

THE MINISTRY OF EDUCATION

Annual Report

2018 *For the year ended 30 June 2018*

New Zealand Government



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THE MINISTRY OF EDUCATION

Annual Report

2018 For the year ended 30 June 2018

Hon Chris Hipkins

Responsible Minister for the Ministry of Education
Minister of Education

Hon Kelvin Davis

Associate Minister of 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 2018

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 2018.



Iona Holsted

Secretary for Education

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Foreword from the Secretary for Education



The New Zealand education system is highly regarded by many people, both here and abroad, however there is no room for complacency. We know that outcomes for Māori and Pacific tamariki and rangatahi, and children and young people with disabilities, continue to be disproportionately poor compared to those of their peers. The system needs to change to respond to this. The system also needs to keep pace with the rapidly changing future of work. The Ministry's stated purpose is to shape a system that delivers excellent and equitable outcomes, and our work during the past year has been centred on this.

The Ministry is leading extensive public engagement on the future of education through the Education Conversation | Kōrero Mātauranga, which will help inform all aspects of the Government's Education Work Programme. As part of this, 1,400 people participated face to face at two Summits in Christchurch and Auckland, and over 14,000 people have contributed online.

Through this Kōrero, New Zealanders are telling us that an equitable and excellent education system grows good citizens, who are critical thinkers, and who participate ethically in society in relation to the environment and the economy. It is a system where teachers, learners, whānau, employers and communities work together, with tamariki and whānau at the centre, to raise and reach high aspirations. It is a system that sees every child as a taonga, and which nurtures their hauora | wellbeing and values their identity, language and culture.

While we have been working on the big policy questions, we are continuing to strengthen and improve the existing system. The continuing roll-out of a new Learning Support Delivery Approach is providing whānau of many children with learning support needs with access to better coordinated services.

We have implemented initiatives that support Māori and Pacific students to progress and achieve in culturally responsive environments, such as the Te Rāngai Kāhui Ako ā-Iwi pilot to strengthen Māori-medium education, and the Pacific PowerUp programme that decodes National Certificates of Educational Achievement (NCEA).

In response to the new Government's policy to make access to tertiary education more equitable, we worked with the Tertiary Education Commission, the Ministry of Social Development and Inland Revenue to deliver first-year fees-free tertiary education in the first hundred days of the new Government. This cross-agency work was recognised with the Prime Minister's 2018 Institute of Public Administration New Zealand (IPANZ) award for public sector excellence.

Looking to the future of work, the Ministry worked closely with the profession and others to develop a Digital Curriculum | Hangarau Matihiko, which schools are progressively adopting between now and 2020. We are supporting the roll-out of the new curriculum content with a comprehensive package of resources and professional learning and development, for both English and Māori-medium.

To ensure we are well positioned to achieve our purpose we have been reviewing our organisational strategy and how we do things (our operating model). Feedback received through the operating model review process has helped us identify areas of strength, as well as areas where we can do better. During 2017/18, we agreed five strategic priorities that express how the Ministry will need to evolve to fulfil our purpose. These are:

- Lead the design for future education
- Lead the development of an education workforce strategy for early childhood and schooling
- Embed continuous improvement
- Adopt optimal service delivery
- Invest to support access to learning.

These changes are backed up by ongoing improvements in our organisational capability. To support a focus on equity and excellence, we are strengthening our capability to acknowledge, talk about and address issues relating to race and bias.

I am proud of the way the Ministry has continued to deliver day-to-day services, while implementing key new initiatives and adopting new ways of working. It has also been really pleasing to see that our work has been valued and well regarded by others too.

External recognition

In addition to winning the Prime Minister's award for public sector excellence at the IPANZ Public Sector Excellence Awards:

- fees-free tertiary education also won the category for Excellence in Achieving Collective Impact in the IPANZ Awards
- our digital story *Oat the Goat / Oti te Nanekoti*, designed to help young children learn the power of kindness, has received considerable acclaim, and has been accessed over 207,000 times by over 191,000 different users. About 17% of all users choose to experience the story in te reo Māori. In June 2018 it was selected as Website of the Month by Awwwards, which recognises excellence in web design and development
- the new school hall in the Christchurch Boys' High School redevelopment project won a New Zealand Institute of Architects Architecture award in the 2018 Canterbury branch awards in both the Education and Interior Architecture categories
- our entry for strengthening Digital Technologies and Hangarau Matihiko in the national curriculum was one of just two finalists in the category of Building Trust and Confidence in Government section of the IPANZ Awards
- the Ministry's Education Sector Logon Upgrade Project won the 2018 Public Sector Project of the Year Award at the highly-regarded Project Management Industry New Zealand (PMINZ) Awards. It was also selected as one of only three finalists for both the PMINZ Project of the Year Award 2018 and the 2018 ITX 'Excellence in IT' Awards in the 'Excellence in GovTech' category.

I want to thank the staff of the Ministry and our key partners for all their efforts which are helping to shape an education system that will deliver equitable and excellent outcomes for all New Zealanders.

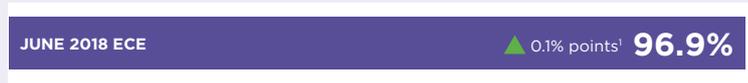


Iona Holsted
Secretary for Education

The year at a glance

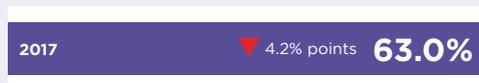
Progress on our key indicators...

Slightly more children have participated in quality early childhood education (ECE) before starting primary school



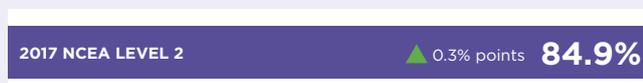
98%
JUNE 2018
TARGET

However the percentage of students attending school regularly has declined²



70%
JUNE 2018
TARGET

Slightly more 18 year olds are achieving NCEA Level 2 qualifications

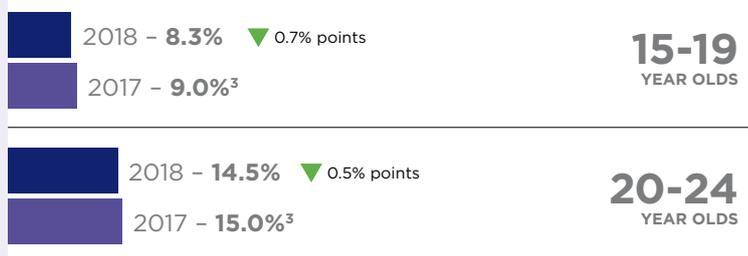


More young people have Level 4 and above qualifications

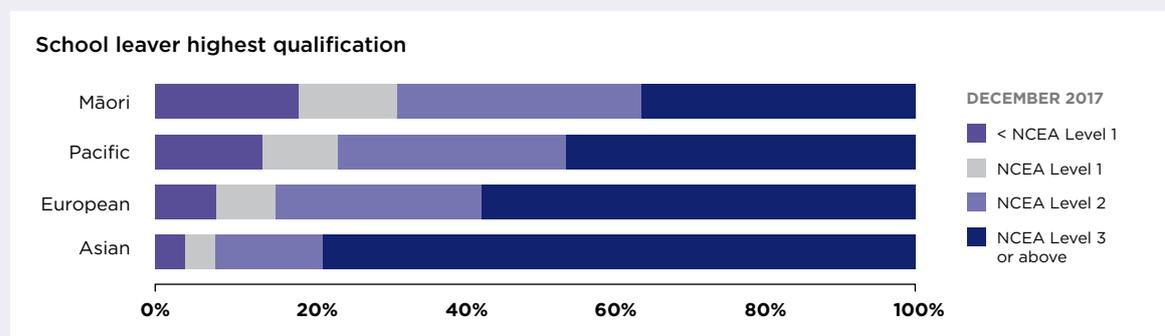


...and

Slightly fewer young people are not in employment, education or training



Disparity of achievement remains a challenge...



1 Results as at 30 June 2018, compared to 30 June 2017.
 2 Attending regularly is defined as attending at least 90% of the time. This is assessed by measuring attendance across the whole of Term 2.
 3 Statistics New Zealand revised June 2017 data so the reported number differs from what has been previously reported.

EARLY CHILDHOOD EDUCATION

OVER **202,000**

children were enrolled in ECE services

Over 5,500 ECE services and playgroups.

PRIMARY & SECONDARY EDUCATION

OVER **800,000**

children and students in primary and secondary schools

The National Curriculum was taught in over 2,500 schools by 55,000 teachers.

TERTIARY EDUCATION

OVER **564,000**

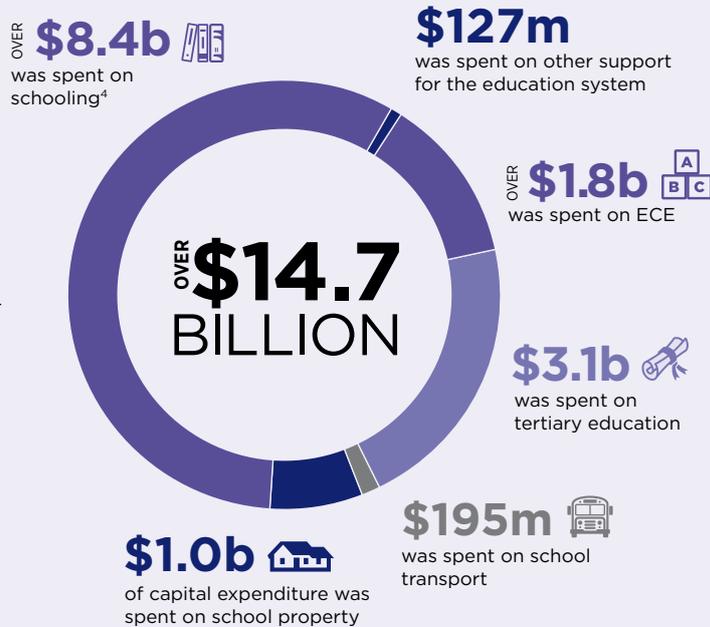
students were in formal tertiary education, including 146,000 in industry-based training

In 2017/18, we spent over **\$14.7 billion**

to enable over 1.5 million children, young people and adult students to learn and achieve.

We manage a property portfolio of **\$17.8 billion**

to provide, upgrade and maintain the physical environment to support children, young people and adult students achieve educational success.



Our people

WE EMPLOYED OVER

2,900 people in full-time equivalent roles (as at 30 June 2018).



We work from 41 locations around New Zealand, including our National Office in Wellington. Around 75% of our staff directly support either children and young people, or educators and education services.

⁴ This is made up of \$3.1 billion for primary schooling, \$2.2 billion for secondary schooling and \$3.1 billion for schooling support.

Our purpose and role

Our purpose

We shape an education system that delivers equitable and excellent outcomes.

He mea tārai e mātou te mātauranga kia rangatira ai, kia mana taurite ai ōna huanga.

Our strategic priorities

- Lead the design for future education.
- Lead the development of an education workforce strategy for early childhood and schooling.
- Embed continuous improvement.
- Adopt optimal service delivery.
- Invest to support access to learning.

