approximately 80% of schools complete.

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
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Interventions for Target Student Groups

This category is intended to achieve equitable participation and outcomes in education for targeted student groups.

80.93 calendar days	Average number of days eligible children and young people wait to receive a Ministry-provided specialist learning support service after the request for support.	70 calendar days	<p>80.38 calendar days</p> <p>Average wait times for each of our core specialist services were:</p> <ul style="list-style-type: none"> • Behaviour Service 49.12 days • Communication Service 73.15 days • Early Intervention (EI) 105.39 days • Ongoing Resourcing Scheme 22.07 days 	<p>Not achieved</p> <p>A number of actions are underway to improve learning support services and in particular EI services (refer Part 1, pages 21 to 25).</p>
New measure	Children and young people who have received learning support are better supported to attend their early learning service (as reported by the parent) or school (as reported by the specialist staff) (see Note 1).	73%	71.69%	<p>Not achieved</p> <p>The Learning Support Delivery Model and other initiatives are underway to improve learning support services (refer Part 1, pages 21 to 25)</p>



Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
New measure	Children and young people who have received learning support are more engaged in lessons and activities at their early learning service/school, as reported by the specialist staff (see Note 1).	73%	86.91%	Achieved
New measure	Children and young people who have received learning support have demonstrated progress in their learning and achievement at their early learning service/school, as reported by the specialist staff (see Note 1).	73%	82.88%	Achieved
New measure	Families/whānau of children and young people who have received learning support have been involved in decisions about the child's learning, as reported by the parent (see Note 2).	Service quality score of 83	77	Not achieved The Learning Support Delivery Model and other initiatives are underway to improve learning support services (refer Part 1, pages 21 to 25).
69.3%	Percentage of children whose behavioural issues have improved following their parents' completion of the Incredible Years Parent Programme.	70%	83%	Achieved



Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
Learning Support				
This category is intended to achieve equitable participation and education outcomes for targeted student groups.				
100%	Fundholder schools providing specialist learning support services who do not have effective internal evaluation processes on initial review have implemented an action plan with the support of the Ministry and demonstrate that they are progressing towards achieving the agreed actions in the plan when re-reviewed (see Notes 3 and 4).	90%	100%	Achieved
Service Academies				
This category is intended to achieve re-engagement of senior students in secondary schools.				
87%	Percentage of students enrolled in Service Academies either retained or transitioned to further education, training or employment.	80%	91.80%	Achieved
56%	Percentage of students retained in Service Academies who achieve NCEA Level 2.	75%	53%	Not achieved The result is lower than the budget standard because the result was expressed and therefore calculated on students who achieve Level 2 only ¹⁸ . This performance measure has been amended and will count both NCEA Level 2 and Level 3 achievement in the 2019/20 Estimates of Appropriation. This change will better capture the achievement of all participating Service Academies' students.

18 The current measure does not recognise that some students participating in the year-long Service Academies programme are Year 13 students who may have been doing NCEA Level 3 at the time, having already attained NCEA Level 2 (or were doing a mix of Level 2 and 3). Therefore, we could not include students doing NCEA Level 3 in the measure, since:

- we could not attribute their prior NCEA Level 2 attainment as being achieved while in the Service Academies programme; and
- neither could we recognise those who attain NCEA Level 3.



Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
Student Attendance and Engagement				
This category is intended to achieve maximum attendance at schools by reducing absence rates and non-enrolment and reducing the time it takes to return students to education.				
New measure	Percentage of students who have been returned to schooling within 40 days following an exclusion.	80%	48.09%	Not achieved The new measure for exclusions proved unachievable. The Ministry is undertaking various initiatives to improve attendance and engagement (refer Part 1, pages 18 to 19). We are also working with regions to understand best practice so this can be shared.

Note 1 - The result is based on the percentage of children and young people who have demonstrated a positive shift in scores before and after receiving an eligible Learning Support service.

Note 2 - Our survey uses the questions and methodology of the State Services Commission Kiwis Count survey which measures the satisfaction of New Zealanders with public services. It uses a Service Quality Score methodology to ensure the overall satisfaction score takes into account all responses, including those who indicate neither satisfaction nor dissatisfaction.

Note 3 - A fundholder school (or specialist service provider in early childhood education) is contracted by the Ministry of Education to provide specialist services and programmes to children and young people who attend their facilities and require these services.

Note 4 - Past experience of reviews indicate that at least 90% of the providers are meeting at least 90% of the service standards.

The following information is an indication of expected numbers and is provided for context only.

Performance	Activity Information	Budget Standard	Actual Performance
2017/18		2018/19	2018/19
Interventions for Target Student Groups			
36,359	Number of children receiving a specialist learning support.	33,860-41,390	41,733
Learning Support			
2,849	Number of young people enrolled in the Alternative Education programme.	2,500	2,684
17,312	Number of individual students supported through the Resource Teacher: Learning and Behaviour service.	15,000-17,000	18,954

Financial performance

	2017/18	2018/19		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	704,269	753,617	774,308	759,604

This is made up of the following category information:

Departmental Output Expense				
Interventions for Target Student Groups	261,625	291,686	301,479	299,354
Non-Departmental Output Expenses				
Learning Support	429,520	448,615	459,513	447,144
Service Academies	3,444	3,640	3,640	3,505
Students Attendance and Engagement	9,680	9,676	9,676	9,601
Funding for Departmental Output Expenses				
Revenue from the Crown	267,261	289,986	299,599	299,599
Interventions for Target Student Groups	267,261	289,986	299,599	299,599
Revenue from Others	251	1,700	1,880	456
Interventions for Target Student Groups	251	1,700	1,700	456



Support and Resources for Parents and the Community

About this appropriation

This appropriation is limited to expenditure on support focused on increasing informed engagement by families and communities in their children's educational outcomes.

What we intended to achieve

This appropriation is intended to provide targeted information and support focused on creating informed demand and engagement by families and communities in education, and improving their ability to support their children's learning.

What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
93%	Percentage of families receiving targeted information and support who, after receipt of such support, report that they are more confident and better equipped to support their children's learning and make informed decisions about learning pathways (see Note 1)	80%	93%	Achieved
New measure	Percentage of families who, after receiving targeted communications from schools, report (see Note 2): <ul style="list-style-type: none"> increased confidence in their ability to support their child's learning increased satisfaction with the quality of information they receive. 	80%	100%	Achieved
		80%	92.31%	

Note 1 – This measure covers parents and families participating in a programme at Pacific PowerUP hub.

Note 2 – This measure covers parents and families of children attending one of four schools receiving a co-designed pilot communications package.

Financial performance

	2017/18	2018/19		Actual
	Actual	Budget	Supplementary Estimates	
	\$000	\$000	\$000	\$000
Expenses	12,257	11,760	11,760	11,657
Funded by:				
Revenue Crown	12,293	11,750	10,750	11,750
Other revenue	100	10	10	-



Support and Resources for Education Providers

About this appropriation

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

What we intended to achieve

This appropriation is intended to achieve effective management and monitoring of services provided to the education sector that allows it to focus on educational success.

What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
Accurate 100% On time 100%	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, and fulfilling statutory requirements: <ul style="list-style-type: none"> • accuracy • on time 	Accurate 100% On time 100%	Accurate 98% On time 98%	Not achieved Payments are made quarterly and a processing error affecting approximately 250 schools meant targets were not meet for the January 2019 instalment. The overpayments were corrected in April 2019 and steps have been taken to avoid this happening again.
Accurate 99.83% On time 99.99%	Percentage of payroll payments to eligible teachers and school support staff which are: <ul style="list-style-type: none"> • accurately calculated, and • sent to financial institutions on time in order to be processed on or before advised pay dates. 	99.5% 99.5%	99.81% 99.99%	Achieved



Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
91%	Percentage of decisions on proposed statutory interventions under Part 7A of the Education Act 1989 that are made within three months of the confirmed Education Review Office report being published, or request from Boards of Trustees, or referral from the sector, or determination by the Ministry (see Note 1).	95%	96%	Achieved

Note 1 - Part 7A of the Education Act 1989 allows the Minister of Education or the Secretary for Education (or their delegates) to put in place a statutory intervention in a State or State-integrated school. The Minister must have reasonable grounds to believe that the operation of the school, or the welfare or educational performance of its students, is at risk.

Financial performance

	2017/18 Actual	Budget	2018/19 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	100,034	114,141	121,732	114,622
Funded by:				
Revenue Crown	109,732	113,001	120,592	120,592
Other revenue	602	1,140	1,140	502

Place-Based Initiative – Te Tai Tokerau, Northland

About this appropriation

This appropriation is limited to the delivery of services to help achieve the outcomes of the Te Tai Tokerau, Northland Place-Based Initiative and the operational support of that initiative.

What we intended to achieve

This appropriation is intended to achieve better long-term outcomes for children and young people and their whānau/families through a social investment approach co-designed with three high-needs communities in Northland.

What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
New measure	Number of contracts agreed and operationally in place to provide ongoing local support arrangements in priority communities: Otangarei, Kaikohe and Kaitaia/Te Hiku.	3 contracts by 31 December 2018	Contracts completed by 31 December 2018.	Achieved ¹⁹
New measure	Daily and High Risk triage table Packages of Support agreed and operationally in place each from four agencies.	4 packages by 31 December 2018	Support packages were signed off with three agencies and two more were ready to sign off if the programme had continued.	

Financial performance

	2017/18 Actual	2018/19		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	1,529	-	842	758
Funded by:				
Revenue Crown	1,529	-	842	842

¹⁹ On 17 December 2018 Cabinet agreed to close the Place-Based Initiative with Oranga Tamariki providing ongoing local support, and with NZ Police taking over responsibility for the daily and high risk triage support.



School Property Portfolio Management

About this appropriation

This appropriation is limited to support and advice for schools on property issues; managing and supporting the purchase and construction of new property; and upgrades to existing property and disposal of surplus property; managing teacher and caretaker housing; and other services provided by the Ministry of Education in its stewardship of the land, buildings and other facilities that comprise the State school sector property portfolio.

What we intended to achieve

This appropriation is intended to achieve a school sector property infrastructure that ensures a fit-for-purpose learning environment.

What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
78% (Intermediate)	The Ministry is seen as a high quality property manager for government as measured by the Asset Management maturity index for the school property portfolio (see Note 1).	75-80%	77%	Achieved
72%	Percentage of State schools where the number of entitled teaching spaces (based on their rolls) is between 75% and 105% of the number of physical teaching spaces (see Note 2).	65%	71% of State schools	Achieved
71%	Percentage of State school buildings with property-related elements of Innovative Learning Environment assessments showing a functionality score of '3' or better (see Note 3).	65%	70%	Achieved
New measure	Percentage of State school buildings with an assessed maintenance forecast for the next 10 years that is no more than 20% of their replacement value, as an indicator of condition (see Note 4).	85%	95%	Achieved

Note 1 - The Asset Management maturity index scale is 0-20% Aware, 20-40% Minimum, 40-60% Core, 60-80% Intermediate, and 80-100% Advanced on the index criteria established by the Treasury, where Lower Advanced means 80-90% on that scale.

Note 2 - This is a measure of the funding efficiency of teaching space provision in the school property portfolio, and does not directly measure the user experience at schools (eg, overcrowding). Running the large school property portfolio is expensive and good utilisation performance helps to minimise this cost. The target range of 75% to 105% recognises that below 75% there is likely to be excess capacity, which may be inefficient to operate or may be expensive to remove, and above 105% there may be a need for new teaching spaces to be built. The measure excludes schools with 100 or fewer students and new schools because our policy settings allow for different (lower) levels of utilisation for operational reasons. Nevertheless, the measure covers more than 90% of State schools by area, and nearly 95% by student enrolments.

Note 3 - This is a measure of the functionality of school property based on the most recent Innovative Learning Environment (ILE) assessments undertaken. ILE assessments are undertaken every five years for most schools as part of their 10-year property planning process. The functionality of buildings is scored on a nominal scale of 1 to 5 (1 being the highest functionality rating) based on the extent to which the building is assessed as being compliant (0%, 50% or 100%) with requirements for Designing Quality Learning Space (DQLS), Health and Hygiene (H&H) and Flexible

Learning Spaces (FLS). A rating of 1 applies to buildings which comply with DQLS, H&H and FLS criteria. A rating of 2 applies to buildings which score 100% for both DQLS and H&H criteria. A rating of 3 applies to buildings which have either a score of at least 50% for both DQLS and H&H criteria or 100% for one of these criteria. A rating of 4 applies to buildings which score 50% for one of the DQLS and H&H criteria. A rating of 5 applies to buildings which score 0% for both DQLS and H&H criteria. This measure covers the majority of school buildings (around 67% of buildings by area), and is increasing each year as more schools re-enter the 10-year property planning process.

Note 4 - This is a measure of the relative level of maintenance required across the portfolio based on the most recent condition assessments undertaken. Condition assessments are undertaken every five years for most schools as part of their 10-year property planning process. State school buildings with 10-year maintenance requirements that cost no more than 20% of their replacement value indicates these assets are being sustainably well maintained. The measure covers around 85% of buildings by area across 97% of schools. Exclusions are: minor school buildings (such as sheds, ancillary buildings and covered ways) with a replacement cost under \$100,000; buildings that are classified as only requiring minimal maintenance or those that have been "mothballed"; and low value maintenance jobs (less than \$5,000).

Financial performance

	2017/18	2018/19		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	1,787,880	1,826,444	1,890,798	1,882,809
Expense components:				
Capital charge	1,036,980	1,068,168	1,070,344	1,070,344
Depreciation	598,580	608,966	638,966	629,598
Management of the school property portfolio	152,320	149,310	181,488	182,867
Funded by:				
Revenue Crown	1,773,785	1,823,258	1,872,094	1,872,094
Other revenue	33,598	3,186	25,037	41,574

Actual expenditure is \$56.365 million higher than budget mainly due to an increase in depreciation funding (\$30 million) resulting from the upward revaluation of the school property portfolio at 30 June 2018, gains achieved from the sale of surplus property assets being used to offset the cost of rationalising school sector property (\$13.394 million), capital to operating swap to lease school buildings during major capital work projects or where a building construction solution is not available or is uneconomic to pursue (\$9.692 million) and revenue from successful legal claims associated with weather-tightness issues in schools being used to offset the cost of further litigation costs (\$4.616 million).