Our role

The Ministry of Education is the lead advisor to the Government on education, including early childhood education, primary and secondary education and tertiary education. We are also the steward of the education system.

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 and sustains the Māori language and Māori culture. We want the education system to be a major contributor to cultural participation and wellbeing.

What we do

We need to make sure the system works for every learner, at every stage, and as a whole; and help educational leaders deliver the best outcomes for each and every child and student. To achieve this we:

- license early learning providers, to ensure they are set up appropriately to provide education and support to children
- support schools and teachers to raise achievement through advisory and support initiatives, as well as learning programmes for individual students and their families or whānau
- provide learning support services to children and young people, and support to early learning services and schools
- deliver direct infrastructure services to help schools function – property, transport, and information and communications technology
- monitor the schools payroll service to support an effective school workforce
- administer the funding for early learning services and for schools, and hold responsibility for tertiary education funding which is administered by the Tertiary Education Commission
- gather, analyse, publish and use evidence, data and knowledge across the system
- provide advice to government across the system.

A young girl with dark hair tied back, wearing a dark blue school jacket with a crest, is focused on writing in a notebook. The background is blurred, suggesting a classroom setting. The page features a large diagonal graphic element in shades of purple and blue.

PART 1

Our key achievements

This section outlines our key achievements during 2017/18. It outlines the performance framework for the year and reports on progress against our three long term outcomes:

- **The education system is relevant and reaches all children and students**
- **Every child and student achieves educational success**
- **New Zealanders have skills and knowledge for work and life.**

It then reports on progress during 2017/18 in our stewardship role and managing the Ministry itself through sections on:

- **Effective stewardship of the education system**
- **Building capability and managing responsibly.**

THE EDUCATION SYSTEM IS A MAJOR CONTRIBUTOR TO:

Social and cultural participation and wellbeing
Economic prosperity and growth

MINISTRY OF EDUCATION – OUR PURPOSE:

We **shape** an **education** system that delivers **equitable** and **excellent outcomes**

Our commitment to the Treaty of Waitangi:

We honour the obligations of partnership, participation and protection

Delivering on the following

MINISTRY STRATEGIC PRIORITIES:



Lead the design for the future of education



Lead the development of a capable workforce for early childhood and schooling



Embed continuous improvement



Adopt optimal service delivery



Invest to support access to learning

Resulting in the following

OUTCOMES and OBJECTIVES:



THE EDUCATION SYSTEM
Is relevant & reaches all **CHILDREN & STUDENTS** with

High quality regulatory, funding and institutional arrangements

High quality infrastructure

High quality curriculum and qualification frameworks

Information and data enabling good decision-making



EVERY CHILD & STUDENT
achieves **EDUCATIONAL SUCCESS** with:

High participation and engagement

All learners achieving and progressing to their potential

Informed and supportive parents, whānau, iwi, communities & employers

Effective teaching and educational leadership



NEW ZEALANDERS HAVE THE
skills & knowledge **FOR WORK & LIFE** with:

Skills match labour market needs

Internationally credible skills and institutions

Socially and culturally confident and competent people

High quality research and innovation

SUPPORTED BY:

Strong leadership and clear strategic direction

Capable and engaged staff

Good financial and resource management

Good information management systems and processes

The education system is relevant and reaches all children and students

High quality regulatory, funding and institutional arrangements

High quality curriculum and qualification frameworks

Information and data enabling good decision-making

High quality infrastructure

New Zealand needs an education system that meets the needs of our diverse population, is accessible and relevant to all, and flexible enough to accommodate the different stages in the lives of children and young people.

Improving education system performance

New Zealand has an education system of which we can be proud. However, as the way we work and live continues to rapidly change, so too do the demands on our education system.

International studies show that in many areas the system is performing well. While it delivers well for most students, we have seen recent declines in some areas. The system is also characterised by relatively high levels of disparity. Many Māori, Pacific and students attending low decile schools continue to get poorer outcomes from education. The system also delivers poor education outcomes for those with disabilities.

We are intent on improving the system further to deliver equitable and excellent outcomes for all. We also want New Zealand to remain internationally competitive.

Building a strategic vision for New Zealand's education system

We supported the Government to develop a three year Education portfolio work programme, which Cabinet approved in February 2018. The work programme is made up of:

- reviews of parts of the education system
- medium term strategies to map out priorities and actions over the next three or more years
- key initiatives for things to get underway now.

Examples of recent good news and bad news

The good news +

- New Zealand ranks first out of 35 economies in having an education system, and teachers trained, to provide skills needed for the future (Worldwide Education for the Future Index, The Economist Intelligence Unit).
- New Zealand students report higher rates of motivation to achieve than the Organisation for Economic and Co-operative Development (OECD) average.
- New Zealand students are ranked in the top nine countries for ability in collaborative problem-solving and New Zealand is ranked second, just behind Singapore, as having one of the largest proportions of students who scored at the highest level of collaborative problem-solving proficiency.

The not so good news x

- Many secondary schools are retaining their students longer, but only around half of senior secondary school students attend school regularly.
- While the Survey of Adult Skills shows that the average literacy skill of New Zealanders age 16 to 65 was fourth highest in the OECD, the literacy skills of our young people aged 16 to 25 are only at the OECD average.
- New Zealand is not as good as other countries at mitigating economic and social disadvantage (Programme for International Student Assessment – PISA).
- New Zealand has the fourth highest rates of bullying in Year 5 (TIMSS) and the second highest rate at age 15 (PISA).



Across the various initiatives we have been seeking broad stakeholder engagement. The aim is for all New Zealanders – children, young people, parents, teachers, employers, iwi, families and whānau – to have a conversation about building the world’s best education system.

A major part of this is the Education Conversation | Kōrero Mātauranga, which started with two Summit events in Christchurch and Auckland. In May 2018, around 1,400 people from all walks of life participated in these events.

Students, parents, teachers, principals, academics and employers were invited to attend these events, with a special emphasis on communities who have been under-served by the current system, including Māori, Pacific people and people with disabilities and learning support needs, and those whose voices are not always heard. This ensured that all voices could participate in the conversations in authentic ways and be part of developing a vision for education in the future.

“The strong input from Māori, Pacific and disabled people meant conversations were real and relevant”

“The contribution of students was extremely humbling and powerful”

“We valued that a low decile, diverse school like ours had a chance to have our voice heard”

To make sure the future of learning is influenced by as many people as possible, we also launched an online Education Conversation | Kōrero Mātauranga public survey in March 2018.

The survey includes four questions and asks respondents to consider, “If you were the boss of education in New Zealand what would you do first?” Respondents can complete the survey in 11 languages – English, Te Reo Māori, Cook Islands Māori, Niuean, Samoan, Tokelauan, Tongan, New Zealand Sign Language, Chinese, Hindi and Korean. At the end of June 2018, there were more than 14,000 responses to the online survey. Our initial analysis of responses has identified some emerging themes, including the principles of equity, diversity and interconnectedness with the community, Te Reo and with New Zealand history.

The outputs from the both the Summit and the Education Conversation | Kōrero Mātauranga are informing all other elements of the Education work programme.

Youth Advisory Group

In late 2017, we supported the establishment of a Youth Advisory Group (YAG) for the Minister of Education. The YAG has 12 members aged 16 to 18 years old with a diverse range of backgrounds and experiences. We provide secretariat services for their quarterly meetings and their advice is provided directly to the Minister.

We produced our first Student Voice Action Plan in February 2018, which has three goals:

- strengthening our capability and processes so that they advance a learner-centric education system
- gathering the voices of children and young people on core policies and services that impact them
- creating services and communications that meet the specific needs of children and young people.

In progressing the Action Plan we developed a prototype of a Student Engagement toolkit to support our staff to engage with young people on policies and services. The YAG reviewed the toolkit and endorsed the content and approach being taken.

Reviewing key parts of the education system

During 2017/18, we provided support to establish several reviews of key parts of the education system and work is underway on all areas of the programme.

Work is underway developing a **new strategic plan for early learning** that will set the high level direction and vision for the next 10 years. An online survey on early learning, aimed at parents, families, whānau, teachers and early learning providers, and the wider community, was launched in multiple languages in June 2018.

We are also **reviewing home-based early childhood education (ECE)** to ensure that government funding and regulation supports positive outcomes for children. During 2017/18, we developed the terms of reference and undertook initial engagement with key stakeholders to help as we created options for public consultation on options for change.

The **Tomorrow's Schools Review** is looking at how the governance, administration and management of our schooling system works, and whether it meets the needs and aspirations of all learners. Key achievements in 2017/18 included getting agreement to the terms of reference for the review in March 2018, establishing an Independent Taskforce in April 2018 and establishing the cross-sector Advisory Panel in May 2018.

The **reform of school property** recognises that approaches to teaching and learning are evolving, and we need to ensure that our environments continue to support teachers and students to succeed. Challenges like weather-tightness, seismic strengthening and information and communications technology (ICT) connectivity have added further complexity to the property decision-making environment. The Crown has a large capital investment in the compulsory education system and the reform provides an opportunity to test whether there are ways of improving how we manage assets, and deliver better educational outcomes. During 2017/18, we began work on reform proposals and the first iteration of a Long Term Property Plan.

The **review of National Certificates of Educational Achievement (NCEA)** is exploring how it can better meet the needs of 21st century learners. Between February and May 2018 the Ministry supported the NCEA Review Ministerial Advisory Group to develop the 'Big Opportunities' to open public discussion and prompt debate on NCEA. Since then, the Ministry has been engaging with New Zealanders to understand their experiences with NCEA, and explore their ideas to strengthen our national school leaving qualification.

To make sure we hear from as many people as possible, we have been using the NCEA review website to provide access to key materials, running workshops and focus groups across New Zealand, and creating bespoke engagement programmes for each education region. We are also running specific engagement with target population groups, such as Pacific people, Asian people and LGBTQI+ youth.

Updating funding systems for early learning and schooling

Funding review

The focus of the Funding review was to create a new funding model for early learning and schooling based on a risk index which would target funding to student need. During 2017/18, we continued to refine and test the index for allocating funding, which included engagement with the Technical Reference Group on disadvantage and extracting school level data.

In May 2018, we provided advice to Cabinet on each topic covered in the Funding review. This resulted in the decision to progress some parts of the initial Funding review work, such as learning support funding work and early learning per child funding. The work on per child funding for schools has been discontinued.

To help us better understand the distribution and impact of disadvantage, we continued work on the school equity index. The index is a model based on socio-economic variables that together describe a student's level of disadvantage. During 2017/18, we evaluated the performance of the model to ensure it is fit for purpose by looking at accuracy, potential biases, data coverage and opportunities for improvement.

Developing a new Education Resourcing System

We are developing a new Education Resourcing System (ERS) that will calculate funding for ECE, school operational grants, staffing entitlements and learning support. The new online, cloud-based resourcing system will replace the current aged system, the Education Management Information System (EDUMIS). The new system will reduce the need for manual processes and will create efficiencies for both education providers and for the Ministry. It is on track to be completed by 2020.

During 2017/18, we completed the Stage 1 build of the new system, which included the cloud platform and two discrete funding types. All other funding processes within the scope of the new system will be implemented in stages between now and 2020.

Amending the Education Act

Following the Education (Update) Amendment Act 2017 becoming law in May 2017, we implemented changes as they came into effect. These included changes to the intervention framework, board roles and responsibilities, cohort entry, offsite locations, seclusions and restraint, and enrolment schemes.

The Education (Update) Amendment Act 2017 enabled schools to fully adopt cohort entry in consultation with their community. Following consultation between February and April, in June 2018 Cabinet approved changes to this cohort entry policy. The new settings will mean children can only start at a school with a cohort entry policy once they have turned five. A set of further amendments were also consulted on in April 2018 and these will all be progressed through three new Bills.

The changes include:

- amending cohort entry provisions so that 4 year olds cannot start school as part of a cohort
- repealing provisions relating to communities of online learning
- reinstating industry training organisations' skills leadership role
- ensuring the Education Council decisions on matters relating to the teaching profession are made within the context of government policy
- ensuring private schools provide a safe environment for their students.

Following its introduction in February 2018, we progressed the Education Amendment Bill to the First Reading and Select Committee stages. The Bill makes changes to the new planning and reporting regime, removes Partnership Schools and National Standards provisions, and makes changes to governance arrangements for tertiary education institutions.

We also provided support for the Education (Teachers Council of Aotearoa) Amendment Bill, which proposes that teachers should form the majority on their own professional body. The Bill increases the membership of the Council to 13, with the Minister of Education appointing six members and the teaching profession electing a further seven members. The Bill also proposes to change the name of the Education Council to the Teaching Council of Aotearoa New Zealand.

In 2017/18, our support for the Education Amendment Bill, the Education (Teachers Council of Aotearoa) Amendment Bill and the Education (National Education and Learning Priorities) Amendment Bill included:

- providing an initial brief of the Bill to the Education and Workforce Select Committee
- analysing submissions received on each Bill
- preparing departmental reports for the Select Committee.

Improving the flexibility and responsiveness of the tertiary education system

In July 2017, the Government set out its plan for delivering a strong and effective tertiary education system through its formal response to the Productivity Commission report into tertiary education, *New Models of Tertiary Education*. The response focused on four key areas:

- creating a more student-centred system
- meeting the needs of industry through relevant, responsive and supportive teaching
- improving performance across the system
- enabling and encouraging new models and providers.

The Tertiary Education (and other matters) Amendment Bill received Royal Assent in March 2018. The Act increases funding flexibility in the tertiary education system, strengthens the accountability and monitoring of tertiary education organisations, and ensures the consistent treatment of public and private tertiary education providers. We are now developing mechanisms to put the changes into effect.

During 2017/18, we consulted with wānanga and institutes of technology and polytechnics on the changes to governance, to inform the ongoing policy development and legislative processes.

There are two legislative changes in the tertiary education sector, which are being progressed under the Education Amendment Bill:

- restoring students and staff to the councils of tertiary education institutions
- introducing new offence provisions to support fees-free tertiary education.

We provided advice to support the extension of the student loan borrowing limits for students in long undergraduate programmes such as medicine, dentistry, optometry and veterinary science. The extension will be effective from 1 January 2019. This increases the affordability of and access to these programmes which, under the current settings, often require students to fund several years of their study themselves.

Supporting the development of Communities of Learning | Kāhui Ako

Through Communities of Learning | Kāhui Ako, our early learning services, schools and a small number of tertiary institutions are working together to lift education achievement for all children and young people.

Highlights for Kāhui Ako in 2017/18:

214 Kāhui Ako encompassing every education region, with **1,758** schools and over **610,000** children and young people, **561** early learning services and **11** tertiary providers

145 endorsed achievement challenges

Over 148,000 Māori students and **over 63,000 Pacific children and young people** are within the 214 Kāhui Ako

172 Kāhui Ako with an appointed leader, with **423** across school teachers and **1,912** within school teachers also appointed to their roles

108 expert partners available for all Kāhui Ako

A panel of change managers was established in 2017/18 to provide support to Kāhui Ako in areas such as organisational change, administration, human resources and communications. They work as a team with an expert partner, the Kāhui Ako leader and a Ministry advisor, to ensure that the support for each Kāhui Ako is tailored to their needs and is a cohesive package.

In May 2018, a series of national hui were held in Auckland, Christchurch and Wellington for Kāhui Ako leaders and across school teachers. This was the first time that a hui specifically for both roles has been held. The focus of the hui was 'collegial learning' and more than 550 principals and teachers attended.

Changing education practices in Kāhui Ako

Kāhui Ako teachers, education leaders and learners are working together to find ways to improve teaching practice and transitions from early learning to schooling, as well as setting shared achievement and wellbeing targets for their students.

Below are examples of what some Kāhui Ako across New Zealand have been focusing on.

- Alongside targets in areas like writing and maths, Te Waka o Māramatanga (Flaxmere) is setting innovative targets to meet the wider needs of its students and their local community. Targets for improving hauora (health and wellbeing) have been set as part of their action plan, and focus areas include improving student fitness and encouraging healthy eating habits for all students.
- Southern Area schools (Otago Southland) are using digital technologies to bridge the large distances between schools in this community. They have set up a Google community for teachers to share good practice on, and professional learning and development opportunities for staff and collaboration opportunities are being shared using their online portal.

Updating the early childhood education curriculum

The updated ECE curriculum, *Te Whāriki*, was launched in April 2017. Our focus during 2017/18 has been on helping kaiako understand and engage with the updated *Te Whāriki* and implement a more effective curriculum for all children. This is focused around five key shifts in practice:

- a rich curriculum for every child
- a focus on learning that matters
- affirmation of identity, language and culture
- parents and whānau engaged in their child's learning
- personalised pathways to school and kura.

CORE Education and Te Kōhanga Reo National Trust are delivering the implementation support. In 2017/18 they:

- delivered 16 webinars to positive feedback
- held 45 workshops, with 7,270 registrations

- appointed 26 curriculum champions who worked with 876 pedagogical leaders to strengthen curriculum practice
- developed website portals to provide implementation guidance, practice examples and resources
- held 21 district wānanga
- appointed Kairaranga I Te Whāriki a te Kōhanga Reo to lead the mokopuna learning inquiry in their respective rohe districts and local purapura to strengthen curriculum practice.

This is a phased implementation to prepare teachers to integrate the revised curriculum into their teaching by 2020. Teachers and schools are entering support programmes at different points and will lead to curriculum design and school planning.

Strengthening the curriculum

Supporting Communities of Learning | Kāhui Ako to design a quality curriculum

We developed a Communities of Learning | Kāhui Ako local Curriculum Design toolkit which is now available for all Kāhui Ako to use. The toolkit helps each Kāhui Ako implement a 'quality local curriculum' that is responsive to the learning needs and interests of their students and their community. Leaders and teachers can draw on *Te Whāriki*, the *New Zealand Curriculum* and *Te Marautanga o Aotearoa* to plan coherent learning pathways and community-based experiences for their students, as they progress from early learning through senior secondary school and beyond.

The toolkit aims to:

- help Kāhui Ako use their collective strengths to provide learning opportunities, plan learner pathways that offer rich community-based experiences, and support a collaborative approach to curriculum design
- be used in both English and Māori-medium settings
- cover the whole learning pathway from ages 0 to 18.

The toolkit is being introduced to Kāhui Ako leaders, curriculum leaders and professional learning and development facilitators over the next year. Those leaders who have tried the toolkit report that they find the scaffolds very useful, particularly in establishing productive partnerships with whānau, families and communities in the context of what learning matters in our place.

Incorporating digital technologies into the curriculum

Our education system is changing how we prepare our children and young people to participate, create and thrive in this fast-evolving digital world. Schools are expected to fully integrate Digital Technologies and Hangarau Matihiko into their local curriculum by the start of the 2020 school year.

Draft Digital Technologies and Hangarau Matihiko curriculum content was developed and was consulted on throughout New Zealand with a range of stakeholders between July and September 2017.

Updated curriculum content was released in December 2017 and included in the *New Zealand Curriculum* and *Te Marautanga o Aotearoa*, alongside a \$38 million package to upskill teachers to deliver the new content and provide more opportunities for young people to learn. NCEA Level 1 standards for Digital Technologies were also published for use in schools and wharekura from 2018. The Digital Technologies NCEA Levels 2 and 3 Achievement Standards trials are underway, and will be available for use from 2019. NCEA Hangarau Matihiko standards for Levels 1, 2 and 3 are being finalised ahead of being trialled in 2018/19.

The Digital Technologies and Hangarau Matihiko curriculum content will support all students across New Zealand to learn the knowledge and skills to become digitally capable citizens. This introduction of new digital technologies content will also help to shift our education system to become more digitally oriented, and support teaching and learning programmes to be more future focused.

Improving STEM skills and competencies

Science, technology, engineering and mathematics (STEM) skills build creativity, curiosity and innovation. The Science in Society National Plan, *A Nation of Curious Minds - He Whenua Hihiri I te Mahara*, sets the goal of encouraging and enabling better engagement with science and technology for all New Zealanders.

Together with the Ministry of Business, Innovation and Employment, we support, fund and attend meetings for the 10 year Curious Minds programme. The programme has resulted in a number of ongoing science initiatives such as the Science Skills in Education roadshow and the Teachers in Industry and Science Skills in Education programmes. A further year of funding for the Science Skills in Education initiative has been confirmed, with it renamed the Sir Paul Callaghan Science Academies.

Through the academies, we are improving science-related professional learning and development opportunities for primary and secondary school teachers.

Transforming school-based careers systems

Following the review of the careers system in 2016, Careers New Zealand functions transferred to the Tertiary Education Commission in July 2017. This move aims to provide a service that delivers earlier, better and more consistent careers information.

During 2017/18, we began work on the School-based Careers Education Action Plan, which included carrying out initial engagements with career guidance professionals. The views of children and young people will be incorporated as this work progresses during 2018/19.

Using information and data to enable good decision-making

Improving access to data

Everyone from students, their families and education providers, to Ministers, should be able to access education information and data. The Integrated Education Data (iEd) programme will make education data more accessible for educators to support students with their progress and achievement. iEd will be delivered progressively in stages over the next four years.

During 2017/18, we:

- established a Sector Advisory Group to provide advice and guidance on proposals, contribute ideas and build trust and confidence in the programme
- established two stakeholder working groups (one for Māori-medium and one for English-medium schools) to provide a practical implementation view on developments
- submitted the iEd detailed business case to the Treasury.

Centralising education data

In 2017/18, we began the first phase of building the centralised education data warehouse (EVA) and migrating existing critical data to the warehouse. Our initial focus is on capturing core information on learners, providers and the workforce, which will position EVA as the authoritative source of information for the education sector. EVA currently holds most data about tertiary learners and their post-compulsory learning journey. Over time we plan to expand EVA to also include the remaining tertiary data, as well as data from the compulsory schooling and ECE sectors.