Ministry of Education – Capital Expenditure PLA

About this appropriation

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

What we intended to achieve

This appropriation is intended to provide strategic assets, including the renewal and replacement of life-expired assets, in support of the delivery of the Ministry of Education’s services and responsibilities for schools.

What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
New measure	Percentage of State schools where the number of entitled teaching spaces (based on their rolls) is between 75% and 105% of the number of physical teaching spaces (see Note 1).	65%	71% of State schools	Achieved
New measure	Percentage of State school buildings with property-related elements of Innovative Learning Environment assessments showing a functionality score of ‘3’ or better (see Note 2).	65%	70%	Achieved
96%	Percentage of State school buildings with an assessed maintenance forecast for the next 10 years that is no more than 20% of their replacement value, as an indicator of condition (see Note 3).	85%	95%	Achieved

Note 1 - This is a measure of the funding efficiency of teaching space provision in the school property portfolio, and does not directly measure the user experience at schools (eg, overcrowding). Running the large school property portfolio is expensive and good utilisation performance helps to minimise this cost. The target range of 75% to 105% recognises that below 75% there is likely to be excess capacity, which may be inefficient to operate or may be expensive to remove, and above 105% there may be a need for new teaching spaces to be built. The measure excludes schools with 100 or fewer students and new schools because our policy settings allow for different (lower) levels of utilisation for operational reasons. Nevertheless, the measure covers more than 90% of State schools by area, and nearly 95% by student enrolments.

Note 2 - This is a measure of the functionality of school property based on the most recent Innovative Learning Environment (ILE) assessments undertaken. ILE assessments are undertaken every five years for most schools as part of their 10-year property planning process. The functionality of buildings is scored on a nominal scale of 1 to 5 (1 being the highest functionality rating) based on the extent to which the building is assessed as being compliant (0%, 50% or 100%) with requirements for Designing Quality Learning Space (DQLS), Health and Hygiene (H&H) and Flexible Learning Spaces (FLS). A rating of 1 applies to buildings which comply with DQLS, H&H and FLS criteria. A rating of 2 applies to buildings which score 100% for both DQLS and H&H criteria. A rating of 3 applies to buildings which have either a score of at least 50% for both DQLS and H&H criteria or 100% for one of these criteria. A rating of 4 applies to buildings which score 50% for one of the DQLS and H&H criteria. A rating of 5 applies to buildings which score 0% for both DQLS and H&H criteria. This measure covers the majority of school buildings (around 67% of buildings by area), and is increasing each year as more schools re-enter the 10-year property planning process.

Note 3 - This is a measure of the relative level of maintenance required across the portfolio based on the most recent condition assessments undertaken. Condition assessments are undertaken every five years for most schools as part of their 10-year property planning process. State school buildings with 10-year maintenance requirements that cost no more than 20% of their replacement value indicates these assets are being sustainably well maintained. The measure covers around 85% of buildings by area across 97% of schools. Exclusions are: minor school buildings (such as sheds, ancillary buildings and covered ways) with a replacement cost under \$100,000; buildings that are classified as only requiring minimal maintenance or those that have been "mothballed"; and low value maintenance jobs (less than \$5,000).

Financial performance

	2017/18 Actual	Budget	2018/19 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Capital expenditure				
School property portfolio:				
Land	57,313	49,800	90,668	94,791
Buildings	921,461	1,012,791	831,814	904,730
Ministry-wide:				
Office furniture, fittings and equipment	4,315	9,139	6,416	4,633
Computer hardware	3,316	5,820	13,802	12,595
Intangibles – computer software	24,313	33,645	26,511	25,937
Total capital expenditure	1,010,718	1,111,195	969,211	1,042,686

The amount of appropriation is a forecast amount to be spent for the budget year rather than an approved amount as the appropriation is authorised by a permanent legislative authority (PLA). The Ministry uses depreciation funding held on its balance sheet, proceeds of sale and capital injections to purchase or develop assets. The Ministry received capital injections of \$215.370 million in 2018/19 for the expansion and redevelopment of the school property portfolio. This covers the construction of new schools and roll growth classrooms, Christchurch Schools Rebuild Programme, purchase of land, additional non-teaching space and repayment of service concession liabilities.



Services to Other Agencies RDA

About this appropriation

This appropriation is limited to the provision of services by the Ministry of Education to government departments and other agencies where those services are not within the scope of another departmental output expense appropriation in Vote Education.

What we intended to achieve

This appropriation is intended to provide support services to government departments and other government or education agencies, on a cost-recovery basis, including office accommodation and related services, and information technology management and development services.

What was achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
100%	The minimum percentage of service standards which are agreed as 'Achieved' with the recipients of those services (see Note 1).	95%	95%	Achieved

Note 1 - The reported percentage is the lowest level of achievement across all service level agreements. The service standards and measures are outlined in the Information Communications and Technology - Business Services Catalogue.

Financial performance

	2017/18 Actual	2018/19		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	2,529	4,483	2,010	2,107
Funded by:				
Revenue from other government agencies	2,529	4,483	2,010	2,107

Under a Revenue Dependent Appropriation (RDA) output expenses may be incurred, without further appropriation, up to the amount of revenue expected to be earned from parties other than the Crown. The RDA provides flexibility to respond to unanticipated changes in the level of demand. The baseline was revised in the Supplementary Estimates to reflect the prevailing level of demand for services.



Vote Tertiary Education

Portfolio Minister – Minister of Education

Stewardship of the Tertiary Education System

About this appropriation

The single overarching purpose of this appropriation is to provide services that contribute towards a well-functioning tertiary education system.

This is a multi-category appropriation containing the following categories of expense.

Policy Advice (Departmental Output Expense) – This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on Tertiary Education and international education related matters.

Research, Data Analysis and Monitoring (Departmental Output Expense) – This category is limited to the production and dissemination of research and data analysis, monitoring and reporting on tertiary education at a system-wide level, and the provision of services (other than policy advice) to support the work of other agencies and Ministers in discharging their responsibilities for tertiary education and international education related matters..

What we intended to achieve

This appropriation is intended to provide advice to Ministers to support decision-making, managing the Government's investment in the tertiary education sector, and monitoring and oversight of the sector.

What was achieved

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
Stewardship of the Tertiary Education System				
8	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	7	Achieved

Note 1 - The rating measures Ministers' satisfaction on a scale of 1 to 10, where 1 means unsatisfactory and 10 means extremely satisfied.



Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2017/18		2018/19	2018/19	
Policy Advice				
This category is intended to achieve the provision of quality advice to the Minister to ensure that tertiary education policy and programmes support the performance of the tertiary education system.				
New measure	Internal quarterly assessment of the quality of the Ministry's policy advice (see Note 1).	Mean of 3.5 out of 5	3.14	Not achieved Papers scored a 3 ('Adequate') meeting most of the Ministry's policy quality standards but with some elements missing, preventing a score of 4 ('Good'). This is consistent with the 2017-18 result (3.22) when the new internal assessment process and target were introduced. Improvement processes are in place (eg, training and mentoring) to address gaps and work towards achieving the target.
7.8	The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey) (see Note 2).	7	7	Achieved
\$136	The total cost per hour per person of producing policy outputs (see Note 3).	Up to \$155	\$151	Achieved
Research, Data Analysis and Monitoring				
This category is intended to contribute to a shared strategic direction and alignment across the tertiary education system.				
Forecasts were accurate to within 3.2% of actual values	Forecasts of student loans and student allowances are accurate within an agreed average of actual values	Accurate within $\pm 3\%$ of actual values	Forecasts were accurate to within $\pm 0.5\%$ of actual values	Achieved
8	The satisfaction rating given by the Minister of Education on the quality of monitoring advice provided by the Ministry about Crown agencies (see Note 4).	7	8	Achieved

Performance 2017/18	Performance Measure	Budget Standard 2018/19	Actual Performance 2018/19	Comment
Good	The quality and range of the Ministry's analytical outputs is assessed through an independent expert review (see Note 5).	Quality is assessed as 'Good' or better	Good	Achieved
9	The satisfaction rating given by Ministers for the quality and timeliness of support for ministerial delegations and visits (see Note 4).	7	8	Achieved
96.3%	The percentage of Ministerial correspondence replies, Parliamentary question replies and Ministerial Official Information Act replies completed within the timeframes agreed between the Ministry and the Office of the Minister.	95%	94%	Not achieved We continue to experience unprecedented levels of Ministerial correspondence and written Parliamentary questions (WPQs) (refer Part 1, page 47). A process review is being undertaken to address timeliness issues.
99.6%	The percentage of Ministerial correspondence replies, Parliamentary question replies and Ministerial Official Information Act replies provided that are factually accurate, meet any legislative requirements, and contain no avoidable errors, as measured by acceptance rates by the Office of the Minister.	95%	99.70%	Achieved

Note 1 - Based on a five-point scale: 1 = 'Poor'; 2 = 'Borderline'; 3 = 'Adequate'; 4 = 'Good'; 5 = 'Very good'.

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

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

Note 4 - The rating measures Ministers' satisfaction on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

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



Financial performance

	2017/18 Actual	Budget	2018/19 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	12,352	15,727	15,727	15,598

This is made up of the following category information:

Departmental Output Expenses				
Policy Advice	6,563	7,171	7,171	9,904
Research, Data Analysis and Monitoring	5,789	8,556	8,556	5,694
Funding for Departmental Output Expenses				
Revenue from the Crown				
Policy Advice	4,856	7,171	7,171	7,171
Research, Data Analysis and Monitoring	6,771	7,806	7,806	7,806
Revenue from Others				
Policy Advice	45	-	-	55
Research, Data Analysis and Monitoring	777	750	750	731

The funding within this MCA has been consistently weighted towards Policy Advice due to the resources needing to be allocated to provide support to the Tertiary Policy programme.

The other source of revenue is from the Export Education Levy to support activities that benefit the international education sector.

Asset measures

The Ministry of Education's asset performance measures are assessed as part of the Investor Confidence Rating. Some of the measures and results are reported in the previous section of the report.

Asset Portfolio	Asset Purpose	Quantity as at 30 June 2019	Net Book Value as at 30 June 2019 (\$'000)	
School Property	To enable the delivery of education through provision of schools.	8,000 hectares of occupied land 2,100 state schools (over 15,000 buildings and over 35,500 learning spaces)	Land	5,651,397
			Buildings	12,835,161
			Total owned	18,486,558
ICT	To enable core business function through provision of computer hardware and software.	12 critical systems Major hardware: • 1,581 user devices	Hardware	17,716
			Software	61,113
			Total owned	78,829

Performance 2017/18	Performance Measure	Budget Standard or Target 2018/19	Actual Performance 2018/19	Comment
ICT				
99.99%	The percentage of time our critical systems are available (see Note 1).	99.85%	100%	Achieved
99.99%	The percentage of time our systems are available.	95%	100%	Achieved
15%	Peak usage of any one of the Ministry of Education's Wide Area Network bandwidth links.	80%	14%	Achieved
52% ²⁰	The Ministry of Education's disk storage capacity - allocated storage.	No more than 90%	58%	Achieved
100%	The percentage of computers/user devices aged < 5 years.	100%	100%	Achieved
80%	The percentage of critical systems requiring upgrade within the last 5 years, which have been upgraded (see Note 1).	70%	80%	Achieved

20 The result reported was the result for the month of June 2018. Disk storage capacity is measured monthly; additional capacity is purchased as necessary across the year to stay under the target limit of no more than 90%.



Performance 2017/18	Performance Measure	Budget Standard or Target 2018/19	Actual Performance 2018/19	Comment
60	Number of critical (priority 1) faults per annum.	80	41	Achieved
67 minutes	Average time to resolve priority 1 faults.	90 minutes	68 minutes	Achieved
4	Annual network penetration test risk level assessment (5 – critical, 4 – high, 3 – medium, 2 – low, 1 – informational).	4	4	Achieved
School ICT Network²¹				
100%	Percentage of eligible schools with ultra-fast broadband connection available (Note 2).	100%	100%	Achieved
99.3%	Percentage of eligible schools connected to the managed network (see Note 2)	99.5%	99.5%	Achieved
955	Schools that have had their networks upgraded to enable better wireless functionality under the Wireless School Network Upgrade Project.	1,060	1,060	Achieved
95%	Percentage of State schools' teaching spaces with an Innovative Learning Environment rating for ICT of 50% or better.	85%	95%	Achieved

School Property Portfolio

Refer to results on pages 76 to 79.

Note 1 – The Ministry of Education identifies 12 systems as critical systems.

Note 2 – Eligible schools are defined as State schools, integrated schools and partnership schools.

Note 3 – This is a measure of the functionality of ICT in school buildings based on the most recent Innovative Learning Environment (ILE) assessments undertaken. ILE assessments are undertaken every five years for most schools as part of the 10-year property planning process. ICT functionality is assessed on a 3-point scale: Does not meet ILE standard, Meets approximately 50% of ILE standard, and Meets 100% of ILE standard. This measure covers the majority of school buildings (67% of buildings by area), and is increasing each year as more schools re-enter the 10-year property planning process.

²¹ The only component of school ICT infrastructure that is on the Ministry's balance sheet is in-building infrastructure (eg, cabling). Its net value is included within the Buildings class of the School Property asset portfolio.



PART 3

Annual financial statements

The financial statements are presented in three parts – departmental (page 90), non-departmental (page 127) and appropriation statements (page 136).

The departmental financial statements cover all financial resources used by the Ministry to deliver the goods or services purchased by the Minister of Education for the financial year ended 30 June 2019. They also include forecast financial statements for the following financial year and comparative information for the previous financial year.

Treasury Instructions also require Departments to disclose non-departmental activities they administer on behalf of the Crown in the form of schedules. As these schedules are not financial statements for the purposes of the Public Finance Act 1989, they do not provide forecast results for the following financial year.

The appropriation statements report information about expenses and capital expenditure incurred against each appropriation under Vote Education and Vote Tertiary Education administered by the Ministry.





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Ministry of Education Departmental Financial Statements

for the year ended 30 June 2019

Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2019

The Statement of Comprehensive Revenue and Expenses reports the revenue and expenses on an accrual basis relating to all outputs (goods and services) produced by the Ministry during the financial year.