Utilising our early learning data

We collect and hold a wide range of data and information from a variety of sources, including early learning licensing and funding data, and enrolment and attendance data from the Early Learning Information (ELI) system. To inform licensing and funding decisions, we introduced the ECE indicator tool in 2017/18. It is updated every three months and highlights potential non-compliance and fraud. At the end of 2017/18 there were 55 indicators built into the tool, identifying factors like the number of children attending multiple services at one time and where the number of funded hours exceeds the number of attended hours. All of our regional teams have been trained to use the tool.

We also developed new licensing and funding processes so we can identify the early learning services most at risk of non-compliance and fraud. This is done through analysing data provided by the sector and comparing it with profiles created from characteristics of non-compliant services.

Co-design with schools

Through the Student Information Sharing Initiative (SISI), we hosted a range of workshops and interviews across the country and received 2,200 responses to an online survey to help us understand the current compulsory sector data and information management. A stronger focus on user-centred co-design has informed the detailed business requirements for a national learner data repository. This will enable data currently held within Student Management Systems to travel with children and young people as they move through the education system.

The delivery of SISI is aimed at strengthening the continuity of learning for children and young people by ensuring critical information is available to teachers when a child arrives in a new school. It is focused on reducing the administrative burden on teachers and schools associated with the duplicated systems and processes they currently encounter, while also improving the quality of data provided to the Ministry and other education agencies. The information gathered through co-design work with schools is being used to deliver two Early Stage Rollouts in 2018-2019. Subject to future funding, a full national rollout of the national learner repository is then planned for 2021-2022.

Promoting progress tools

The Progress and Consistency Tool (PaCT), introduced to primary schools in 2013, helps teachers make dependable judgements on student progress in reading, writing and mathematics in the *New Zealand Curriculum*. Te Waharoa Ararau (TWA) is an online tool which collects, collates, monitors and reports on student progress and achievement against *Te Marautanga o Aotearoa*. Both PaCT and TWA are being enhanced to enable an understanding of progress in relation to the curricula.

Progress and Consistency Tool, at 30 June 2018:

633 schools signed up to for the Progress and Consistency Tool - 25% of all eligible schools, including 10 Kāhui Ako with all schools signed up

41 Kāhui Ako with over 50% of eligible schools signed up

Te Waharoa Ararau, at 30 June 2018:

175 kura and schools

are registered to use Te Waharoa Ararau - **83%** of all eligible kura and schools

Information on employment options

Students expect their tertiary study to improve their career prospects and help them get a job. To help students decide what and where to study, information from tertiary education providers about employment outcomes is published. The information includes employment rates and earnings of new graduates in the workforce. In 2017/18, we continued to develop employment outcomes information for industry training and worked with industry training organisations on our proposed approach.

In 2017/18, we conducted an Employment and Education Matters survey to hear the views and opinions of 20 large employers from a wide range of industries around New Zealand. The survey provided some interesting insights and highlighted that the employers surveyed are open to helping our young people gain stable and meaningful employment.

Key insights from the Employment and Education Matters Survey

EMPLOYERS ARE ALREADY ENGAGING WITH SCHOOLS:

81% had visited a school in the past six months

76% had visited tertiary organisations

71% had young people visit their workplaces

EMPLOYERS WOULD LIKE TO DO MORE:

91% would be willing to have their staff visit schools

86% would visit tertiary institutions and encourage young people to come in for site visits

95% of employers agreed or strongly agreed that there is a role for them in guiding young people into pathways for their future careers

High quality infrastructure

Maintaining and developing the Crown's property portfolio

Crown property portfolio

\$17.8 billion carrying value, **\$28.7 billion** replacement value

8,000 hectares of occupied land

2,100 state schools, over **15,000** school buildings, over **35,500** learning spaces

Over 120 frontline property staff who work with schools on a day-to-day basis

We manage the State school property portfolio, which is the Crown's second largest social asset property portfolio. During 2017/18, we spent \$821 million to maintain, upgrade and expand the school property portfolio. This included providing new schools and learning spaces to cater for growing school rolls.

In 2017/18, we delivered:

FOUR new schools

MAJOR REDEVELOPMENTS AT 47 EXISTING SCHOOLS

80 learning spaces as part of the modular building programme

184 extra learning spaces to accommodate roll growth in Auckland

An extra 367 capital works projects are also currently in progress at 348 schools. This includes 70 schools under the Christchurch Schools Rebuild (CSR) programme.

We also have more than 100 property modification projects underway to help children with learning support needs engage more effectively in education.

Contributing to the Canterbury rebuild

By the end of 2022, the Government will have invested \$1.137 billion in rebuilding, remodelling and renewing schools in the greater Christchurch area. At 30 June 2018, we have spent \$440 million (or 47%) of the development budget⁵ made available for the CSR programme. We are ahead of schedule in commencing work at schools.

Canterbury Schools Rebuild programme

OF THE 115 SCHOOLS COVERED BY THE PROGRAMME:

- + projects have been completed at **26 schools**
- + construction has commenced at **25 schools**
- + **45** are at various stages of planning and design
- + **19** are yet to enter the programme.

Responding to population growth

We continue to add capacity to the Auckland education network to support their unprecedented population growth. During 2017/18, we delivered a further 3,794 student places in the Auckland region, which brings the total to 10,420 delivered since 2014.

We are on track to deliver 21,000 student places by 2021.

Capital works projects are underway to help address student roll growth for a number of schools nationwide, including schools in Hamilton, Tauranga and Queenstown. We have secured funding through Budget 2018 for up to 5,000 additional student places.

We began work on a national strategic planning framework for the education network. In 2017/18, this included developing the National Education Growth Plan, of which the Auckland Growth Plan is a key part. These plans focus on national areas of high or significant growth to ensure that our investment in extra capacity for our schooling network is delivered on time and in the right place.

Investing in digital infrastructure

We continued to improve digital infrastructure in schools to ensure that every student in every school has access to high quality and reliable ICT infrastructure and broadband. This helps students across New Zealand, from city centres to rural towns, to harness the power of 21st century technology to improve learning. There are now around 850,000 students and teachers using digital services through the Network for Learning (N4L) managed network, consuming an average of 4 petabytes of data every month.

At 30 June 2018, 99.8% of schools are connected to the managed network and 96% of schools have wireless connectivity. The last remaining schools are currently being retrofitted with wireless under the Wireless School Network Upgrade (WSNUP) programme. By March 2019, all eligible schools will have wireless connectivity. We also started investigating the possibility of further supporting schools' digital infrastructure through a centralised monitoring and remote trouble-shooting service.

Continuous improvements in managing school property

In 2017/18, eight new frontline positions were created in our regional offices to enable us to provide more focused property management support to boards of trustees and other key education stakeholders. This means the average school to property advisor ratio is now 1:47 nationally, compared to 1:70 in 2012.

⁵ The development budget of approximately \$940 million is a subset of the \$1.137 billion budget and excludes land purchase and public-private partnerships.

10 Year Property Plans are the main planning tool for school property, and involve prioritising essential infrastructure work as well as planning for things like maintenance work, potential changes in roll numbers or modernising learning spaces. At the end of June 2018, 98% (2,044) of all State schools had received their landlord visit and 95% (452) of 10 Year Property Plans had been agreed to by boards of trustees.

Delivering school transport

We are second only to Auckland Transport as the largest provider of passenger transport services in New Zealand. Every school day, we assist around 100,000 students across New Zealand to and from school, managing and funding around 7,000 daily vehicle movements, encompassing bus services, specialised services for students with mobility and safety needs, direct funding to schools and kura, and payment of transport allowances to caregivers.

Following the implementation of increased safety aspects for Specialised School Transport Assistance (SESTA) vehicles, we introduced GPS-based time and location monitoring of daily school bus routes. GPS-based monitoring became compulsory for all daily bus routes from January 2018.

We are also implementing health and safety performance monitoring, which includes notifications of critical events, such as incidents of vehicle speeding, and unsafe braking and acceleration.

Supporting the sector with their health and safety responsibilities

During 2017/18, we conducted more than 200 health and safety audits, which provide critical information on how well we are managing our legislative responsibilities. Around 180 staff received health and safety training to assist them in undertaking their work safely.

Delivering an effective payroll service

Payroll services to approximately 91,000 school staff in around 2,500 schools are delivered each fortnight under a service agreement between the Ministry and the Crown-owned company Education Payroll Limited (EPL). We monitor the performance of the service provided by EPL to ensure the schools' payroll is accurate and timely.

EPL has met key performance indicators, increased satisfaction, and actively engaged with schools and the sector on improving service delivery.

The Ministry has been monitoring EPL's implementation of its Education Payroll Development Programme, and has supplied payroll subject matter expertise where required to support that implementation. The programme is intended to ensure the ongoing stability and sustainability of the schools' payroll by managing technology risks and increasing system efficiency.

Programme implementation is well underway, including development of a more customer-centric user interface and updating of core technological components.

Every child and student achieves educational success

High participation and engagement

All learners achieving and progressing to their potential

Effective teaching and educational leadership

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

We are focused on raising the quality of teaching and learning, and supporting all children and students to meet their potential.

Participation and engagement

In quality early learning

Participation in quality early learning has positive and long lasting associations with literacy, numeracy and social skills later in life. At 30 June 2018, 96.9% of children had participated in early childhood education (ECE) before starting school, an increase of 0.1% since June 2017. This means approximately 650 more children need to have participated in early learning, prior to school, to reach the 98% target. Six regions have now achieved the 98% target, and for 12 out of 16 regions there are under 100 children who did not participate.

We remain focused on children still not accessing ECE, particularly Māori, Pacific and those in low socio-economic areas.

We continue to work with communities to put together local initiatives, innovation and actions that stimulate demand for early learning and increase participation by our youngest learners. Engaging Priority Families (EPF) and Supported Playgroup initiatives are underway in areas where participation is below the 98% target. During 2017/18, the EPF programme resulted in 573 children being enrolled into ECE.

We continue to provide the Strengthening Early Learning Opportunities (SELO) professional development for early learning services me nga kōhanga reo that need support to provide quality early learning. Providers are integrating new content for the updated *Te Whāriki* and have made a focused effort to increase Māori kaupapa in the maths, literacy, and infants and toddlers programmes.

Increase participation in early childhood education



	June 2017	June 2018 ⁶	Change (% points)
All	96.8%	96.9%	▲ 0.1%
Māori	95.2%	95.5%	▲ 0.3%
Pacific	92.4%	93.4%	▲ 1.0%
Decile 1-3 schools	94.0% ⁷	94.3%	▲ 0.3%

⁶ This rate includes all children starting school during the year ending June 2018.

⁷ Due to the nature of the ECE prior participation data, there has been a small revision in the June 2017 year end figure for Decile 1-3 students. In the 2017 report this figure was reported as 94.1%

Children benefit from participation in learning contexts that strive for excellence, recognise and celebrate diversity, and are culturally and socially responsive. The Education Review Office (ERO) continues to identify variability in practice in early learning services. The ERO has also found a lack of responsiveness to Māori and Pacific children in many services.

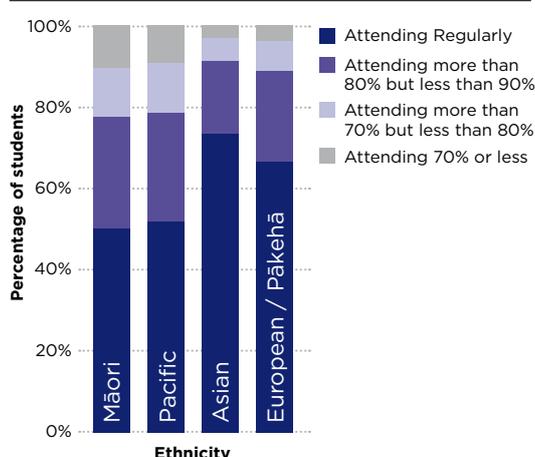
The new strategic plan for early learning under development will set the direction for a stepped approach to strengthening current provision so that it meets the needs of all children and their families and whānau for the next 10 years and beyond. The draft plan is being developed by a Ministerial Advisory Group made up of independent thought leaders working with a broadly representative Sector Reference Group and supported by the Ministry of Education. The plan will focus on raising quality, improving equity and enabling informed choice. The public is likely to be consulted about the draft plan in late 2018 and early 2019.

At school

For the second year in a row, there has been a decrease in the number of students attending school regularly nationwide. During Term 2, 2017, 63.0% of students attended school regularly compared with 67.2% in 2016.⁸ The decline was mainly due to an increase in absence for medical reasons. In 2017, both justified and unjustified absences increased, but the change was larger for justified absences. Māori and Pacific students had the lowest regular attendance rates, at 50.0% and 51.7%, respectively. Overall, attendance correlates with school deciles, with 72.4% of students in decile 10 schools attending regularly, compared to 47.0% at decile 1 schools.

Our Attendance Service supports schools and students to manage and improve attendance. During 2017/18, a total of 16 providers were contracted to deliver the service across 24 service areas. In Term 1, 2018, 87% of schools were signed up to use the Attendance Service and refer students who are unjustifiably absent. This is an increase from 82% in Term 1, 2017.

Half-day attendance, by ethnicity, Term 2, 2017



In 2017, the age standardised stand down, suspension, exclusion and expulsion rates all increased. Schools continue to stand down, suspend and exclude more Māori students than any other ethnic group. Our research also found that male students are more than three times as likely to be stood down, suspended or excluded, and over four times more likely to be expelled than female students.

Per 1,000 students	2016	2017	Change
Stand downs	20.7	23.5	▲ 2.8
Suspensions	3.6	4.2	▲ 0.6
Exclusions	1.4	1.6	▲ 0.2
Expulsions	1.1	1.4	▲ 0.3

Attendance at school is important because it allows access to the curriculum. International surveys show that opportunity to learn through accessing curriculum content is one of the strongest drivers of achievement in school, so these results are of real concern.

Over the last year we commenced a system-wide and strategic look at non-attendance, non-enrolment and frequent school changes to better understand what drives these problems and the effectiveness of existing responses. Further work is planned to look at how we can better support children and young people who are at risk of disengaging from education and what initiatives could be developed to improve the schooling system and student attendance, and address the impact of school transience.

⁸ Attending regularly is defined as attending at least 90% of the time. This is assessed by measuring attendance across the whole of Term 2.

We are expanding our behaviour service to help children improve their self-control and learn more positive ways of behaving. This will reach an extra 1,000 children each year who are aged 0 to 8 with behaviour issues, who will be supported by an extra 56 specialist staff, including psychologists, service managers, early intervention teachers, learning support special education advisors and kaitakawaenga.

By intervening earlier we are aiming to support more children onto a pathway leading to increased and improved presence, participation and achievement.

Creating a positive environment for learning

Creating a positive environment for learning is essential if we are to improve participation and engagement. A strong focus on the wellbeing of children and young people underpins our advice and the services we provide. Our research shows that positive behaviour can be learned and we want to help create a positive environment for learning.

Positive Behaviour for Learning initiatives

Positive Behaviour for Learning (PB4L) is a long term approach involving several initiatives, including whole school change initiatives, targeted group programmes and individual student support services. PB4L gives students, teachers, families and whānau the tools they need to help address problem behaviour, improve children's wellbeing and increase educational achievement.

PB4L School Wide is an evidence-based framework that looks at behaviour and learning from a whole-school and individual student perspective. It can be tailored to suit the cultural values and particular strengths and needs of a school or community. At 30 June 2018, there were 884 schools participating in PB4L School Wide.

We contract the Institute of Professional Learning, University of Waikato to deliver Positive Behaviour for Learning Restorative Practice in 175 secondary schools across New Zealand. The use of restorative practices helps schools to reduce the number of suspensions, exclusions and expulsions.

During 2017/18, we launched the Incredible Years Autism programmes in selected parts of New Zealand – one for parents and another aimed at teachers of children on the autism spectrum aged 2 to 5. The programmes aim to promote children's emotional regulation, positive social interactions and language development.

Minimising the use of physical restraint

In August 2017, the Secretary for Education signed the Education (Physical Restraint) Rules 2017. To help staff, principals and boards comply with the new regulatory framework, we updated our guidelines on physical restraint with input from a cross-sector advisory group.

We have developed a reporting process for schools to notify the Ministry about all incidents of physical restraint. This enables us to monitor how the practice is being used, and update the rules and guidelines to reflect evolving practice or address areas of concern. We use this information to provide appropriate support to schools and students when there are incidents of physical restraint. We also developed a training package, Understanding Behaviour – Responding Safely (UBRS), to support schools. UBRS focuses on prevention and de-escalation strategies, and provides an opportunity to link the legal framework to practice. At the end of June 2018, 290 schools have either completed UBRS training or made arrangements to do so. We are updating UBRS in response to feedback from participants, including how the training is delivered, enabling more customisation for schools and providing more real life examples.

Preventing bullying

Data from the Wellbeing@School survey provides a picture of bullying behaviour in New Zealand schools. Trends over time show the rates of bullying behaviour reported by students is decreasing. Alongside this, there is an increase in student reports of belonging and safety at school. Some schools have comprehensive approaches to bullying prevention and are building positive school environments, while others continue to develop and embed their approaches.

Schools now have free access to the Wellbeing@School survey tools, which enable them to explore student and teacher perceptions about the extent of aggressive and bullying behaviour in their school. They can then use this data to understand the level and type of bullying which may be occurring, to prioritise and plan their responses, and to assess whether their existing efforts to reduce bullying are effective. This initiative is the result of a joint venture between the Ministry and the Accident Compensation Corporation.

Bullying-Free NZ week ran between 14 to 18 May in 2018 and provided an opportunity for schools to highlight their everyday work to counter bullying. The week is part of the cross-sector Bullying Prevention Advisory Group's work programme and this was its third year running. This year's theme was 'Let's talk about it'. Record numbers of schools downloaded the free 68 page school activity pack from the Bullying-Free NZ website, and participated in classroom and community activities during the week.

We developed a digital story 'Oat the Goat | Oti te Nanekoti', which was launched in Bullying-Free NZ week in both English and te reo Māori. The interactive digital book helps children to learn the power of kindness. The story has a tips page to support parents and whānau to have conversations with their child about their ability to choose different behaviours.

We also provided resources to schools and early learning centres as part of Bullying-Free NZ week alongside other collateral such as colouring-in sheets, stickers and posters.

Suicide prevention

We are updating the *Preventing and Responding to Suicide* resource kit for schools to ensure it aligns with the latest research, and takes into account consultation with schools, parents and mental health experts, the Government's Suicide Prevention Strategy and the Coroners Amendment Act 2016.

One of the changes we have made to the kit is providing advice for responding to students who self-harm, as evidence indicates some people who do this are at higher risk of suicidal behaviour. We now have a checklist that includes a clear protocol on responding to both self-harm and suicidal intent. The updated kit will undergo further consultation before its publication in October 2018.

Improving mental health

The Mana Ake - Stronger for Tomorrow initiative will fund an extra 80 health professionals to work with Year 1 to 8 students in Canterbury and Kaikoura. The initiative is being led by the Canterbury District Health Board and delivered in partnership with the Ministry of Health.

Mana Ake aims to enhance support for children with mild to moderate mental health concerns, and to increase the capacity and responsiveness of services by ensuring the right children access the right support at the right time. This is done by a range of professionals, including social workers, whānau ora kaimahi, counsellors and kaihaumanu. They work directly with groups of students or individuals and their family or whānau, and provide advice to whānau and teachers.

Oat the Goat

OVER **28,000** views in the first week

OVER **191,000** views since May 2018, with 17% being return viewers

Around **17% of users** have accessed the **te reo Māori version**



the Awwwards website of the month for June 2018



The first stage of implementation has been to pilot extra support in the Tamai and Hornby Kāhui Ako. A team of seven health professionals, community workers and counsellors have been providing support across 15 schools since Term 2, 2018. Following this, the initiative is being extended to a further 23 primary schools. The programme will support all primary and intermediate school-aged children across Canterbury and Kaikoura by June 2019.

Grow Waitaha – learners at the centre of change

Many schools in Canterbury are being rebuilt – completely or partially – following the earthquakes. Rather than rebuilding those schools as they were, we are creating flexible and digitally connected teaching spaces fit for the 21st century and providing something better for the children and young people of Christchurch. Building new learning environments means developing new ways of working in those environments.

Grow Waitaha is a collaborative multi-year programme supporting schools during the rebuild. Our partners in this programme, four expert education providers and Mātauraka Mahaanui, have helped schools and teachers to develop learning practices, team teaching cultures and the use of flexible spaces that work best for them.

Schools rebuilding elsewhere in New Zealand can now access a wealth of knowledge, case studies, stories and videos featuring Canterbury’s principals, teachers and students on the Grow Waitaha website to start building their own vision, answer their questions and address any concerns.

International student wellbeing

Following the launch of the new *International Student Wellbeing Strategy* in June 2017, we focused on implementation during 2017/18. Over the last year this has involved establishing a process to distribute wellbeing funding to new initiatives, ahead of the first funding round in late 2017. A total of \$620,000 of funding was allocated to 11 projects focusing on areas such as inclusion and social connectedness, mental health and the provision of information. The second funding round opened in late July 2018 and has the theme of ‘mental health and student safety’.

We have also been developing an outcomes framework and guidance materials for monitoring and evaluating international student wellbeing initiatives.

Improving educational progress and achievement

We want New Zealand’s education system to deliver equitable and excellent outcomes for all children and young people.

At primary school

The requirement for schools and kura to report on National Standards and Ngā Whanaketanga Rumaki Māori was removed in December 2017. We are now working with the sector, students, parents, whānau, iwi and communities to focus on progress, as well as achievement, and on learning across the National Curriculum for students in Years 1 to 10.

There are a wide range of assessment tools available, particularly in relation to numeracy and literacy, and we are ensuring that our guidance helps schools make good decisions about which tool to use for what purpose. This will help ensure well targeted use of tools to be impactful on learning, while also minimising the assessment burden on students and teachers.