2018 Actual		Notes	2019 Actual	2019 Budget	2019 Supp. Estimates	2020 Forecast
\$000			\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
Revenue						
2,331,245	Revenue Crown	3	2,489,640	2,401,603	2,489,640	2,501,193
38,037	Other revenue	3	45,425	11,289	30,847	8,606
2,369,282	Total operating revenue		2,535,065	2,412,892	2,520,487	2,509,799
Expenses						
308,642	Personnel costs	4	348,760	324,881	345,342	365,107
621,473	Depreciation and amortisation	11,12	658,709	622,309	622,717	670,590
1,046,158	Capital charge	5	1,079,515	1,077,346	1,079,515	1,099,343
20,862	Finance costs	6	28,379	27,622	28,007	36,165
325,317	Other operating expenses	7	379,405	360,734	398,573	338,594
2,322,452	Total operating expenses		2,494,768	2,412,892	2,514,154	2,509,799
46,830	Net operating surplus		40,297	-	6,333	-
Remeasurements¹						
(22,498)	Net unrealised gain/(loss) on derivative financial instruments	19	(70,621)	(266)	(29,340)	718
-	Unrealised decrease in discount rates for retiring and long service leave	16	(1,211)	-	-	-
24,332	Net surplus/(deficit)		(31,535)	(266)	(23,007)	718
Other comprehensive revenue						
294,748	Net gain on property revaluations	11	293,273	-	-	-
319,080	Total comprehensive revenue and expense		261,738	(266)	(23,007)	718

Explanations of major variances against the original 2019 budget are provided in Note 22.

The above Statement of Comprehensive Revenue and Expenses should be read in conjunction with the accompanying notes.

¹ Remeasurements mean revisions of prices or estimates that result from revised expectations of future economic benefits or obligations that change the carrying amounts of assets or liabilities. They are exempted from the requirement for appropriation under the Public Finance Act 1989.

Statement of Financial Position

as at 30 June 2019

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

2018 Actual		2019 Actual	2019 Budget	2019 Supp. Estimates	2020 Forecast
\$000	Notes	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
Assets					
Current assets					
51,839	Cash and cash equivalents	78,848	50,000	70,000	70,000
645,018	Debtors and other receivables	535,141	472,492	572,496	558,050
27,646	Prepayments	38,563	21,500	33,000	33,000
32,693	Non-current assets held for sale	18,701	25,000	32,693	32,693
757,196	Total current assets	671,253	568,992	708,189	693,743
Non-current assets					
17,887,768	Property, plant, and equipment	18,535,916	18,037,073	18,161,037	18,621,724
74,571	Intangible assets	83,057	101,052	87,360	108,261
17,962,339	Total non-current assets	18,618,973	18,138,125	18,248,397	18,729,985
18,719,535	Total assets	19,290,226	18,707,117	18,956,586	19,423,728
Liabilities					
Current liabilities					
158,922	Creditors and other payables	169,844	103,661	164,995	165,360
44,399	Return of operating surplus to Crown	33,966	-	-	-
1,369	Provisions	624	-	-	-
20,332	Employee entitlements	23,208	17,985	20,000	20,000
4,271	Service concession liabilities	6,983	4,874	7,283	7,854
229,293	Total current liabilities	234,625	126,520	192,278	193,214
Non-current liabilities					
2,231	Provisions	2,837	1,490	2,300	2,300
9,173	Employee entitlements	11,054	10,000	9,200	9,200
421,082	Service concession liabilities	504,350	504,857	502,447	494,593
41,543	Derivative financial instruments (net)	112,164	25,890	69,325	66,319
474,029	Total non-current liabilities	630,405	542,237	583,272	572,412
703,322	Total liabilities	865,030	668,757	775,550	765,626
18,016,213	Net assets	18,425,196	18,038,360	18,181,036	18,658,102
Taxpayers' equity					
5,271,387	General funds	5,379,026	5,580,807	5,418,942	5,896,008
12,744,826	Property revaluation reserves	13,046,170	12,457,553	12,762,094	12,762,094
18,016,213	Total taxpayers' equity	18,425,196	18,038,360	18,181,036	18,658,102

Explanations of major variances against the original 2019 budget are provided in Note 22.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



Statement of Changes in Taxpayers' Equity

for the year ended 30 June 2019

The Statement of Changes in Taxpayers' Equity shows the increase or decrease in the Ministry's net assets between the start and end of the financial year. It is supported by a note with a breakdown of the changes in components - General Funds and Property Revaluation Reserves.

2018 Actual		2019 Actual	2019 Budget	2019 Supp. Estimates	2020 Forecast
\$000	Notes	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
17,461,619	Balance at 1 July	18,016,213	17,746,137	18,016,209	18,168,209
319,080	Total comprehensive revenue and expense	261,738	(266)	(23,007)	718
	<i>Owner transactions</i>				
318,424	Capital injections	216,995	313,263	223,618	499,041
(38,511)	Capital withdrawals	(35,784)	(20,774)	(35,784)	(9,866)
(44,399)	Return of operating surplus to Crown	(33,966)	-	-	-
18,016,213	Balance at 30 June	18,425,196	18,038,360	18,181,036	18,658,102

Explanations of major variances against the original 2018 budget are provided in Note 22.

The above Statement of Changes in Taxpayers' Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

The Statement of Cash Flows summarises the cash movements in and out of the Ministry during the financial year. It takes no account of money owed to the Ministry or owing by the Ministry and therefore differs from the Statement of Comprehensive Revenue and Expenses on page 90.

2018 Actual		2019 Actual	2019 Budget (unaudited)	2019 Supp. Estimates (unaudited)	2020 Forecast (unaudited)
\$000		\$000	\$000	\$000	\$000
	Cash flows from operating activities				
2,251,894	Receipts from Revenue Crown	2,601,235	2,485,185	2,561,235	2,509,204
27,293	Receipts from other revenue	28,040	11,289	19,118	8,606
(299,976)	Payments to suppliers	(364,761)	(361,481)	(403,775)	(339,341)
(307,021)	Payments to employees	(345,273)	(324,134)	(343,110)	(364,360)
(1,046,158)	Payments for capital charge	(1,079,515)	(1,077,346)	(1,079,515)	(1,099,343)
5,963	Goods and services tax (net)	(1,380)	-	(2,852)	-
631,995	Net cash flow from operating activities	838,346	733,513	751,101	714,766
	Cash flows from investing activities				
27,695	Receipts from sale of property, plant, and equipment	37,954	30,225	32,783	-
(839,974)	Purchase of property, plant, and equipment	(931,406)	(979,097)	(852,157)	(1,117,555)
(24,313)	Purchase of intangible assets	(25,937)	(33,645)	(26,511)	(34,623)
(836,592)	Net cash flow from investing activities	(919,389)	(982,517)	(845,885)	(1,152,178)
	Cash flows from financing activities				
318,424	Capital injections	216,995	313,263	223,618	499,041
(38,511)	Capital withdrawals	(35,784)	(20,774)	(35,784)	(9,866)
(41,726)	Return of operating surplus to Crown	(44,399)	(11,329)	(44,399)	(6,392)
(19,527)	Payment of finance charges on service concession arrangements	(24,519)	(27,918)	(26,251)	(38,088)
(2,771)	Repayment of service concession liability	(4,241)	(4,238)	(4,239)	(7,283)
215,889	Net cash flow from financing activities	108,052	249,004	112,945	437,412
11,292	Net (decrease)/increase in cash	27,009	-	18,161	-
40,547	Cash at the beginning of the year	51,839	50,000	51,839	70,000
51,839	Cash at the end of the year	78,848	50,000	70,000	70,000

The goods and services tax (GST) (net) component of operating activities reflects the net GST paid to and received from Inland Revenue. The GST components have been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of major variances against the original 2018 budget are provided in Note 22.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



Statement of Cash Flows (continued)

Reconciliation of Net Surplus with Cash Flow from Operating Activities

The following reconciles the net surplus in the Statement of Comprehensive Revenue and Expenses with the cash flow from operating activities in the Statement of Cash Flows by making adjustments to remove non-cash items (such as depreciation), items classified as investing or financing activities, and for the effects of changes in working capital (that is, the changes in current assets and liabilities such as debtors and creditors).

	2018	2019
	Actual	Actual
	\$000	\$000
Net surplus	24,332	(31,535)
Add/(less) non-cash items		
Depreciation, impairment and write-off on property, plant and equipment	618,940	653,185
Amortisation, impairment and write-off on intangible assets	14,312	17,414
Impairment of non-current assets held for sale	191	-
Net unrealised loss/(gain) on derivative financial instruments	22,498	70,621
(Decrease) in non-current employee entitlements	(72)	1,881
Increase in non-current provisions	86	606
Total non-cash items	655,955	743,707
Add/(less) items classified as investing or financing activities		
Net (gain) on sale of property, plant and equipment	(11,987)	(15,236)
Finance charges on service concession arrangements	20,862	28,379
Total investing or financing activities	8,875	13,143
Add/(less) movements in working capital items		
(Increase) in debtors and other receivables	(76,899)	109,877
(Increase)/decrease in prepayments	2,862	(519)
Increase in creditors and other payables	14,730	1,542
Increase in current employee entitlements	1,813	2,876
(Increase)/decrease in current provisions	327	(745)
Total net movement in working capital items	(57,167)	113,031
Net cash flow from operating activities	631,995	838,346

Statement of Commitments

as at 30 June 2019

The Statement of Commitments records future expenses and liabilities to be incurred on contracts that have been entered into as at balance date.

	2018 Actual \$000	2019 Actual \$000
Capital expenditure		
School property capital works programme		
• Not later than one year	706,359	673,948
• Later than one year and not later than five years	819,790	1,419,372
• Later than five years	211,643	343,335
Development of Education Resourcing System		
• Not later than one year	4,572	4,160
• Later than one year and not later than five years	1,082	-
• Later than five years	-	-
Integrated Education Data programme		
• Not later than one year	2,954	436
• Later than one year and not later than five years	-	-
• Later than five years	-	-
Total capital commitments	1,746,400	2,441,251
Non-cancellable operating leases		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Ministry office premises		
• Not later than one year	16,228	22,558
• Later than one year and not later than five years	47,124	66,152
• Later than five years	58,196	92,517
School property		
• Not later than one year	12,120	12,337
• Later than one year and not later than five years	33,268	36,377
• Later than five years	80,479	79,873
Motor vehicles		
• Not later than one year	1,513	1,668
• Later than one year and not later than five years	2,247	1,397
• Later than five years	-	-
Total non-cancellable operating lease commitments	251,175	312,879
Total commitments	1,997,575	2,754,130



School property capital works programme

The school property capital works programme commitments are the aggregate amount of capital expenditure contracted for the acquisition or construction of buildings, which have not been paid for or not recognised as a liability at balance date.

The \$698.863 million increase in commitments, despite capital expenditure of \$999.521 million in 2018/19, is mainly due to increases in Redevelopment, New School and Roll Growth funded commitments this year.

Education Resourcing System

The Education Resourcing System is a new system that is being progressively introduced to replace a number of legacy systems that facilitate the distribution of funding to schools and early childhood education service (ECE) providers in the form of grants, claims and staffing entitlements.

Integrated Education Data programme

The Integrated Education Data programme is a system-wide information management system. Its purpose is to make education data more accessible to inform decision-making by Communities of Learning | Kāhui Ako, education providers, learners, whānau, teachers and government.

Non-cancellable operating leases

The Ministry has leases on office premises, school land and motor vehicles, which are for varying terms, escalation clauses and renewal rights. The amounts disclosed above as future commitments are based on the current lease terms.

The most significant office lease commitment is for the Ministry's National Office premises at 33 Bowen Street and 1 The Terrace, Wellington. These leases expire in December 2030 and December 2032, respectively.

The increase in office lease commitments is mainly due to the establishment of the lease at 1 Terrace from 1 January 2020 so that all National Office staff will be in two buildings near to each other.

The total of minimum future office accommodation payments expected to be received under co-location agreements with other government departments at balance date is \$6.538 million (2018: \$8.658 million). This revenue is accounted for against appropriation Services to Other Agencies RDA.

The majority of school property leases are for Treaty of Waitangi settlement redress over some school land. Under these leases, the Crown can keep leasing the land from iwi for as long as it is needed for education purposes.

There are no restrictions placed on the Ministry by any of its leasing arrangements.

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2019

The Statement of Contingent Liabilities and Contingent Assets discloses situations that exist at year end, 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.

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident or when a present liability is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantifiable liability). Contingent liabilities, including unquantifiable liabilities, are disclosed if the possibility that they will crystallise is more than remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Quantifiable contingent liabilities

	2018 Actual \$000	2019 Actual \$000
Legal proceedings and disputes		
Contractual disputes	26,800	17,450
Historical negligence claims of abuse in government institutions such as special schools	4,725	5,720
Total quantifiable contingent liabilities	31,525	23,170

Legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the Ministry's statutory role.

Unquantifiable contingent liabilities

The Ministry has several cases where there is no direct financial claim but which have implications for changes to policy and operations if successful (2018: Nil).

Unquantifiable contingent assets

As at 30 June 2019, the Ministry has various unquantified contingent assets in relation to potential (but as yet unquantified) revenue resulting from prospective weather-tightness related legal settlements. Most of these have not progressed to Court and so remain legally privileged.

Settlement payments have been received on various legal claims through the 2018/19 financial year (refer Note 3 to the financial statements), and the High Court has permitted a claim against a cladding manufacturer, Carter Holt Harvey, to proceed to trial, but due to the complexity of the case, it is unknown at this time when subsequent payments (if any) may be received.

A similar disclosure was made in the 2018 Annual Report.

Quantifiable contingent assets

The Ministry has no quantifiable contingent assets (2018: \$Nil).



Notes to the Departmental Financial Statements

for the year ended 30 June 2019

Note 1 – Reporting Entity

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

In addition, the Ministry has reported separately on the non-departmental schedules which present financial information on public funds managed by the Ministry.

The primary objective of the Ministry is to provide services to the public. The Ministry is the lead advisor to the Government on education: ECE, primary and secondary education and tertiary education. The Ministry is also the steward of the education system. The Ministry does not operate to make a financial return. Accordingly, the Ministry has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of the Ministry are as at and for the year ended 30 June 2019. The financial statements were authorised for issue by the Secretary for Education on 30 September 2019.

Note 2 – Basis of Preparation and Statement of Significant Accounting Policies

Basis of preparation

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

Statement of compliance

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

These financial statements have been prepared in accordance, and comply, with PBE Standards.

Measurement base

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

Functional and presentation currency

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 has been one change in the Ministry's accounting policies since the date of the last audited financial statements.

The Crown has adopted PBE IFRS 9 Financial Instruments from 1 July 2018 replacing PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Under the transition options of PBE IFRS 9, the Crown is not restating financial instrument comparatives for classification, measurement and impairment. PBE IFRS 9 does not apply to sovereign receivables which continue to be within the scope of PBE IPSAS 23 Revenue from Non-Exchange Transactions as they do not meet the definition of a financial instrument. The application of PBE IFRS 9 to the Ministry is limited to the accounting for the more detailed requirements for impairments of debtors and other receivables for revenue from exchange transactions. The model used to recognise and calculate impairment losses changed from incurred losses to expected losses,



which could result in the earlier recognition of impairment losses. This change has had no material effect on the carrying value of debtors and other receivables as the Ministry's exposure to credit risk is insignificant.

Standards issued and not yet effective and not early adopted

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

Impairment of revalued assets

In April 2017, the New Zealand Accounting Standards Board of the External Reporting Board issued Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), which now clearly includes revalued property, plant, and equipment in the scope of impairment accounting standards. Previously, only property, plant, and equipment measured at cost were included in the impairment accounting standards. Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs. The Crown has not early adopted this standard and therefore it will be applicable for the Ministry in the financial year beginning 1 July 2019. The Ministry has not yet assessed the effects of this amendment.

Significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Goods and Services Tax (GST)

All items in the Financial Statements, including *Appropriation Statements*, are stated exclusive of GST, except for Debtor Crown, trade debtors and creditors, 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 payable to, or recoverable from, the Inland Revenue Department at balance date is included as part of creditors and other payables or debtors and other receivables 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.

Statement of cost accounting policies

The Ministry has determined the cost of departmental outputs in the *Appropriation Statements* using the cost allocation system outlined below.

All costs are charged to responsibility centres and services or projects.

Criteria for direct and indirect costs

Direct costs are those costs charged directly to non-overhead responsibility centres and services or projects. 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 responsibility centre and service.



Direct costs assigned to outputs

Non-overhead responsibility centres and services are mapped directly to outputs. Costs in these responsibility centres and services 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 responsibility centres and services, and thereby to outputs, on the basis of cost drivers such as direct salaries costs captured within the non-overhead responsibility centres and services.

There have been no material changes in cost accounting policies since the date of the last audited financial statements.

Critical accounting estimates and assumptions

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

Long service leave and retirement gratuities

Long service leave and retirement gratuities entitlements that are payable beyond 12 months have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and
- the present value of the estimated future cash flows using the discount rates prescribed by the Treasury as at 30 June 2019 and a salary inflation factor of 2.5% (2018: 2.5%). The discount rates used are based on the yields on Government Bonds and range from 1.26% to 4.30% (2018: 1.78% to 4.75%).

An analysis of the exposure in relation to estimates and uncertainties surrounding long service leave and retirement gratuities liabilities is disclosed in Note 16.

Land valuation

Land fair values have been determined from market-based evidence on a highest and best use basis. Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage and an open market 'willing buyer willing seller' scenario. For schools with a designation or other restriction against the land, the values are adjusted accordingly. The land is valued as vacant land less costs of making the land vacant.

School buildings and site improvements valuation

School buildings and site improvements are stated at fair value as determined by an internal valuation process on an annual basis. Fair value is determined using optimised depreciated replacement cost. Optimised depreciated replacement cost is used because of the specialised nature of the assets. An independent registered valuer reviews the valuation for school buildings and site improvements.

The construction rates applied for calculating the depreciated replacement costs have been sourced from 'QV Costbuilder' with an effective date of 1 June 2019. The Ministry has applied an uplift factor based on the Capital Goods Pricing Index when establishing the inputs used in the 30 June 2019 revaluation.

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

Component	2018 unit rate	2019 unit rate
Classroom – fit out	\$813 m ²	\$874 m ²
Classroom – services	\$932 m ²	\$1,010 m ²
Classroom – roof	\$366 m ²	\$413 m ²
Classroom building structures – single storey	\$1,519 m ²	\$1,484 m ²
Classroom building structures – per storey	\$432 m ²	\$451 m ²
Ancillary buildings	\$804 m ²	\$832 m ²
Covered way	\$429 m ²	\$447 m ²
Swimming pools	\$3,450 m ³	\$3,570 m ³
Boilers	\$63,657 each	\$63,238 each
Lifts – standard (3 floors)	\$121,252 each	\$120,453 each
Lifts – additional floor	\$6,568 each	\$6,525 each
Transportables	\$3,517 m ²	\$3,660 each
Hoists	\$13,300 each	\$13,300 each

School buildings and site improvements useful life

The useful life of school buildings and site improvements is re-assessed annually based on their age and the level of capital expenditure incurred over the last 10 years compared to their replacement cost.

Adjustments have been made to the remaining useful life assumption for school buildings as follows:

Nature of valuation adjustment to replacement costs	Impact on the valuation
Assessment of the remaining useful life	The remaining useful life of components and consequently value has been amended based on the level of costs incurred on the component during the course of the last 10 years, as an indicator of the condition of the component. Minimum useful lives are utilised to reflect residual values.
Assessment of the impact of technology change on replacement costs	Consideration is given to the age of each component, and the building code applicable at that time, and a discount applied based on the era during which the asset was constructed.
Condition impact on remaining useful life	The remaining useful life of components and consequently value has been amended in consideration of the expected level of expenditure required to renew components during the course of the next 10 years to reflect the actual state of assets in poor or very poor condition.
Expected demolition or significant redevelopment programme	The remaining useful life of components and consequently value has been amended in consideration of the expected impact on value and life that planned demolitions or major redevelopments will have on components.
Assessment of weather-tightness issues on building condition	The value and remaining useful life of components has been amended in consideration of the expenditure required to return assets to an expected normal state given the age of an asset component.



Critical judgements in applying accounting policies

The Ministry has exercised judgement in applying accounting policy on the appropriate classification of leases.

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership.

Judgement is required on various aspects that include but are not limited to the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the *Statement of Financial Position* as property, plant and equipment, whereas for an operating lease no asset is recognised.

The Ministry has exercised judgement on the appropriate classification of property, plant and equipment and has determined that none of the Ministry's leasing arrangements are finance leases.

Budget and forecast figures

The budget figures in the financial statements are for the year ended 30 June 2019 and were published in the 2018 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the 2018 Budget Economic and Fiscal Update (BEFU) for the 2018/19 year. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

The forecast financial statement figures are for the year ending 30 June 2020, and are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU 2019 for the 2019/20 financial year. They have been prepared as required by the PFA to communicate forecast financial information for accountability purposes and in accordance with PBE Standards.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements. These figures do not provide for the annual revaluation of school property assets as it is Crown forecasting policy not to budget for annual revaluation movements.

The forecast financial statements were approved for issue by the Secretary for Education on 17 April 2019. The Secretary for Education is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

The actual financial results achieved for 30 June 2020 are likely to vary from the forecast information presented and the variation may be material.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions about what may occur during the 2019/20 year. They have been compiled on the basis of existing government policies and Ministerial expectations at the date the information was prepared. The main assumptions were as follows:

- the Ministry's activities and output expectations will remain substantially the same as the previous year
- personnel costs were based on current wages and salary costs and full-time equivalent (FTE) levels and staff turnover, adjusted for anticipated remuneration changes,
- operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred, and
- estimated year-end information for 2018/19 was used as the opening position for the 2019/20 forecasts.

Since the approval of the forecasts, the only significant change or event that would have a material impact on the forecasts has been the revaluation of land and buildings at 30 June 2019. This resulted in a revaluation increase of approximately 2%. Although it is difficult to reliably forecast land and building values, it is likely that the valuation increase to 30 June 2019 will result in land and building values at 30 June 2020 being higher than in the existing 2020 forecast figures. The asset revaluations changes will result in adjustments to departmental appropriations for capital charge and depreciation in the Supplementary Estimates of Appropriations for 2019/20.

Additional factors that could lead to material differences between the forecast and the actual results include changes to the baseline budget through new initiatives, transfer of funding across financial years or technical adjustments.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2020 will not be published.

Note 3 – Revenue

The Ministry funds its operations through exchange and non-exchange transactions. These are distinguished by whether there is a direct exchange of approximately equal value with another party or not. Exchange revenue covers goods and services supplied on a commercial basis including on a cost recovery basis as prevalent in the public sector. Non-exchange revenues are the receipt of funds that do not require an exchange of equal value.

Revenue from the Crown (**Revenue Crown**) is the primary source of funding for the Ministry. Revenue Crown is measured based on the Ministry's funding entitlement for the reporting period. Revenue Crown is a non-exchange transaction because the Crown does not directly receive equal value from the Ministry in return for the funding. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date. There are no conditions attached to the funding from the Crown. However, the Ministry can incur expenses only within the scope and limits of its appropriations. The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

A breakdown of revenue from other sources is as follows.

	2018 Actual \$000	2019 Actual \$000
<i>Non-exchange</i>		
Third party contributions to development of school building assets	9,553	15,505
Gain from insurance claims	370	3,273
Weather-tightness settlements	6,131	2,915
Export Education Levy	769	786
ECE Licensing Application Fees	429	372
<i>Exchange</i>		
Gain on sale of property, plant and equipment	13,165	15,859
School house rentals	3,954	4,081
Support services to other public entities	2,529	2,107
Miscellaneous revenue	1,137	527
Total other revenue	38,037	45,425



The gain from insurance proceeds in 2019 is the value of the settlement with a construction contractor insurer for a fire which destroyed the Westland High School hall on 6 February 2016.

Note 4 – Personnel Costs

Employee entitlements to salaries and wages, annual leave, long service leave and retiring leave and other similar benefits are recognised in the surplus or deficit when they accrue to employees.

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are recognised in the surplus or deficit as they fall due.

Termination benefits are recognised in the surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to the normal employment date or to provide such benefits as a result of a position becoming redundant. Termination benefits expected to be settled within 12 months are reported at the amount expected to be paid.

A breakdown of personnel costs is as follows:

	2018 Actual \$000	2019 Actual \$000
Salaries and wages	293,826	327,500
Superannuation contributions to defined contribution plans	7,544	8,585
Training and development	3,485	4,942
Increase in employee entitlements	1,741	4,757
Increase in payroll remediation provision	59	493
Decrease in restructuring provision	(58)	(347)
Increase/ (decrease) in pay equity provision	388	(388)
Other personnel costs	1,657	3,218
Total personnel costs	308,642	348,760

Salaries and wages include the cost of contractors engaged in a contract for service.

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

Note 5 – Capital Charge

The Ministry pays a capital charge to the Treasury on its taxpayers' equity as at 30 June and 31 December each year. The rate used for calculation of capital charge is the public sector discount rate. The capital charge rate for the six months to 31 December 2018 was 6% and the rate for the six months to 30 June 2019 was 6% (2018: 6% and 6% respectively).

The capital charge reflects the cost of the Crown's investment in the Ministry and is recognised as an element of output expenses.

Note 6 – Finance Costs

Finance costs are recognised in relation to the repayment of the service concession arrangement assets over the contract term as an expense in the financial year in which they are incurred.

Note 7 – Other Operating Expenses

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives for office accommodation received are recognised evenly over the term of the lease as a reduction in rental expense. The unexpired portion of non-cancellable operating leases for office accommodation, motor vehicles and school property is shown in the Statement of Commitments.

All other operating expenses are recognised when goods or services are received.

A breakdown of other operating expenses is as follows:

	2018 Actual \$000	2019 Actual \$000
Fees to auditors		
• Audit fees for audit of the financial statements	477	527
• Advisory services	17	-
Contracts for services	119,744	135,919
Special education payments	71,276	82,268
Maintenance of school property	34,685	41,475
Operating lease costs – School property	13,150	19,892
Operating lease costs – Office accommodation	16,891	18,954
Operating lease costs – Motor vehicles	1,175	1,435
Operating lease costs – Office equipment	62	191
ICT costs	18,491	21,377
Travel, meetings and conference costs	12,792	12,370
Legal fees and litigation costs	9,041	11,793
Insurance	6,662	7,995
Consultants	3,111	6,221
Risk and Assurance Board fees	30	37
Write-off and impairment of property, plant and equipment	11,779	10,752
Loss on sale of property, plant and equipment	1,178	623
Impairment of non-current assets held for sale	191	-
Write-off and impairment of intangible assets	-	1,138
Increase in lease reinstatement provision	24	103
Increase/(decrease) in provision for impairment of trade debtors	79	(230)
Other	4,462	6,565
Total other operating expenses	325,317	379,405

There is \$762,000 of fees included in the Schedule of Non-departmental Expenses to the auditors for other assurance services in relation to centrally provided audit work to support school auditors (\$528,000) and for consultancy fees for delivering digital technology programmes (\$234,000).



Note 8 – Debtors and Other Receivables

Debtor Crown represents cash which has been appropriated but yet to be drawn down from the New Zealand Debt Management Office (NZDMO). The Ministry classifies Debtor Crown as current because it can be realised in cash within three working days.

Debtors and other receivables are recognised initially at fair value and subsequently at amortised cost, less any provision for impairment. Due to their short-term nature, debtors and other receivables are not discounted.

An expected credit loss model is used to recognise and calculate impairment losses for trade debtors. Trade debtors are assessed at each reporting date for any significant increase in credit risk since initial recognition. The simplified approach to providing for expected credit losses as prescribed by PBE IFRS 9 is applied. The simplified approach involves making a provision at an amount equal to lifetime expected credit losses. The provision for impairment on trade debtors who are individually significant is determined on an individual basis. Those deemed not to be individually significant are assessed on a portfolio basis based on the number of days overdue, and taking into account the historical loss experience and incorporating any external and future information.

A breakdown of debtors and other receivables and further information is as follows:

	2018 Actual \$000	2019 Actual \$000
<i>Non-exchange</i>		
Debtor Crown	639,091	527,496
Trade Debtor - Export Education Levy Fund	655	-
Accrued revenue – Export Education Levy	-	161
<i>Exchange</i>		
Trade Debtors (net)	3,334	2,909
Other receivables (including accrued revenue)	1,938	4,575
Total debtors and other receivables	645,018	535,141

The carrying value of trade debtors and other receivables approximates their fair value. The Ministry classifies trade debtors and other receivables as current because they are expected to be realised within 12 months.