Grow Waitaha

Outputs

150+ schools involved over 2016–2018

1,000+ individual teachers and leaders involved in Navigate and Grow activities

8,000+ people hours of interaction

100+ over 100 video stories and other digital resources shared through online spaces

Outcomes

Individual schools benefitting from customised support over the long term

Significant increase in collaboration and collective innovation in the primary and secondary schooling sectors

Teachers and school leaders equipped and motivated to transform the learning experiences of their students

Schools using their cultural narrative, written by rūnanga, as an integral part of their teaching and physical design

Under National Standards and Ngā Whanaketanga Rumaki Māori one data source acted as information for all levels of the system.

We are using the review of Curriculum, Progress and Achievement as an opportunity to strategically consider the information needs across the system, so we can better support progress for all students across all pathways.

At NCEA Level 2

The National Certificates of Educational Achievement (NCEA) measures students' achievement at a point in time. NCEA Level 2 is a useful signal that young people are prepared to progress into further education, training or the workforce. It also contributes to better health outcomes and a better quality of life. To help increase the skills of the working age population, we want to increase the proportion of 18 year olds with NCEA Level 2 or equivalent.

The number of 18 year olds with NCEA Level 2 increased from 84.6% in 2016 to 84.9% in 2017.

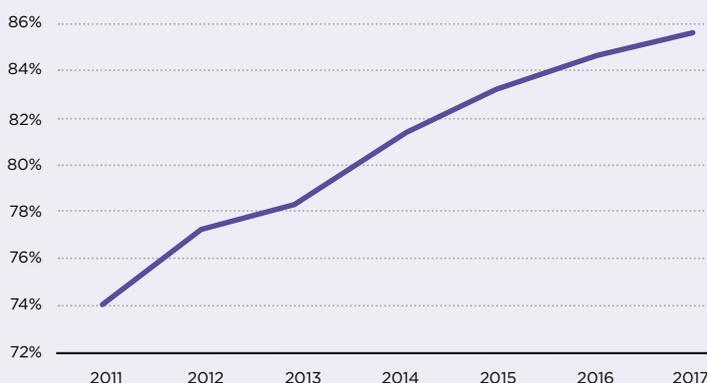
The national achievement rates are increasing across most ethnic groups. While Māori and Pacific students have the lowest attainment rates, the highest increase (of 1.3 percentage points) between 2016 and 2017 was for Māori students. We continue to be focused on narrowing the gap between achievement for Māori and Pacific students, and are monitoring these groups closely.

Achievement in Māori-medium education settings

Māori-medium includes students who are taught the curriculum in and through the Māori language for at least 51% of the time. Māori students in Māori medium schools and kura achieve NCEA Level 2 at 76.5%, around nine percentage points higher than their Māori peers in English medium.

Students who remain in Māori-medium in their senior secondary school years also tend to be more engaged. They are more likely to stay in education longer and our preliminary analysis indicates they are more likely to attend regularly, and less likely to be stood down than their peers in English-medium.

Increase the skills of the working age population and more specifically increase the proportion of 18 year olds with NCEA Level 2 or equivalent qualifications



	Dec 2016	Dec 2017	Change (% points)
All	84.6%	84.9%	▲ 0.3%
Māori	74.3%	75.6%	▲ 1.3%
Pacific	78.7%	78.7%	No change
Decile 1-3 schools	76.9%	76.6%	▼ 0.3%

Supporting Māori and Pacific students to participate and achieve

Despite improving in many achievement rates over previous years, Māori and Pacific students still face inequitable outcomes...

EARLY CHILDHOOD EDUCATION PARTICIPATION:
JUNE 2018

Māori **95.5%**

Pacific **93.4%**

General population **96.9%**

SCHOOL PARTICIPATION:⁹
DECEMBER 2017

Māori **50%**

Pacific **52%**

General population **63%**

18 YEAR OLDS WHO HAVE ACHIEVED
AT LEAST NCEA LEVEL 2:
DECEMBER 2017

Māori **75.6%**

Pacific **78.7%**

General population **84.9%**

Ka Hikitia – Accelerating Success 2013-2017 and the *Pasifika Education Plan 2013-2017* set out our commitment to improve educational outcomes for Māori and Pacific students. It was agreed that both strategies would be extended to December 2018 as a result of recent system-wide changes.

These strategies, along with *Tau Mai Te Reo* (the Māori Language in Education Strategy), will be updated in 2018/19. During 2017/18, we began work on the updates, which included looking at the outcomes of the Education Summit and beginning sector-wide engagement. The ultimate aim of these strategies is to support equity and accelerate Māori and Pacific achievement in education.

The Māori Achievement Collaboratives (MACs) focus on leadership, fostering collaboration and professional growth leading to changes in individual schools aimed at Māori success. From 2018, the initiative has been delivered through the centrally funded professional learning and development (PLD) system. Initially 14 clusters and 143 schools were funded, with an extra 10 clusters receiving PLD funding in May 2018.

During 2017/18, we provided policy advice on various aspects of the participation and achievement of Māori learners in education. In particular we focused on how we can:

- encourage Māori participation in Kāhui Ako and Māori-medium education
- support workstreams within the Education portfolio work programme to identify and address issues and opportunities for Māori
- address the Ministry's Treaty of Waitangi obligations.

We also supported targeted Pacific community and group engagements. These fono provided Pacific communities and groups with the opportunity to share and add their views and feedback to inform the long term vision for education and the various parts of the Education portfolio work programme. Many attendees said it was the first time they had participated in a substantive conversation with the Ministry and that they welcomed the opportunity to do so.

Providing Māori language pathways

At 1 July 2017 there were:

19,438 students enrolled in Māori-medium education, in 277 schools

97.7% identified as Māori

57.6% attended a school where all students were enrolled in Māori-medium education.

We are developing a Māori-medium Learning Progressions Framework (MMLPF) to support the teaching and learning of tamariki through *Te Marautanga o Aotearoa*, and accelerate student progress and achievement. The framework is being developed in two phases.

⁹ Attending regularly is defined as attending at least 90% of the time. This is assessed by measuring attendance across the whole of Term 2.

The first phase is focused on the conceptual design, which during 2017/18 involved outlining what knowledge, skills, values and attitudes the progressions will consist of. The final framework will be available for kura and schools by December 2019 and will be supported by learning guides, teaching resources and clear communications for learners, parents, teachers, kura, schools and Kāhui Ako.

Te Rāngai Kāhui Ako ā-Iwi is a framework to support quality and sustainable Māori-medium education, recognising diversity region by region, iwi by iwi. Through the Te Rāngai Kāhui Ako ā-Iwi pilot, we worked with iwi in four education regions (Waikato, Bay of Plenty-Waiariki, Tai Tokerau and Te Tairāwhiti) during 2017/18. Iwi, alongside the Ministry's regional offices, came together several times to identify iwi aspirations and priorities for learners in Māori-medium education. They have identified practical ways to help strengthen the Māori-medium pathway in their region. We are now planning the roll out to all education regions.

The local curriculum resource initiative, Te Aho Ngārahu, targets the need for more teaching and learning resources for students learning in and through te reo Māori. In 2017/18, we developed six new, high quality Māori language curriculum resources based on local community stories. The resources were produced in a range of formats, such as books and e-books, interactive applications and websites. We also completed the evaluation of Te Aho Ngārahu 2017, and used our findings to improve the process for 2018.

We have supported the development of pilot Te Reo Māori and Māori-medium networks in the Waikato and Bay of Plenty-Waiariki regions since November 2017. Feedback has been positive and we have now begun conducting further research on what makes a good Te Reo Māori and Māori-medium network of expertise, to inform the delivery of networks across the motu.

Providing Pacific language resources

We continued to provide Pacific Dual Language resources to help Pacific students build on their language knowledge to improve English literacy.

We established the Pacific Early Years Literacy Project in 2017/18 to support the early language and literacy learning of Pacific students from new entrant to Year 2 in English-medium classrooms. The programme includes professional learning videos as well as information for parents, teachers and families, and teacher workshops to support the use of Dual Language resources. In 2018, there are places available for up to 10 schools.

Enabling all children and young people to achieve their potential

Improving disability and learning support

During 2017/18, we provided or funded specialist services and support to over 37,000 children and young people with additional learning needs.

To improve disability and learning support, in 2017/18 we:

- continued to improve the way learning support services are delivered, by extending the Learning Support Delivery Approach to additional locations
- introduced new programmes to support teachers and parents, such as the Oral Language and Literacy Initiative which aims to enhance the knowledge, practices and confidence kaiako need to support children's oral language and literacy development
- worked with the Deaf Education Centres to progress an effective and sustainable national network for deaf education
- led cross-agency initiatives under the Disability Action Plan on improving the experience of families with disabled children aged 0 to 8, and improving employment outcomes for disabled people leaving school or post-compulsory training
- worked with residential special schools to ensure they are sustainable and add value in the wider network

- held the Building on Success for All Forum in June 2018, which brought together around 90 representatives from education, disability and parent and whānau groups
- ensured children and young people with learning support needs were visible and engaged in the Education Conversation | Kōrero Mātauranga, for example, providing the survey in New Zealand Sign Language.

We want the education system to be inclusive for all, which means we need a strong learning support workforce, and need to provide targeted support to learners at the right time. We are developing a Disability and Learning Support Action Plan which will set out a two to four year programme to improve learning support.

Additional support through targeted initiatives

At risk of not achieving

We provide specialist, targeted support to students identified as being at risk of not achieving NCEA Level 2 or equivalent, with a particular focus on Māori and Pacific students. The methods initially developed to support students in the top 150 priority schools are now being used in 300 schools across the country, as well as in around 84 tertiary education institutions.

At the end of 2017:

3,951

students were identified from 160 secondary schools, of which **57%** had achieved NCEA Level 2 or equivalent

2,054

students were identified by 34 tertiary providers, of which **44%** had achieved NCEA Level 2 or equivalent

Year 9 Plus

Year 9 Plus provides intensive support to a cohort of 108 of the most vulnerable Year 9 students in Gisborne. During 2017/18, the cohort entered Year 11 and each student continued to receive wrap-around support from a person within the local community employed by the Ministry as an education champion. These champions continued to navigate barriers that arose for this cohort and champion student engagement in education.

During 2017/18, Year 9 Plus focused on consolidating the student's engagement with school, which was a challenge for a persistently disengaged group. Students who left traditional secondary schooling continued to be supported to engage in education. Support was most successful when led by the needs of the individual student rather than applying a single model of support across the cohort. In 2017/18, we undertook surveys which helped us further personalise support and identify students who needed more intensive engagement.

Alternative education

Alternative education is a short term intervention to support students who feel alienated from mainstream education. It can re-engage students by targeting their individual needs and supports them to transition back to school, further education, training or employment.

In 2017

2,802

 students attended Alternative Education

The new section 71A of the Education Act requires the Ministry to ensure Alternative Education premises are safe, that the responsibility for the education, welfare and safety of students is clearly known, and that we know where education is being provided. To provide this assurance we visited all Alternative Education centres not located on a school site during 2017/18. While the vast majority of sites were suitable, a small number caused concern and formal property inspections were subsequently undertaken.

Supporting effective and innovative teaching and educational leadership

During 2017/18, we met with sector groups to understand the workforce that schools and early childhood services require and are planning what they will need in the future.