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

	2018			2019		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	2,327	-	2,327	1,133	-	1,133
Past due 31 - 60 days	366	-	366	511	-	511
Past due 61 - 90 days	1,153	-	1,153	543	-	543
Past due > 91 days	951	(808)	143	1,271	(549)	722
Total	4,797	(808)	3,989	3,458	(549)	2,909

Movements in the provision for impairment of trade debtors are as follows:

	2018 Actual \$000	2019 Actual \$000
Balance at 1 July	903	808
Increase/(decrease) in provisions made during the year	79	(230)
Debtors written off during period	(174)	(29)
Balance at 30 June	808	549

Note 9 – Prepayments

Prepayments are comprised of:

	2018 Actual \$000	2019 Actual \$000
School property capital expenditure programme	13,346	23,744
Operating expenses	14,300	14,819
Total prepayments	27,646	38,563

Note 10 – Non-Current Assets Held for Sale

Non-current assets are classified as held for sale when they are identified as surplus to requirements and approval has been obtained to dispose of these assets. Non-current 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 assets held for sale are recognised in net surplus or deficit.

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

Non-current 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 assets held for sale comprise:

	2018			2019		
	Land \$000	Buildings \$000	Total \$000	Land \$000	Buildings \$000	Total \$000
Balance at 1 July	22,540	7,115	29,655	27,156	5,537	32,693
Impairment losses recognised in net surplus or deficit	(31)	(160)	(191)	-	-	-
Disposals	(8,907)	(2,581)	(11,488)	(16,405)	(2,311)	(18,716)
Transfers from/(to) property, plant and equipment	13,554	1,163	14,717	3,100	1,624	4,724
Balance at 30 June	27,156	5,537	32,693	13,851	4,850	18,701

The accumulated revaluation reserve balance associated with non-current assets held for sale at 30 June 2019 is \$13.395 million comprising of Land \$9.465 million and Buildings \$3.930 million (2018: \$28.597 million comprising of Land \$23.473 million and Buildings \$5.124 million).



An active programme is in place to progress these sales as quickly as possible. Non-current 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. The completion date for these sales is difficult to predict owing to legal and procedural matters.

Note 11 – Property, Plant and Equipment

The Ministry is responsible for, and has ownership of, a significant portion of the institutional land and buildings in use by schools, playcentres and kindergartens on behalf of the Government.

Property, plant and equipment consist of the following asset classes: land, buildings, office furniture, fittings (leasehold improvements) and equipment, computer hardware, and motor vehicles.

Land is measured at fair value, and buildings including those financed under a service concession arrangement, are measured at fair value less accumulated depreciation. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Additions

Individual property assets, or groups of assets, are capitalised if their cost is greater than \$5,000. Other categories of assets greater than \$2,500 are capitalised. The value of an individual asset that is less than \$2,500 and is part of a group of similar assets is capitalised.

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.

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. Where an asset is acquired at no cost, or for a nominal cost through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

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

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

Work-in-progress is recognised at cost less impairment and is not depreciated.

Revaluations

Land and completed buildings are revalued annually and additions between valuations are recorded at cost.

School buildings and site improvements are stated at fair value as determined by an internal valuation process. Fair value is determined using the optimised depreciated replacement cost method. Optimised depreciated replacement cost is used for buildings because of the specialised nature of the assets. 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.

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

The results of revaluing are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in taxpayers' equity for that class. 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.

School demolition costs

Consideration is given to whether school buildings on a closed school site should be demolished or removed. The costs incurred in demolishing school buildings on a school site are capitalised as land improvements. The carrying amounts of the demolished school buildings are written off and recognised in the net surplus or deficit. Land Information New Zealand manages the land disposal process on behalf of the Ministry.

The cost incurred in demolishing an existing building to give way for the construction of a new building is capitalised as part of the new building. The carrying amount of the replaced building is written off and recognised in the net surplus or deficit.

The cost of demolishing surplus school buildings on an ongoing school site is recognised in the net surplus or deficit as they are incurred along with the carrying amount of the buildings written off.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the net surplus or deficit. When a revalued asset is sold, the amount included in the property revaluation reserve in respect of the disposed asset is transferred to general funds.

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 of major classes of property, plant, and equipment have been estimated as follows:

Useful lives:	Years
Buildings including those financed under a service concession arrangement	
• Permanent school building roof, services, fit outs, lifts and boilers	15 - 45
• Ancillary buildings, covered ways, houses, kindergartens, playcentres, site improvements, swimming pools	30 - 50
• Permanent school building fabric	75
Office furniture and equipment	4 - 8
Computer hardware	2 - 7

Leasehold improvements (office fittings) 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.

Impairment

The Ministry does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant, and equipment held at cost that have a finite useful life are reviewed for impairment at each balance date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Value in use is determined using an approach based on either an optimised depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its value in use amount, the asset is considered to be impaired and the carrying amount is written-down to the recoverable service amount. The total impairment loss is recognised in the surplus or deficit.



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

Movements for each class of property, plant, and equipment are as follows:

	Land valuation \$000	Buildings valuation \$000	Office furniture, fittings and equipment Cost \$000	Computer hardware Cost \$000	Motor vehicles Cost \$000	Total \$000
Cost or valuation						
Balance at 1 July 2017	5,590,821	11,611,559	49,370	33,831	8,786	17,294,367
Additions	57,313	921,461	4,315	3,316	-	986,405
Revaluation increase/(decrease)	(32,584)	(270,837)	-	-	-	(303,421)
Reclassified to assets held for sale	(13,554)	(1,163)	-	-	-	(14,717)
Disposals and write-offs	(6,761)	(14,285)	(603)	(4,121)	(1,947)	(27,717)
Balance at 30 June 2018	5,595,235	12,246,735	53,082	33,026	6,839	17,934,917
Additions	94,791	904,730	4,633	12,595	-	1,016,749
Revaluation increase/(decrease)	(30,955)	(304,617)	-	-	-	(335,572)
Reclassified to assets held for sale	(3,100)	(1,624)	-	-	-	(4,724)
Reclassified between classes and from intangible assets	-	-	(5)	42	-	37
Disposals and write-offs	(4,574)	(10,063)	(74)	(3,967)	(3,502)	(22,180)
Balance at 30 June 2019	5,651,397	12,835,161	57,636	41,696	3,337	18,589,227
Accumulated depreciation and impairment losses						
Balance at 1 July 2017	-	5,707	21,371	16,540	6,257	49,875
Depreciation expense	-	598,580	3,749	4,797	35	607,161
Impairment losses	-	(5,707)	-	-	475	(5,232)
Eliminate on disposal or write-off	-	(411)	(603)	(3,987)	(1,485)	(6,486)
Eliminate on revaluation	-	(598,169)	-	-	-	(598,169)
Balance at 30 June 2018	-	-	24,517	17,350	5,282	47,149
Depreciation expense	-	629,598	3,980	8,855	-	642,433
Eliminate on disposal or write-off	-	(753)	(74)	(3,817)	(2,782)	(7,426)
Eliminate on revaluation	-	(628,845)	-	-	-	(628,845)
Balance at 30 June 2019	-	-	28,423	22,388	2,500	53,311
Carrying amounts						
At 1 July 2017	5,590,821	11,605,852	27,999	17,291	2,529	17,244,492
At 30 June 2018	5,595,235	12,246,735	28,565	15,676	1,557	17,887,768
At 30 June 2019	5,651,397	12,835,161	29,213	19,308	837	18,535,916

Work-in-progress

The amount of expenditure recognised in the carrying amount of property, plant and equipment in the course of construction for each class of asset is as follows:

	2018 Actual \$000	2019 Actual \$000
Buildings including those financed under a service concession arrangement	808,775	741,120
Office furniture, fittings (leasehold improvements), and equipment	1,113	2,100
Computer Hardware	8,808	1,592
Total work-in-progress	818,696	744,812

Motor vehicles

The Ministry is transitioning from owning to leasing motor vehicles. The remaining vehicles owned by the Ministry have been written-down to their residual values pending the decision to sell and replace them with leased vehicles.

Service concession arrangements

The Ministry has entered into three public private partnership agreements as detailed below. Under the agreements the partner is required to:

- finance, design and construct the schools, and
- provide the operational services, which comprise building maintenance, landscaping, cleaning and other types of services.

The agreements run for a period of 25 years following operational completion, after which responsibility for ongoing maintenance will revert to the Ministry along with ownership of the schools.

Under the agreements, the Ministry provides the land to the partner to use for the construction and operation of the schools.

The assets in the service concession arrangement are recognised as assets of the Ministry and are accounted for in accordance with the accounting policy applicable to the classes of property, plant and equipment that the specified assets comprise. As the schools are progressively constructed, the Ministry recognises work-in-progress at cost and a financial liability of the same value is recognised. When the schools are fully constructed and operational, the total asset cost and matching financial liability reflect the value of the future compensation to be provided to the private sector partner for the assets. Subsequent to initial recognition, these assets are accounted for at fair value and the financial liabilities are measured at amortised cost.

Following operational completion, the Ministry pays a quarterly unitary charge to the partner and it is allocated between:

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

Payments relating to the capital component reduce the financial liability when they are made. Finance and service costs are recognised as an expense in the financial year to which they are incurred.

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

*PPP1*

The Ministry entered into a public private partnership agreement with Learning Infrastructure Partners LP in 2012 to provide a primary and a secondary school at Hobsonville Point.

Under the agreement, the Ministry provided two land parcels to Learning Infrastructure Partners LP to use for the construction of the schools.

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

Carrying value of assets by source:

	2018 Actual \$000	2019 Actual \$000
Learning Infrastructure Partners LP – Buildings	86,318	85,850
Ministry – Land	26,377	23,617
Total carrying value	112,695	109,467

PPP2

The Ministry entered into a public private partnership agreement with Future Schools Partners LP in 2015 to build the following four schools:

- Haeata Community Campus, Christchurch
- Ormiston Junior College, Auckland
- Rolleston College, Christchurch
- Wakatipu High School, Queenstown.

Under the agreement, the Ministry provided four land parcels to Future Schools Partners LP to use for the construction of the schools.

Haeata Community Campus, Ormiston Junior College and Rolleston College opened at the beginning of 2017 and Wakatipu High School relocated to its new site in January 2018.

Carrying value of assets by source:

	2018 Actual \$000	2019 Actual \$000
Future Schools Partners LP - Buildings	209,075	210,642
Ministry - Land	29,263	31,728
Total carrying value	238,338	242,370

PPP3

The Ministry entered into a public private partnership agreement with ShapEd NZ LP in April 2017 to build the following five schools:

- Te Ao Mārama School (originally known as Sylvester Primary School), Hamilton
- Te Uho O Te Nikau Primary School (originally known as Flat Bush South Primary School), Auckland
- Matua Ngaru School (originally known as Kumeu Primary School), Auckland
- Co-location of Shirley Boys' High School and Avonside Girls' High School on one site in Christchurch.

Under the agreement, the Ministry provided four land parcels to ShapEd NZ LP to use for the construction of the schools. The three primary schools opened at the beginning of 2019 while the co-located Shirley Boys' and Avonside Girls' High schools opened in April 2019.

Carrying value of assets by source:

	2018 Actual \$000	2019 Actual \$000
ShapEd NZ LP - Buildings	128,364	225,819
Ministry - Land	23,392	21,121
Total carrying value	151,756	246,940

Revaluations

The annual revaluation of school land, early childhood education land and houses was conducted by Quotable Value Limited, led by Andrew Parkyn (SPINZ, ANZIV). The valuation had an effective date of 30 June 2019. School buildings and improvements are valued internally by experienced Ministry staff, and the internal valuation is reviewed by Quotable Value Limited, also led by Andrew Parkyn.

The valuations are as follows. Also refer to the Critical Accounting Estimates and Assumptions section of Note 2 which discloses information about revaluation methods and assumptions.

	Land \$000	Buildings \$000	Total \$000
2018			
Quotable Value Limited	5,595,235	411,848	6,007,083
Internal assessment by experienced Ministry staff	-	11,834,887	11,834,887
Total valuation as at 30 June 2018	5,595,235	12,246,735	17,841,970
2019			
Quotable Value Limited	5,651,397	457,890	6,109,287
Internal assessment by experienced Ministry staff	-	12,377,271	12,377,271
Total valuation as at 30 June 2019	5,651,397	12,835,161	18,486,558

Restrictions

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.

Risk management of school property

The Ministry has a three-tier approach to the risk management of school property:

- the first tier focuses on upgrading and maintaining fire protection and security systems in order to minimise arson and vandalism losses
- the second tier is a policy of self-insurance, up to \$12.5 million in the aggregate
- the third tier 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 the aggregate
 - › one reinstatement to \$520 million in the aggregate
 - › fire limit of \$60 million for any one loss and in the aggregate
 - › the deductible amount for non-catastrophic losses is \$12.5 million in the aggregate and then \$25,000 each and every subsequent loss, and
 - › the deductible amount for catastrophic losses due to natural disasters is \$12.5 million each and every loss.

The Ministry recognises a gain in the amount of insurance proceeds received upon settlement of the claim by the insurer.



Note 12 – Intangible Assets

Intangible assets consist of the following asset classes: acquired computer software and developed computer software.

All individual or groups of acquired computer software are capitalised if their cost is greater than \$2,500.

All software developments are capitalised if their cost is greater than \$50,000.

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

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 costs of materials and services, employee costs, and any directly attributable overheads.

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

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software.

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 of intangible assets have been estimated as follows:

Useful lives:	Years
Acquired or developed computer software	3 – 10

Impairment

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 11.

The same approach applies to the impairment of intangible assets.

Movements for each class of intangible assets are as follows:

	Acquired computer software \$000	Developed computer software \$000	Total \$000
Cost			
Balance at 1 July 2017	20,620	141,753	162,373
Additions	5,404	18,909	24,313
Disposals and write-offs	(567)	(3,724)	(4,291)
Reclassification	(6,908)	6,908	-
Balance at 30 June 2018	18,549	163,846	182,395
Additions	198	25,739	25,937
Disposals and write-offs	(2,810)	(5,702)	(8,512)
Reclassified between classes and to property, plant and equipment	(3,142)	3,105	(37)
Balance at 30 June 2019	12,795	186,988	199,783

Accumulated amortisation and impairment losses			
Balance at 1 July 2017	10,778	87,025	97,803
Amortisation expense	522	13,790	14,312
Disposals and write-offs	(567)	(3,724)	(4,291)
Balance at 30 June 2018	10,733	97,091	107,824
Amortisation expense	602	15,674	16,276
Disposals and write-offs	(1,730)	(5,644)	(7,374)
Balance at 30 June 2019	9,605	107,121	116,726
Carrying amounts			
At 1 July 2017	9,842	54,728	64,570
Balance at 30 June 2018	7,816	66,755	74,571
Balance at 30 June 2019	3,190	79,867	83,057

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 purchased for \$72.825 million that are fully amortised but that are still in use (2018: \$77.349 million).

The total amount of software assets in the course of development is \$21.944 million (2018: \$18.460 million). This work-in-progress is included in the above figures at cost, less impairment, and is not amortised.

Note 13 – Creditors and Other Payables

Creditors and other payables is comprised of:

	2018 Actual \$000	2019 Actual \$000
<i>Exchange</i>		
Creditors	21,923	12,569
Accrued operating expenses	39,362	55,484
Accrued capital expenditure	62,710	60,112
Construction contract retentions	17,488	25,606
<i>Non-exchange</i>		
Taxes payable	17,439	16,073
Total creditors and other payables	158,922	169,844

Creditors and other payables are non-interest bearing and are normally settled within 30 days.

Creditors and other payables are recognised initially at fair value and subsequently at amortised cost. Due to their short-term nature, creditors and other payables are not discounted and classified as current liabilities.



Note 14 – Return of Operating Surplus to Crown

The Ministry has an obligation to return a portion of its operating surplus to the Crown in accordance with the Public Finance Act 1989. The calculation for the operating surplus to be paid to the Crown is as follows:

	2018 Actual \$000	2019 Actual \$000
Net surplus/(deficit)	24,332	(31,535)
Add net unrealised loss on derivative financial instruments recognised in the net surplus/(deficit)	22,498	70,621
Add unrealised loss for decrease in discount rates for retiring and long service leave	-	1,211
Less retained earnings for the school property capital works programme (including insurance proceeds)	(2,431)	(6,331)
Total return of operating surplus to Crown	44,399	33,966

On 9 September 2019, the Minister of Finance and Minister of Education agreed to allow the Ministry to retain part of its operating surplus. The whole operating surplus is typically repaid to the Treasury, but for the 2018/19 year joint Ministers approved \$12.447 million of the surplus to be retained from third party contributions to development of school building assets received in the last three months of the financial year.

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

Note 15 – Provisions

A provision is recognised 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 resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for net deficits from future operating activities.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. Provisions to be settled beyond 12 months are recoded at the present value of their estimated future cash outflows.

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

A provision for reinstatement of leased premises is recognised as the Ministry is required to make good any damage caused and remove any fixtures or fittings installed by the Ministry at the expiry of the lease.

A provision has been established to recognise a liability for payroll remediation in relation to the interpretation of the Holidays Act 2003. The specific areas that require remediation are primarily related to the payment of statutory holidays, and the rate of payment for annual, sick, retirement and bereavement leave.

	2018 Actual \$000	2019 Actual \$000
Current portion		
Restructuring	971	624
Reinstatement of leased premises	10	-
Pay equity	388	-
Total current portion	1,369	624
Non-current portion		
Reinstatement of leased premises	1,517	1,630
Payroll remediation	714	1,207
Total non-current portion	2,231	2,837
Total provisions	3,600	3,461

Movements for each class of provision are as follows:

	Lease Reinstatement \$000	Payroll Remediation \$000	Restructuring \$000	Pay Equity
Balance at 1 July 2017	1,503	655	1,029	-
Additional provisions made	24	59	1,744	388
Amounts used	-	-	(1,176)	-
Unused amounts reversed	-	-	(626)	-
Balance at 30 June 2018	1,527	714	971	388
Additional provisions made	119	493	644	-
Amounts used	-	-	(894)	(298)
Unused amounts reversed	(16)	-	(97)	(90)
Balance at 30 June 2019	1,630	1,207	624	-

Note 16 – Employee Entitlements

Short-term employee entitlements

Employee entitlements expected 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, long service leave and retirement gratuities expected to be settled within 12 months.

Long-term employee entitlements

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

Presentation of employee entitlements

Annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.



	2018	2019
	Actual	Actual
	\$000	\$000
Current portion		
Annual leave	15,678	16,706
Retirement gratuities	1,870	2,009
Long service leave	594	645
Other short-term employee entitlements	2,190	3,848
Total current portion	20,332	23,208
Non-current portion		
Retirement gratuities	6,968	8,352
Long service leave	2,205	2,702
Total non-current portion	9,173	11,054
Total employee entitlements	29,505	34,262

The calculations for long service leave and retirement gratuities were determined by an independent actuary, where the main economic assumptions applied were discount rates prescribed by the Treasury, salary inflation factor and resignation rates. Further information is provided in Note 2 under Critical Accounting Estimates and Assumptions.

The actuary who provided the valuation for long service leave and retiring gratuities as at 30 June 2019 and 30 June 2018 was Jonathan Eriksen, Fellow of the New Zealand Society of Actuaries.

The effect on the valuation of changes in economic assumptions is as follows:

- If the salary inflation factor were to differ by 1.5% from the estimate, with all other factors held constant, the carrying amount of the combined liability for long service leave and retirement gratuities and the surplus/deficit would be estimated \$1.072 million higher/lower.
- If the resignation rates were to differ by 50% from the estimate, with all other factors held constant, the carrying amount of the combined liability for long service leave and retirement gratuities and the surplus/deficit would be estimated \$12,000 higher/lower.
- The increase in liability valuation from 30 June 2018 to 30 June 2019 due to the change in discount rates was \$1.211 million.

Note 17 – Service Concession Liabilities

	2018	2019
	Actual	Actual
	\$000	\$000
Balance at 1 July	281,122	425,353
Additions	147,002	90,221
Repayments	(2,771)	(4,241)
Balance at 30 June	425,353	511,333
Current portion	4,271	6,983
Non-current portion	421,082	504,350
Balance at 30 June	425,353	511,333

The Ministry's service concession liabilities are interest bearing at the effective interest rate of 1.94% per quarter, 7.75% per annum (2018: 1.94% and 7.75% respectively) for PPP1, 1.91% per quarter, 7.66% per annum (2018: 1.90% and 7.60% respectively) for PPP2 and 1.64% per quarter, 6.58% per annum for PPP3 (2018: Nil). The effective interest rate is subject to change at any point of refinancing, which requires the Ministry's consent.

Note 18 – Taxpayers' Equity

Taxpayers' equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Taxpayers' equity is disaggregated and classified as general funds and property revaluation reserves. Revaluation reserves relate to the revaluation of land and buildings to their fair value.

	2018			2019		
	General funds	Revaluation reserves	Total taxpayers' equity	General funds	Revaluation reserves	Total taxpayers' equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July	4,999,956	12,461,663	17,461,619	5,271,387	12,744,826	18,016,213
Net surplus/(deficit)	24,332	-	24,332	(31,535)	-	(31,535)
Net gain on property revaluations	-	294,748	294,748	-	293,273	293,273
Transfers on disposal of property	11,585	(11,585)	-	(8,071)	8,071	-
Capital injections	318,424	-	318,424	216,995	-	216,995
Capital withdrawals	(38,511)	-	(38,511)	(35,784)	-	(35,784)
Return of operating surplus to the Crown	(44,399)	-	(44,399)	(33,966)	-	(33,966)
Balance at 30 June	5,271,387	12,744,826	18,016,213	5,379,026	13,046,170	18,425,196
Construction of new schools and roll growth classrooms, Christchurch Schools Rebuild Programme, purchase of land, additional non-teaching space and repayment of service concession liabilities	309,238				215,370	
Development of an Integrated Education Data Programme	-				1,504	
Expansion of learning support services	-				121	
Contribution towards development of the Education Resourcing System	7,100				-	
Development of an Education Workforce Shared Platform	1,156				-	
Early Learning Information System	930				-	
Total capital injections	318,424				216,995	



Capital withdrawals were for the following:		
Decisions to procure new schools under public private partnership contracts rather than through traditional procurement process	(29,789)	(16,652)
Transfer to departmental operating expenditure appropriation School Property Portfolio Management to lease school buildings	(5,222)	(9,692)
Transfer to non-departmental operating expenditure appropriation International Education Programmes for the Export Education Levy Fund	-	(4,000)
Transfer to non-departmental capital expenditure appropriation Schools Furniture and Equipment for the Wireless School Network Upgrade project	(3,500)	(2,400)
Transfer to departmental operating expenditure appropriation Support and Resources to Education Providers for the Education Sector Technology Infrastructure project	-	(1,850)
Transfer to non-departmental operating expenditure appropriation Contribution to the Teaching Council Aotearoa New Zealand for the Education Council Online Services project	-	(1,190)
Total capital withdrawals	(38,511)	(35,784)

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year.

Note 19 – Financial Instruments

Categories

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

	2018 Actual \$000	2019 Actual \$000
Cash and receivables		
Cash and cash equivalents	51,839	78,848
Trade debtors and other receivables	5,927	7,645
Total cash and receivables	57,766	86,493
Fair value through surplus and deficit		
Derivative financial instrument (net)	41,543	112,164
Net liability for derivative financial instruments	41,543	112,164
Financial liabilities measured at amortised cost		
Creditors	21,923	12,569
Service concession liabilities	425,353	511,333
Total financial liabilities measured at amortised cost	447,276	523,902

Cash and cash equivalents are cash on hand and funds held at call with Westpac, a registered bank, that form part of the day-to-day cash management of the Ministry. No interest is payable to the Ministry on its bank accounts. The Ministry is only permitted to spend the cash and cash equivalents within the scope of its appropriations.

A separate bank account is used for retention money withheld under commercial construction contracts to meet the requirements of the Construction Contracts Amendments Act 2015. This requirement applies to the Ministry's school property capital works projects where 5% to 10% of the contract value is held for a 12 month retention period.

The liability for the repayment of surplus to the Crown is not a financial liability as defined by PBE IPSAS 28 (Financial Instruments: Presentation), as the obligation to pay arises from statute. Similarly, Debtor Crown does not meet the definition of a financial asset as the funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year.

The Ministry does not hold or issue derivative financial instruments for trading purposes and has not adopted hedge accounting.

The Ministry's derivative financial instruments are interest rate swaps entered into with the NZDMO to manage exposure to fluctuating market interest rates as a result of its service concession arrangements which interest are bearing. They are reported as either assets or liabilities depending on whether the derivatives are in a net gain or loss position respectively.

At 30 June 2019, the total notional principal of derivatives outstanding was \$447.557 million (2018: \$449.472 million). The maturity dates for the derivatives are December 2037, December 2041 and March 2043 and are fixed at rates of 4.33%, 4.43% and 4.55% per annum respectively. The Ministry is paying a fixed rate of interest over a 25-year period and as result of the lower interest rate environment, the present value of these payments has increased. Consequently, at 30 June 2019 derivatives in loss (liabilities) exceed derivatives in gain (assets) by \$112.164 million. The \$70.621 million net unrealised movement in the fair value of the derivative financial instruments from 30 June 2018 to 30 June 2019 is recognised in the net surplus or deficit in the *Statement of Comprehensive Revenue and Expenses*.

Fair value hierarchy

For those instruments recognised at fair value in the *Statement of Financial Position*, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the *Statement of Financial Position*.



	Valuation technique			Total
	Quoted market price	Observable inputs	Significant non-observable inputs	
	\$000	\$000	\$000	\$000
2018				
Financial liabilities				
Long-term interest rate swaps (net)	-	41,543	-	41,543
2019				
Financial liabilities				
Long-term interest rate swaps (net)	-	112,164	-	112,164

These derivatives are measured at fair value using a discounted cash flow model, which uses the New Zealand dollar (NZD) swap curve made up of official cash rate (OCR), bank bill rates (BBR), and swap rates.

There were no transfers between the different levels of the fair value hierarchy.

Risks

The Ministry's activities expose it 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 seeks 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

The Ministry engages in few overseas transactions and has no assets or liabilities that are denominated in foreign currency and no outstanding forward exchange contracts, used to manage currency risk, at year end.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument, or the cash flows from a financial instrument, will fluctuate due to changes in market interest rates.

The Ministry's service concession liabilities are interest bearing at the effective interest rate of 7.75% per annum for PPP1 (2018: 7.75%), 7.66% for PPP2 (2018: 7.60%) and 6.58% for PPP3 (2018: Nil). The Ministry has entered into derivative financial instruments in the form of interest rate swaps with the NZDMO to limit its exposure to fluctuations in interest rates arising from the re-pricing of interest on the service concession liabilities.

The Ministry has obtained ministerial approval for borrowing in relation to its service concession arrangements.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date.

The next table below sets out the difference in net (deficit)/surplus had floating interest rates been 1% (100 basis points) higher or lower than the year-end market rate, with all other variables including the fixed interest rate remaining constant.

Any change in the net surplus/(deficit) for the period would result in a corresponding movement in the net assets with the change in financial liability at balance date.

	Change in interest rate	2018 Impact on net surplus/ (deficit)	2019 Impact on net surplus/ (deficit)
	\$000	\$000	\$000
Long-term interest rate swaps	+1.00%	43,277	53,957
Long-term interest rate swaps	-1.00%	(49,368)	(60,854)

The present value changes in this table reflect that the Ministry pays interest at a fixed rate but receives interest at a floating rate.

Credit risk

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

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

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and trade debtors and other receivables (refer to Note 8). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

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, the Ministry closely monitors its forecast cash requirements with expected cash draw-downs from the NZDMO. The Ministry maintains a targeted level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

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

	Less than 6 months	Between 6 months and 1 Year	Between 1 and 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000	\$000
2018					
Creditors	21,923	-	-	-	21,923
Service concession liabilities	1,820	2,451	33,310	387,772	425,353
Derivative financial instruments	-	-	-	41,543	41,543
Total financial liabilities	23,743	2,451	33,310	429,315	488,819
2019					
Creditors	12,569	-	-	-	12,569
Service concession liabilities	3,266	3,717	36,286	468,064	511,333
Derivative financial instruments	-	-	-	112,164	112,164
Total financial liabilities	15,835	3,717	36,286	580,228	636,066



Note 20 – Capital Management

The Ministry's capital is its taxpayers' equity, which comprises general funds and property revaluation reserves. Taxpayers' equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's taxpayers' equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities and compliance with the Government Budget processes, Treasury Instructions and the Public Finance Act 1989.