Responding to immediate supply pressures

In December 2017, a \$9.5 million package was announced to address immediate teacher supply pressures by supporting more graduates into permanent teaching positions, supporting experienced teachers back into the profession, and recruiting new graduates into teaching. A further \$20 million was provided in Budget 2018 to continue to fund teacher supply initiatives over the next four years, including:

- funding places in the Teacher Education Refresh programme to remove cost barriers so that teachers can return to teaching faster
- providing an Overseas Relocation Grants so that it is easier for New Zealand teachers to return home and for overseas teachers to move to New Zealand
- increasing the number of schools and teachers involved in the Auckland Beginner Teachers project
- increasing the number of new teachers training through the Teach First New Zealand programme
- expanding the Voluntary Bonding Scheme to encourage new teachers to work in decile 1 to 3 schools in Auckland, and in identified subjects and Māori-medium kura across the country
- developing a targeted social media and marketing campaign to lift enrolment in Initial Teacher Education (ITE), encourage former teachers back to the classroom, attract overseas qualified teachers and support principals with recruitment
- contracting specialist education recruiters to support principals to fill vacancies.

To meet population growth, \$370 million was also set aside in the 2018 Budget for 1,500 new teaching places by 2021.

Developing an Education Workforce Strategy

A 22 member, sector representative, Education Workforce Strategy Governance Group has been established to co-design and oversee the development of a workforce strategy. This will transform the learning delivery system and develop systems to provide a sufficient, capable and motivated workforce to support the needs of all learners to achieve success. The strategy will be future focussed and deliver sustainable change in early learning, primary and secondary education, in both Māori medium and English-medium settings.

As part of the strategy development, a Joint Taskforce has been set up to identify the compliance-related administrative tasks that can be reduced or eliminated to free up time for principals and teachers to concentrate on teaching and learning. The Workforce Strategy and implementation plan is expected to be complete in late 2019.

Reviewing key initiatives

To check that the TeachNZ Scholarships are fit for purpose, a review of the scholarships programme was commissioned in 2017/18. As a result of the review, a number of recommendations for change are being explored that will enable the scholarship programme to be more responsive to teacher supply issues. Any approved changes will go live for the 2020 round. Administrative changes are also being made to improve scheduling and timing of the scholarships, streamline the application process and improve marketing, communication and support. The changes will go live for the 2019 round.

We continued to work with the Education Council to support its review of ITE. We also continued to support and monitor the exemplary postgraduate ITE programmes. We completed negotiations with the providers of English-medium exemplary programmes, which were due to expire at the end of 2017 or mid-2018, to extend their funding agreements through to the end of 2019 or mid-2020. The new funding agreements were in place from the end of November 2017.

Improving teaching capability

The Teacher-Led Innovation Fund supports teachers to develop innovative practices that improve learning outcomes. Since the fund was launched in 2015, a total of 42 projects have been successfully completed with summaries of the projects published online to facilitate the spread of effective practice. Twenty-five new projects were selected in the latest funding round.

The Principal Recruitment Allowance is designed to support school boards to attract highly skilled principals into schools which have significant challenges. It provides a \$50,000 allowance each year to eligible schools where a principal vacancy exists. From December 2014, when the allowance was implemented, until 30 June 2018 there have been 69 expressions of interest received. Of these 40 schools have been approved to recruit with the allowance and 20 principals have been appointed with it.

Improving professional learning and development

PLD equips teachers and leaders with the knowledge, skills and confidence to work with an increasingly diverse population. Until December 2017 we were focused on establishing the PLD service and preparing it for transfer to the Education Council.

We have since established a programme of work for the Ministry to oversee the next iteration of PLD, making sure that we continue to provide the right support at the right time to the schools, kura and Kāhui Ako that need it most.

Professional learning and development, since the beginning of 2017:

MORE THAN **700** PLD facilitators have been accredited



FOUR ALLOCATION ROUNDS HAVE BEEN UNDERTAKEN



MORE THAN **2,000** PLD programmes have been delivered to 903 schools, 64 kura and 88 Kāhui Ako

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

Evidence shows that involving parents, whānau and communities improves outcomes for students.

Improving access to information

We continue to make data, education sector indicators and insights available to parents, whānau and family through the Education Counts website.

The Ministry has a dedicated website to provide information about learning to parents and caregivers. During 2017/18, page views on the Parents' website increased by 10% (from 792,000 to 871,000). Parents were most interested in information about school terms and holidays, school zones and the ways they can support their children's learning.

Facebook is our fastest growing social media channel, with 14,300 followers at the end of June 2018, and parents and caregivers are a key audience. Our Facebook posts averaged 340,000 views each month from January to June 2018.

Parents and Communities Information Programme

We undertook market research in late 2017 to see how we can support powerful connections for parents and whānau. The research focused specifically on better understanding parents' needs in relation to the education of their children.

This research is an important step in the growing evidence base to better understand parents and their experiences in supporting their children through the education system. The research found that parents are engaged and want to be active partners in their children's learning. They want to know what to expect, when to expect it, and what role they can play in their education.

We have already shared the key findings and insights with other agencies and stakeholder groups, and have developed a work programme shaped by our findings. Over the next year the focus will be on how we can support schools to improve their communications with parents and whānau. We also completed a stocktake of Ministry resources that can be used or repurposed for parents and communities.

Supporting parents, whānau, communities and iwi

Partnering with iwi

Engaging iwi is the most effective way to honour our Treaty of Waitangi commitments. Māori learner success is strongly enhanced when we partner with iwi to develop local curricula and integrate identity, language and culture into learning.

During 2017/18, we progressed a project to better support partnerships between iwi and Kāhui Ako. The project has taken a co-production approach with iwi representatives, Kāhui Ako Lead Principals and regional staff from Waikato and Bay of Plenty. In the discovery phase we gathered a number of insights, including:

- a shared interest in partnering for local curriculum development and support for whānau engagement in their child's education
- reduced opportunities to build relationships due to time pressures to set up Kāhui Ako
- uncertainty about how to start building educationally powerful partnerships with iwi.

We have shared these insights, and used them to inform a draft three year work programme which will consider how we can best partner with iwi and hapū to support Māori learner success as Māori.

PowerUP

We continue to deliver the PowerUP programme from 20 hubs across New Zealand. The programme supports Pacific families and communities to have a role in the educational outcomes of their children. More than 2,000 students and 1,500 adults participated in the programme in 2017, which continues to show value for the Pacific community with:

- 57% of families who received targeted information and support reporting that they were now “very confident” to talk to teaching staff about their child's learning (up from 30% before they attended PowerUP)
- only 4% of families reporting not being at all confident to talk to a teacher about their child's learning (down from 23% before they attended PowerUP).

We completed an evaluation of the 2017 programme which highlighted how often Pacific communities feel like they do not have effective partnerships with teachers and schools. For example, prior to attending PowerUP only a moderate number of students reported that they were confident to talk to their teachers.

Other results show that many Pacific parents do not understand how they can support their child's learning.

Following the evaluation, we looked at how we can improve the support we provide to Pacific families and students. In 2018, this included making a series of ‘Pacific Insights’ professional development workshops available for Ministry staff. We are also developing a toolkit to support Kāhui Ako, and will pilot a new, more flexible programme that can be tailored to community needs in 2018/19.

Liaising with employers, business and industry

To better support young people to transition between education and employment we have focused on building relationships with employers, business and industry. We have begun to look at how we can provide tools and information that will support education providers to engage with young people, parents, communities and employers. In 2017/18, we also set up an Employment and Education Matters group of employers, so that we can better understand their perspectives on education and skills and listen to their voice about the future of education. The group first met in early 2018 with 28 senior executives from 27 employers, business and industry attending. Collectively their employees represent an estimated 6% of the New Zealand workforce.

New Zealanders have the skills and knowledge for work and life

Skills match
labour market
needs

Socially and culturally
confident and
competent people

Internationally
credible skills
and institutions

High quality research
and innovation

Our education system should provide our people with the skills, knowledge and qualifications they need to be successful in life and in an increasingly interconnected world.

Improving access through fees-free tertiary education

We led the development of the policy to put fees-free tertiary education and training in place from 1 January 2018. For the Ministry, this involved designing, funding, building and launching a new system within six weeks. Once in place, we supported the Tertiary Education Commission and the Ministry of Social Development to implement the policy. We also engaged with the sector to work towards improving access to tertiary education and training during 2017/18.

The multi-agency project to deliver fees-free education won the Prime Minister’s Award at the IPANZ Public Sector Excellence Awards in 2018, as well as winning the ‘Achieving Collective Impact’ category.

The judges said the project was “an outstanding example of innovation and cross-agency delivery taking complex new policy from concept to design and implementation in just six weeks; delivering a fast, stable service under the pressure of high demand.”

The one year (or two years for industry training) fees-free tertiary education for 2018 is the first step, with the full programme of three years to be implemented by 2024.

We are now developing a long term approach to fees-free policy for tertiary education and training.

We also provided policy advice to increase student allowances and the maximum that students can borrow through student loan living costs by \$50 per week from 1 January 2018. These increases provide targeted support to those from low income backgrounds.

Increase the skills of the working age population, and more specifically increase the proportion of 25 to 34 year olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above)



Boosting workforce skills

People who gain qualifications at higher levels, particularly at degree level or above, are more likely to be employed, have higher earnings, and are less likely to be receiving the unemployment benefit. As the number of young people achieving NCEA Level 2 or equivalent continues to increase, we are focused on increasing the skills of the working age population.

At the end of June 2018, 58.9% of 25 to 34 year olds had a qualification at Level 4 or above, which is an increase from 57.6% in June 2017.

Providing pathways across the system

Pathways across the education system are necessary to allow young people to move from each stage of learning to the next, and from learning to sustainable employment.

Vocational pathways

Vocational Pathways provide ways for students to achieve NCEA Levels 1, 2 and 3 and gain foundational skills and knowledge valued by six key sectors of the workforce. Students who are successful in one or more Vocational Pathway at Level 2 are awarded a 'Vocational Pathways Award' together with their NCEA Level 2 qualification.

In September 2017, we released an update of the Vocational Pathways for 2018. This update is part of our ongoing maintenance of the Pathways to ensure that they remain relevant for students, educators and employers, and are aligned with the New Zealand Qualifications Framework.

Secondary-tertiary partnerships

During 2017/18, active engagement in secondary-tertiary-industry partnerships and networks across more than 100 projects supported the development of pathways from secondary school to tertiary education and employment. We worked with regional economic development agencies, as education is recognised as playing a central role in economic development, and with providers to support those disengaged to return to education.

Youth Guarantee

Youth Guarantee works across the secondary-tertiary interface to support achievement, retention and progression. In 2017/18, Youth Guarantee worked with more than 300 secondary schools and eight Youth Guarantee fees-free providers to improve the transition of students aged 16 to 19 from school to further study, work or training.