The objective of managing the Ministry's taxpayers' equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

Note 21 – 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.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect that the Ministry would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The Ministry has no related party transactions that are required to be disclosed at year end (2018: \$Nil).

Key management personnel compensation disclosure

	2018 Actual	2019 Actual
Remuneration and other benefits	\$4,313,000	\$4,217,000
Full-time equivalent staff	12	12

Key management personnel compensation includes the remuneration for the senior management team which consists of the Secretary for Education, nine Deputy Secretaries, Head of Education Infrastructure Service and Raukura – Chief Advisor Te Ao Māori. The Secretary is an employee of the State Services Commission (SSC) but the Ministry pays SSC.

The above key management personnel compensation disclosure excludes the remuneration and other benefits the Minister of Education receives for his role as Minister of the Crown. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and are not paid by the Ministry.

Note 22 – Explanation of Major Variances against Budget

Explanations for major variances from the Ministry's 2019 Budget figures are as set out below.

Statement of Comprehensive Revenue and Expenses

Actual expenses were \$81.876 million (3%) greater than Budget mainly due to a combination of:

- an increase in depreciation funding (\$30 million increase) resulting from the upward revaluation of the school property portfolio at 30 June 2018
- confirmed in-principle expense transfers from 2017/18 (\$26.208 million increase)
- gains achieved from the sale of surplus property assets being used to offset the cost of rationalising school sector property (\$13.394 million increase)
- capital to operating swap to lease school buildings during major capital work projects or where a building construction solution is not available or is uneconomic to pursue (\$9.692 million increase)
- revenue from successful legal claims associated with weather-tightness issues in schools being used to offset the cost of further litigation costs (\$4.616 million increase), and
- lower level of demand driven services provided to the other public service agencies on a cost recovery basis (\$2.473 million decrease).

Explanation by output class for major variances from the Main Estimates were outlined in the Supplementary Estimates. Refer to the *Supplementary Estimates of Appropriations for the year ending 30 June 2019* for an explanation of budget changes by output class between the 2018/19 Main Estimates and 2018/19 Supplementary Estimates (B.7 – pages 251 to 287 for Vote Education and pages 825 to 838 for Vote Tertiary Education).

An explanation for the increase in personnel costs from the previous financial year is provided under “Building capability and managing responsibly”, on page 43.

Statement of Financial Position

Property, plant and equipment and property revaluation reserves

The Budget figures do not provide for the gain on property revaluations at 30 June 2018 (in Supplementary Estimates) and 30 June 2019, as it is Crown forecasting policy not to budget for annual revaluation movements (totalling \$588.021 million). This increase in the value of property, plant and equipment is partially offset by capital expenditure being lower than forecast.

Creditors and other payables

Creditors and payables were higher than Budget mainly due to the increased level of operating activity reflected in the *Statement of Comprehensive Revenue and Expenses*.

Return of operating surplus to Crown

The operating surplus is mainly due to underspends (\$19.386 million) and third party contributions to the development of school building assets which the Ministry received in the last three months of the financial year (\$12.447 million). The Ministry is required to pay the operating surplus to Treasury by 31 October of each year.

Derivative financial instruments

The Ministry uses derivative financial instruments, in the form of interest rate swaps with the NZDMO, to manage its exposure to fluctuating market interest rates as a result of its private public partnership arrangements. The Ministry is paying a fixed rate of interest over a 25-year period and, as result of the lower interest rate environment, the present value of these payments has increased. Consequently, at 30 June 2019 derivatives in loss (liabilities) exceed derivatives in gain (assets) by \$112.164 million. The \$70.621 million net unrealised movement in the fair value of the derivative financial instruments from 30 June 2018 to 30 June 2019 is recognised in the net surplus or deficit in the *Statement of Comprehensive Revenue and Expenses*.



Debtors and other receivables and General funds

Debtors and other receivables through Debtor Crown are higher than Budget due to payments for capital expenditure being lower than expected as reflected in the *Statement of Cash Flows* (investing activity). Debtor Crown represents operating funding yet to be drawn down from the NZDMO. The Ministry maintains a healthy cash balance and reduces the level of Debtor Crown as required to meet both its operating and investing activities. The revision of the school property capital expenditure programme led to the decisions to defer the draw-down of some capital injections from NZDMO as reflected in the *Statement of Cash Flows* (financing activity).

Note 23 - Events after the Balance Date

No events have occurred between the balance date and date of signing these financial statements that materially affect the actual results within these financial statements.

Ministry of Education Non-Departmental Schedules

for the year ended 30 June 2019

The following non-departmental schedules record the revenue, capital receipts, expenses, assets, liabilities, contingent liabilities, and contingent assets that the Ministry manages on behalf of the Crown.

Schedule of Non-Departmental Revenue

for the year ended 30 June 2019

2018 Actual		2019 Actual	2019 Budget (unaudited)
\$000		\$000	\$000
2,202	Tertiary recoveries - grants	20,499	-
4,014	Export education levies	3,989	4,841
3,370	Overseas student fees	3,752	3,757
350	Tertiary recoveries - interest	807	122
245	Miscellaneous revenue	684	485
10,181	Total non-departmental revenue	29,731	9,205

Schedule of Non-Departmental Capital Receipts

for the year ended 30 June 2019

2018 Actual		2019 Actual	2019 Budget (unaudited)
\$000		\$000	\$000
2,858	Proceeds from encumbrance relating to the sale of land by Unitec Institute of Technology	-	-
17	Proceeds from sale of land by Wellington Institute of Technology (WelTec)	-	-
4,092	Proceeds from the sale of teacher and caretaker housing	2,278	-
6,967	Total non-departmental capital receipts	2,278	-

The above schedules should be read in conjunction with the accompanying notes.



Schedule of Non-Departmental Expenses

for the year ended 30 June 2019

2018 Actual		Notes	2019 Actual	2019 Budget (unaudited)
\$000			\$000	\$000
Grant expenditure				
1,825,604	Early childhood education services		1,879,000	1,975,651
198,187	Other		165,814	161,670
Personnel related expenses				
140,773	Superannuation contributions		150,869	151,099
8,965	ACC levies		11,077	13,762
55,985	Social assistance benefits		58,482	65,412
(930)	Debt impairment/(release of impairment)	3	868	2,000
Fees to auditors				
880	Fees for audit of schools' financial statements (Office of the Auditor General appointed auditors)		1,027	889
522	Other services (Ernst & Young)		762	734
(240)	School Risk Management Scheme underwriting and claims expense	4	113	-
Other operating expenses				
5,594,443	Operations funding to schools		5,889,682	5,938,861
3,052,667	Services from Tertiary Education Commission		3,109,087	3,346,678
30,689	Services from Education New Zealand		34,564	30,897
45,804	Services from New Zealand Qualifications Authority		50,639	42,639
408,768	Services from 3rd parties		401,016	392,530
1,680,082	GST input expense		1,755,195	1,732,132
13,042,199	Total non-departmental expenses		13,508,195	13,854,954

The fees for other services from the auditor were for an assurance engagement in relation to centrally provided audit work to support school auditors (\$528,000; 2018: \$522,000) and for consultancy fees for delivering digital technology programmes (\$234,000).

Further details of non-departmental expenditure and appropriations by Vote are provided in the *Appropriations Statements* on pages 126 to 130. The appropriation statements cover both operating (above) and capital expenditure.

The above schedules should be read in conjunction with the accompanying notes.

Schedule of Non-Departmental Assets

as at 30 June 2019

2018 Actual		Notes	2019 Actual	2019 Budget (unaudited)
\$000			\$000	\$000
Current assets				
243,374	Cash and cash equivalents		210,653	198,778
27,368	Debtors and other receivables	3	23,814	8,077
13,871	Prepayments		10,517	4,648
3,803	School Contents Risk Management Scheme recoveries		847	4,083
Non-current assets				
1,131	Debtors and other receivables	3	1,131	1,131
289,547	Total non-departmental assets		246,962	216,717

The Ministry monitors several Crown entities. These are the New Zealand Qualifications Authority, the Tertiary Education Commission and Education New Zealand. These Crown entities have their own annual reporting obligations. The investment in those entities is consolidated in the financial statements of the Government and not included in this schedule.

The Ministry also has investments in Tertiary Education Institutions (TEIs) and two Crown owned companies. These entities have their own annual reporting obligations. TEIs are Crown entities and their relationship to the Crown is managed by a plan agreed between them and the Tertiary Education Commission. The Minister of Education and the Minister of Finance are the shareholding Ministers for the Crown owned companies Network for Learning and Education Payroll Limited. The Treasury is responsible for ownership monitoring. These investments are consolidated in the financial statements of the Government and not included in this schedule.

Schedule of Non-Departmental Liabilities

as at 30 June 2019

2018 Actual		Notes	2019 Actual	2019 Budget (unaudited)
\$000			\$000	\$000
Current liabilities				
1,083,430	Creditors and other payables	5	1,087,092	1,192,829
1,459	School Risk Management Scheme claims liability	4	2,508	1,089
177,491	Teacher and support staff entitlements		268,074	189,904
1,262,380	Total non-departmental liabilities		1,357,674	1,383,822

The Ministry has recognised a provision of \$84 million in 2019 for Teacher and Support Staff Entitlements. The provision will be used to make corrective payments to current and former individuals paid through the Schools Payroll where they have not been paid in accordance with the requirements of the Holidays Act 2003. The provision is an estimate based on analysis of sample data, which may not be wholly representative of the total dataset. Some known areas of non-compliance are not included because analysis has not yet progressed to the point where a calculated estimate of corrective payments is possible. A more accurate estimate will be possible after further analysis of non-compliance has been completed, and this work is ongoing. Final calculations and potential impact on any specific individual will not be known until further detailed analysis has been completed.



Schedule of Non-Departmental Commitments

as at 30 June 2019

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2018: \$Nil).

Schedule of Non-Departmental Contingent Liabilities

as at 30 June 2019

Quantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no quantifiable contingent liabilities (2018: \$Nil).

Unquantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no unquantifiable contingent liabilities (2018: The Ministry, disclosed an unquantifiable contingent liability related to the statutory compliance of the Schools Payroll with the Holidays Act 2003. A provision as at 30 June 2019 for Schools Payroll Holidays Act remediation payments of \$84 million has now been recognised in the Schedule of Non-Departmental Liabilities within Teacher and Support Staff Entitlements).

Contingent assets

The Ministry, on behalf of the Crown, has no contingent assets (2018: \$Nil).

Notes to the Non-Departmental Schedules

for the year ended 30 June 2019

Note 1 – Reporting Entity

These non-departmental schedules 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 and the results of its operations for the year, reference should be made to the financial statements of the Government.

Note 2 – Basis of Preparation and Statement of Significant Accounting Policies

Basis of preparation

The non-departmental schedules 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 are consistent with New Zealand generally accepted accounting practice PBE as appropriate for public benefit entities.

Significant accounting policies

The following particular accounting policies have been applied.

Revenue

Revenue is derived through levies charged to education institutions offering education services to foreign students, fees paid by foreign students attending New Zealand primary and secondary schools (excluding integrated schools), interest paid by tertiary education institutions on loans and advances, recoveries of grants and other funding paid to tertiary Crown entities and education providers in previous financial years, and other miscellaneous Crown receipts that are not separately identified. The revenue from levies and recoveries is non-exchange revenue.

Grant expenditure

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

Discretionary grants are those grants where the Ministry or entity administering the grant has no obligation to award the grant on receipt of the 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.

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 an impairment 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 impairments provision. Overdue receivables that are renegotiated are reclassified as current (ie, not past due).

Commitments

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

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

Goods and Services Tax

All items in the non-departmental schedules are stated exclusive of GST, except for debtors, creditors and accrued expenses, which are stated on a GST-inclusive basis. 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 (in the schedule of expenses) and eliminated against GST revenue on consolidation of the financial statements of the Government.

Budget figures

The 2019 budget figures are for the year ending 30 June 2019, which are consistent with the best estimate financial information submitted to Treasury for the 2018 BEFU for the 2018/19 year.

Note 3 – Debtors and Other Receivables

Debtors and other receivables is comprised of:

	2018 Actual \$000	2019 Actual \$000
Debtors	18,341	17,219
Less provision for impairment	(2,886)	(3,623)
Accrued revenue and other receivables	13,044	11,349
Total debtors and other receivables	28,499	24,945
Represented by:		
Current	27,368	23,814
Non-current	1,131	1,131

Debtors and other receivables are recognised initially at fair value and subsequently at amortised cost, less any provision for impairment. The ageing profile of debtors and impairment at year-end is detailed below:

	2018			2019		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Past due 1 - 90 days	14,548	58	14,490	12,580	37	12,543
Past due 90 - 180 days	210	53	157	395	193	202
Past due 180 - 360 days	245	211	34	1,208	1,145	63
Past due > 360 days	3,338	2,564	774	3,036	2,248	788
Total	18,341	2,886	15,455	17,219	3,623	13,596

The provision for impairment has been calculated based on a review of specific overdue debtors and an assessment of past collection history and debt write-offs.

Movements in the provision for impairment are as follows:

	2018 Actual \$000	2019 Actual \$000
Balance at 1 July	5,520	2,886
Increase/(release) of impairment during the year	(930)	868
Debts written-off during the year	(1,704)	(131)
Balance at 30 June	2,886	3,623



Note 4 – School Risk Management Scheme

The School Risk Management Scheme (the scheme) provides protection both for school contents (Board of Trustees property) and for legal liability issues (including public liability) for State and State-integrated schools. School Boards of Trustees can choose to join the scheme or insure with a private insurance company. All school assets, other than land and buildings owned by the Crown, must be insured.

The Ministry acts as insurer for contents insurance in schools, and contracts the services of Crawford & Company New Zealand for loss adjustment of contents claims. Cover is described by a 'Deed' for school contents and the Education (Risk Management Scheme) Regulations 2003 and includes the replacement value of contents, refrigerated property, earthquake, subsidence, self-ignition, works of art and money. The excess deductible is \$500 per claim.

Liability insurance is provided by Lumley General Insurance (NZ) Limited 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 scheme's insurance premium is \$9.13 (GST exclusive) per pupil per annum (2018: \$9.13) and is set to recover the administration, insurance and claims cost of the scheme. The premium is deducted quarterly from the school's operational funding entitlement. The Ministry operates a separate bank account for the scheme in accordance with the Education Act 1989 (section 78E (4)).

The liability for outstanding claims at 30 June 2019 is \$2.508 million (2018: \$1.459 million). The valuation was undertaken at 30 June 2019 applying revised assumptions to the 30 June 2014 model prepared by independent actuary Jonathan Eriksen FNZSA FIA FIAA ASA. The outstanding claims liability for existing claims was taken as the total claims estimate. The claims incurred but not reported (IBNR) reserve was \$465,030 (2018: \$279,680) and was calculated as the claim rate (0.71 claims per day) times the average delay (58 days) times the average claims cost (\$11,293).

The insurance underwriting result is as follows:

	2018	2019
	Actual	Actual
	\$000	\$000
Insurance premium revenue	3,209	4,004
Outwards re-insurance premium expense	(1,241)	(1,345)
Claims expense	(1,064)	(1,427)
Claims liability adjustment from valuation	(370)	(1,049)
Administration costs	(294)	(296)
Insurance underwriting result	240	(113)

Note 5 – Creditors and Other Payables

Creditors and other payables is comprised of:

	2018 Actual \$000	2019 Actual \$000
Creditors	34,896	38,504
Taxes payable	55,915	55,325
Grants funding payable to the Tertiary Education Commission (net)	507,916	491,184
Accrued expenses	484,703	502,079
Total creditors and other payables	1,083,430	1,087,092

Creditors and other payables are non-interest bearing and are normally settled within 30 days. Therefore, due to their short-term nature creditors and other payables are not discounted and their carrying value approximates their fair value and are classified as current liabilities.

Note 6 - Explanation of Major Variances Against Budget

Explanations for major variances from the Ministry's non-departmental budget figures are as follows:

Schedule of revenue

Tertiary recoveries are not budgeted.

Schedule of expenses

Crown expenditure in Vote Education was lower than the main Estimates by \$134 million mainly due to: teachers' salaries and operational grants being lower than forecast in Primary Education and Secondary Education; and a lower number of funded child hours in ECE.

Crown expenditure in Vote Tertiary Education was lower than the main Estimates by \$144 million mainly due to: Fees-Free Payments being lower than forecast; and enrolments being lower than the level budgeted for Tertiary Education Student Achievement Component and Training for Designated Groups. Partially offset by overspend in Support for Unitec and Support for Whitireia New Zealand, as they were not initially included in the main Estimates.



Appropriation Statements

for the year ended 30 June 2019

The following statements report information about the expenses and capital expenditure incurred against each appropriation under Vote Education and Vote Tertiary Education administered by the Ministry for the year ended 30 June 2019, in compliance with section 45A of the Public Finance Act 1989.

Total departmental output expenses and appropriations equal total operating expenses in the *Statement of Comprehensive Revenue and Expenses* on page 90. All performance information for these outputs is included in Part 2 of this Annual Report.

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations

for the year ended 30 June 2019

Annual and permanent appropriations for Vote Education

Expenditure actual 2018 as restated ²	Appropriation title	Expenditure actual 2019	Approved appropriation ³ 2019	Location of end-of-year performance information ⁴
\$000		\$000	\$000	
Departmental output expenses				
1,529	Place-Based Initiative - Te Tai Tokerau, Northland	758	842	1
1,787,880	School Property Portfolio Management	1,882,809	1,890,798	1
2,529	Services to Other Agencies RDA	2,107	2,010	1
100,034	Support and Resources for Education Providers	114,622	121,732	1
12,257	Support and Resources for Parents and the Community	11,657	11,760	1
1,904,229	Total departmental output expenses	2,011,953	2,027,142	
Departmental capital expenditure				
1,010,718	Ministry of Education - Capital Expenditure PLA	1,042,686	969,211	1
Non-departmental output expenses				
11,895	Contribution to the Education Council of Aotearoa New Zealand	12,778	15,257	2
1,828,164	Early Childhood Education	1,879,000	1,923,053	2
3,142,842	Primary Education	3,278,086	3,289,385	2
30,449	School Managed Network Funding	28,750	28,750	5
-	School Risk Management Scheme	4,117	5,000	2
194,827	School Transport	205,947	205,950	2
5,318	Schooling Improvement	7,872	8,212	2
2,202,841	Secondary Education	2,276,427	2,313,530	2
73,946	Secondary-Tertiary Interface	78,565	80,991	2
8,961	Support for Early Childhood Education Providers	8,742	11,226	2
8,946	Supporting Parenting	8,058	9,329	2
1,826	UNESCO	1,912	2,083	3
7,510,015	Total non-departmental output expenses	7,790,254	7,892,766	

² The 2018 Actuals have been re-classified in the 2019 Appropriation Structure for comparative purposes.

³ These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

⁴ The key for the numbers in this column is located at the end of the tables

Expenditure actual 2018 as restated ²	Appropriation title	Expenditure actual 2019	Approved appropriation ³ 2019	Location of end-of-year performance information ⁴
\$000		\$000	\$000	
	Benefits or related expenses			
5,990	Home Schooling Allowances	4,876	5,778	3
13,796	Scholarships and Awards for Students	13,909	16,266	3
18,311	Scholarships and Awards for Teachers and Trainees	19,098	20,420	3
50	United World Scholarships	-	-	3
38,147	Total benefits or related expenses	37,883	42,464	
	Non-departmental other expenses			
933	Impairment of Debts and Assets and Debt Write-Offs	868	2,000	3
69,241	Integrated Schools Property	76,603	76,605	2
55	Interest Subsidy for Schools	-	-	3
70,229	Total non-departmental other expenses	77,471	78,605	
	Non-departmental capital expenditure			
579	School Support Project	998	1,880	2
25,922	Schools Furniture and Equipment	30,015	47,447	2
26,501	Total non-departmental capital expenditure	31,013	49,327	
	Multi-category expenses and capital expenditure (MCAs)⁵			
217,942	Improved Quality Teaching and Learning MCA	263,091	263,596	1
	Departmental output expenses			
80,527	<i>Support and Resources for Teachers</i>	105,782	102,085	
	Non-departmental output expenses			
55,301	<i>Curriculum Support</i>	52,945	52,076	
82,114	<i>Professional Development and Support</i>	104,364	109,435	
704,269	Outcomes for Target Student Groups MCA	759,604	774,308	1
	Departmental output expenses			
261,625	<i>Interventions for Target Student Groups</i>	299,354	301,479	
	Non-departmental output expenses			
429,520	<i>Learning Support</i>	447,144	459,513	
3,444	<i>Service Academies</i>	3,505	3,640	
9,680	<i>Students Attendance and Engagement</i>	9,601	9,676	
45,804	Oversight and Administration of the Qualifications System MCA	50,639	50,639	4
	Non-departmental output expenses			
6,348	<i>Provision of Communication and Advice</i>	3,448	3,448	
6,049	<i>Qualifications Support Structures</i>	6,049	6,049	
5,359	<i>Quality Assurance</i>	5,094	5,094	
28,048	<i>Secondary School Assessments</i>	36,048	36,048	
66,800	Oversight of the Education System MCA	65,275	71,229	1
	Departmental output expenses			
5,685	<i>Ministerial Services</i>	5,146	5,211	

⁵ A Multi-Category Appropriation (MCA) allows separate categories of departmental output expenses, non-departmental output expenses, departmental other expenses, non-departmental other expenses, or non-departmental capital expenditure to be grouped together in one appropriation provided all the categories contribute to a single overarching purpose.



Expenditure actual 2018 as restated ²	Appropriation title	Expenditure actual 2019	Approved appropriation ³ 2019	Location of end-of-year performance information ⁴
\$000		\$000	\$000	
11,008	Monitoring the Education System	14,556	18,492	
17,972	Policy Advice	21,173	24,115	
28,941	Research and Analysis	21,206	19,903	
	Non-departmental output expenses			
3,008	Education Research Initiatives	3,008	3,008	
186	Independent Advice on Government Priority Areas	186	500	
1,034,815	Total multi-category expenses and capital Expenditure	1,138,609	1,159,772	
11,594,654	Total annual and permanent appropriations for Vote Education	12,129,869	12,219,287	

Multi-year appropriations for Vote Education

A multi-year appropriation allow expenses or capital expenditure to be incurred during a specified period that spans the whole or parts of more than one financial year, but no more than five financial years.

Expenditure actual 2018	Appropriation title	Expenditure actual 2019	Approved appropriation 2019	Location of end-of-year performance information
\$000		\$000	\$000	
	Appropriation for non-departmental output expense: Teacher-Led Innovation Fund			2
	This appropriation started on 1 July 2015 and expires on 30 June 2020.			
	Appropriations, Adjustments and Use			
	Original Appropriation		10,000	
	Adjustments to 2017/18		7,615	
	Adjustments for 2018/19		(8,160)	
	Adjusted Appropriation		9,455	
	Cumulative expenses to 1 July		7,345	
2,840	Current year expenses	1,902	2,110	
	Cumulative expenses to 30 June		9,455	
	Remaining appropriation		-	
	Appropriation for non-departmental capital expenditure: Schools Payroll Sustainability Loan			10
	This appropriation started on 1 October 2017 and expires on 30 September 2020.			
	Appropriations, adjustments and use			
	Original Appropriation		13,225	
	Adjustments for 2017/18			
-	Current year expenses	4,000	6,000	
	Remaining appropriation		7,225	

Annual and permanent appropriations for Vote Tertiary Education

Expenditure actual 2018	Appropriation title	Expenditure actual 2019	Approved appropriation	Location of end-of-year performance information
\$000		\$000	\$000	
	Non-departmental output expenses			
23,080	Access to Tertiary Education	23,646	24,159	6
69,640	Administration of and Support for the Tertiary Education and Careers Systems	69,199	69,199	6
49,800	Centres of Research Excellence	49,800	49,800	6
30,689	International Education Programmes	34,564	34,564	7
316,500	Tertiary Education Research and Research-Based Teaching	316,500	326,500	6
23,739	Tertiary Sector/Industry Collaboration Projects	23,086	27,805	6
2,402	University-led Innovation	4,022	5,772	6
515,850	Total non-departmental output expenses	520,817	537,799	
	Benefits or related expenses			
3,706	Awards for Outbound New Zealand Students	4,503	5,040	3
800	Scholarships for Inbound International Students	800	800	3
288	Support to Apprentices	108	108	3
13,044	Tertiary Scholarships and Awards	15,187	15,568	3
17,838	Total benefits or related expenses	20,598	21,516	
	Non-departmental other expenses			
-	Impairment of Loans to Tertiary Education Institutions	35,000	35,000	3
6,450	Total non-departmental capital expenditure	35,000	35,000	
	Non-departmental capital expenditure			
6,450	Support for Tai Poutini Polytechnic	2,050	2,050	8
-	Support for the University of Canterbury	50,000	50,000	9
-	Support for Unitec Institute of Technology	35,000	35,000	11
-	Support for Whitireia New Zealand	15,000	15,000	12
6,450	Total non-departmental capital expenditure	102,050	102,050	
	Multi-category expenses and capital expenditure (MCAs)⁶			
12,352	Stewardship of the Tertiary Education System MCA	15,598	15,727	1
	Departmental output expenses			
6,563	<i>Policy Advice</i>	9,904	7,171	
5,789	<i>Research, Data Analysis and Monitoring</i>	5,694	8,556	
2,551,618	Tertiary Tuition and Training MCA	2,605,672	2,622,598	2
	Non-departmental output expenses			
69,197	<i>Community Education</i>	70,958	71,834	
2,069,345	<i>Tertiary Education: Student Achievement Component</i>	1,981,558	1,974,205	
283,094	<i>Training for Designated Groups</i>	269,617	276,324	

6 A Multi-Category Appropriation (MCA) allows separate categories of departmental output expenses, non-departmental output expenses, departmental other expenses, non-departmental other expenses, or non-departmental capital expenditure to be grouped together in one appropriation provided all the categories contribute to a single overarching purpose.



Non-departmental output expenses			
129,982	<i>Fees-free Payments</i>	283,539	300,235
2,563,970	Total multi-category expenses and capital expenditure	2,621,270	2,638,325
3,104,108	Total annual and permanent appropriations for Vote Tertiary Education	3,299,735	3,334,690

The numbers in the last column represent where end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below.

1. The Ministry's Annual Report in Part 2.
2. In the Ministerial Vote Education report in relation to Non-Departmental Appropriations for the year ending 30 June 2019, appended to the Ministry's Annual Report.
3. No reporting due to an exemption obtained under section 15D of the Public Finance Act 1989.
4. The New Zealand Qualifications Authority Annual Report.
5. The Network for Learning Limited Annual Report.
6. The Tertiary Education Commission Annual Report.
7. The Education New Zealand Annual Report.
8. The Tai Poutini Polytechnic Annual Report.
9. The University of Canterbury Annual Report.
10. The Education Payroll Limited Annual Report.
11. The Unitec Institute of Technology Annual Report.
12. The Whitireia New Zealand Annual Report.

Statement of Departmental Capital Injections

for the year ended 30 June 2019

Actual Capital injections		Actual Capital injections	Authorised in appropriation
2018		2019	2019
\$000		\$000	\$000
Vote Education			
318,424	Ministry of Education - Capital Injection	216,995	223,618

A breakdown of capital injections is provided in the departmental financial statements under Note 18 - Taxpayers' equity.

Statement of Unappropriated Expenditure

for the year ended 30 June 2019

The Ministry operates insurance activities under the School Risk Management Scheme as per the Education Act 1989, section 78D. The expenses incurred as an insurer were outside of the scope of the Primary Education and Secondary Education appropriations. This is a technical issue relating to the appropriation scopes not being wide enough to cover off a third party administered insurance scheme. These unappropriated expenses have been incurred since the scheme started in 1991. Given the timespan, it is not possible to quantify the entire amount of unappropriated expenses prior to 2014/15. A new non-departmental output expense appropriation was established in April 2019.

Vote and appropriation title	Financial year	Unappropriated expenditure
		\$000
Vote Education		
Non-departmental output expense		
School Risk Management Scheme	2018/19 (nine months to 31 March 2019)	2,401
	2017/18	2,969
	2016/17	3,401
	2015//16	2,247
	2014/15	2,895

The unappropriated expenditure will be included in the Appropriation (Confirmation and Validation) Act for validation in compliance with section 26C of the Public Finance Act 1989.





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