Trades training

Trades Academies give students a head start in training for vocational qualifications. In 2017, there were 6,190 Trades Academy places across 24 secondary-tertiary programmes, enabling young people to undertake a combination of school and tertiary study while still at school. At the end of 2017, a total of 7,029 students had utilised part or all of a full funded place. Of those who participated, 76.8% of all Year 12 and above students, 74.2% of Māori and 75.1% of Pacific participants had achieved NCEA Level 2 or equivalent by the end of the year. There are also 6,190 Trades Academy places available in 2018.

Trades Academies are being supported by the DualPathways Pilot. It is run by the Tertiary Education Commission, enables students to enrol part time in fees-free tertiary education at either NCEA Level 2 or 3, with a pathway into work or higher level, industry-focused education. In 2017, approximately 1,200 places were allocated to 18 tertiary education providers. This has been increased to 1,500 places in 2018 across 22 providers.

The Māori and Pacific trades training programme helps Māori and Pacific students obtain practical qualifications that lead to apprenticeships or employment. In 2018 there are 3,352 allocated places (3,170 in 2017).

School Leavers' Toolkit

The Government has committed to provide all school leavers with access to a School Leavers' Toolkit. The Toolkit will provide school leavers with the knowledge, skills and capabilities to succeed in further education, training or employment and will cover areas such as civics education, financial literacy and key workplace competencies. During 2017/18, we met with programme providers to increase our understanding of the range of services on offer and how these are currently accessed by schools and kura.

Getting at-risk young people into a career

In New Zealand there is a significant number of young people who are not in education, employment or training (NEET). The needs of these young people are wide-ranging and complex. During 2017/18, we continued to work to support young people to remain in education and reconnect those who have already left the system.

At the end of June 2018, 8.3% of 15 to 19 year olds and 14.5% of 20 to 24 year olds were NEET.

For 15 to 19 year olds, programmes including Trades Academies and Youth Guarantee fees-free support the sector to identify and re-engage those at risk of disengaging from education. These programmes are designed to reduce the flow of young people becoming NEET. For 20 to 24 year olds, tertiary education provisions such as fees-free study and Māori and Pacific trades training provide opportunities to engage in education and gain the skills they need to transition into employment.

We monitor the performance of the Youth Guarantee programmes, such as Trades Academies and Youth Guarantee fees-free, through an annual monitoring report. The programmes continue to be effective in supporting young people to remain in education and temporarily engage young people in employment. We are looking into how we can better support young people to reduce the flow of those people becoming NEET in the long term.

Improving the flexibility of the system to meet labour market demands

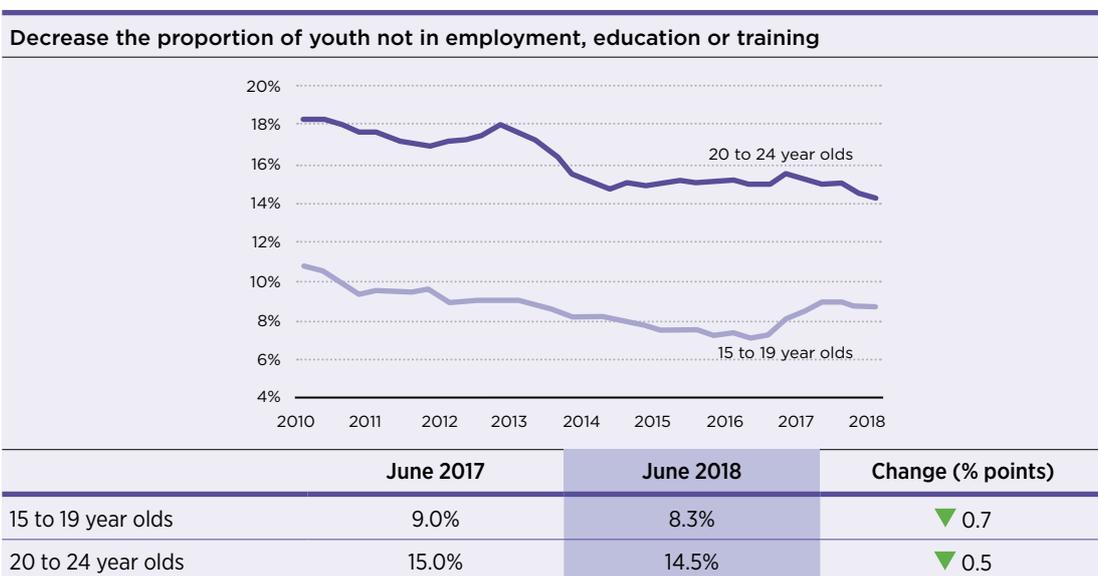
It is important to ensure New Zealand has a skills system that is adaptive and supports the changing world of work, and that we have healthy and effective public regional vocational education.

A review of the vocational education and training (VET) system is underway, to consider what is needed to create a world-class VET system and raise its profile and esteem. The scope and process for the VET system review were announced in April 2018.

We developed a work programme and interagency governance to undertake the work based on the following themes:

- a strong network of provision for all regions
- work-based learning that adapts to a variety of needs
- a system that is effective for a diverse range of learners
- a system that supports, and is supported by, industry and employers.

A range of information gathering activities were conducted in May and June 2018, including meetings with VET system stakeholders. Officials visited a number of cities and towns around our regions and met with learners, employers, education providers and their staff and union representatives.



Note: Statistics New Zealand revised June 2017 data so the reported number differs from what has been previously reported. The NEET rates are annual averages.

This work is aligned with the Institute of Technology and Polytechnics (ITP) Roadmap 2020 project, which is considering how ITPs can operate more as a system and ensure a sustainable network.

Maintaining internationally credible skills and institutions

Number of international students in 2017

OVER 125,000

international students studied in New Zealand:

24%

Universities

17%

in schools

14%

Polytechnics

45%

Private Training
Establishments

Setting strategic direction

We jointly led the development of a refreshed *International Education Strategy* for New Zealand with Education New Zealand. During 2017/18, this included consultation with the public and the international education sector, including workshops with international students. A second round of targeted consultation was conducted in June 2018 with sector stakeholders, government agencies and international student representatives.

The strategy reflects the Government's priorities around lifting the quality of international education and supporting sustainability, ensuring New Zealand attracts genuine students and prevents the exploitation of international students. It also focuses on global citizenship for New Zealanders.

Export Education Levy

The Export Education Levy (EEL) is a compulsory charge on export education providers to help fund development of the export education industry, as well as supporting aspects such as promotion, quality assurance and research. We undertook an internal review of the levy in 2017, where initial advice was put to the Minister in June 2017, and again in March 2018. Our review highlighted the need to improve the levy's sustainability and fairness. This means two key changes: that providers standing to benefit most from the EEL would make a greater proportional contribution; and the EEL equity balance will be managed to cover costs associated with planned annual activities as well as international student reimbursements resulting from course and provider failure. We began developing options to address these issues, including improving risk management in 2018, with a view to consultation being undertaken and changes being implemented for 2019.

High quality research and innovation

The Ministry is leading a cross-agency team working with Te Wānanga o Raukawa to address funding, governance and other issues raised in its Treaty claim. We aim to work transparently and in frequent contact with Raukawa, initially to develop a joint agreement on how to conduct our relationship now, and subsequently to make changes to create a sustainable future partnership between Raukawa and the Crown. This reflects a new way of working for the Ministry, where we are connecting more frequently and directly to build confidence that the education system supports strong research outcomes and meets the Crown's obligations under the Treaty of Waitangi.

Effective stewardship of the education system

Lead the design for the future of education

Lead the development of a capable workforce for early childhood and schooling

Adopt optimal service delivery

Embed continuous improvement

Invest to support access to learning

We are the lead advisor to the Government on education, from early learning through to tertiary education, and we are the steward of the education system. Our roles include both shaping the whole education system and as a service provider.

Review of our strategy and operating model

We are in the process of reviewing our strategy and operating model. During 2017/18, we identified five strategic priorities that are progressively shaping how we deliver our work.

- Lead the design for future education.
- Lead the development of an Education Workforce Strategy for early childhood and schooling.
- Embed continuous improvement.
- Adopt optimal service delivery.
- Invest to support access to learning.

Lead the design for the future of education

Our central purpose is to lead thinking about the long term health and performance of the education system, providing a design perspective on the whole education system, not just its constituent parts. In 2017/18, we started work to reset the system so that it meets the needs of an increasingly diverse New Zealand, now and in the future. Our focus has been on building a shared understanding of the issues that need to be addressed, and ultimately building shared ownership of a vision for education. Our intent is that any proposed changes will be co-designed with those affected by them, so that they are well supported from the outset.

This has involved setting up processes to engage a much broader range of stakeholders in the Education Conversation | Kōrero Mātauranga and associated consultation processes than we have done before. To achieve this, we have used innovative workshop techniques and social media to promote dialogue, and provided tools and resources to help that dialogue to continue at a local level. We have also provided support to set up and support the various Advisory Groups and Reference Groups that bring specialist knowledge and insights to the process.

Lead the development of an Education Workforce Strategy for early childhood and schooling

We have invested in developing capability within the Ministry to develop a learner-centred, future-focused Education Workforce Strategy for early childhood and schooling. This has involved setting up a dedicated and specialist team, working collaboratively across the Ministry and with sector partners, and improving access to the data needed to carry out the work. Developing the Education Workforce Strategy is a multi-year exercise but, as noted on page 30, this work is now well underway.

Adopt optimal service delivery

We are responsible for advising on, and adopting, the best delivery approaches to meet the needs of children, young people and students, as well as funding, providing and purchasing services across the education system. To do our job well, we need to ensure access to education is equitable and better understand the effectiveness of providers, services and interventions for children, young people and students. Optimal service delivery increasingly involves working collaboratively with other agencies to progress shared goals, particularly for at-risk children.

Working collaboratively to achieve outcomes

In 2017/18, we continued to support the Investing for Children programme by:

- providing advice on the education component of the draft National Care Standards
- working with Oranga Tamariki to identify current challenges and opportunities for improving the completion of education profiles as part of the Gateway Assessment process for all children entering care
- developing education content for the initial Vulnerable Children's Plan/Oranga Tamariki Action Plan, in conjunction with other children's agencies, as required under section 8 of the Vulnerable Children Act 2014
- reviewing the provision of education for children in care, including contracted services.

We have also continued to support Place-Based Initiatives. We are the lead agency for the Northland Place-Based initiative, Kainga Ora, and also support others in South Auckland and Tairāwhiti. In 2017/18, we supported the Governance Group to recruit staff to transition the Northland Place-Based Initiative Kainga Ora to a new operating model and strategic framework from 1 July 2018. Kainga Ora aims to provide integrated responses for at-risk children and young people to ensure we invest in what will best support them, their whānau and community, and for it to be sustainable over time.

Providing better advice to government

We need to provide quality analysis and advice that supports the whole system in the long term, and during 2017/18 have continued to invest to develop our capability and capacity to support this. We survey our Minister annually on their satisfaction with the services we provide. For 2017/18, we received a rating of eight out of 10.

To support our new Minister, we prepared a high level briefing pack which was provided to the new Minister of Education in October 2017. We also provided follow up briefings on key topics as required.

On behalf of the Minister of Education, we monitor three Crown agencies - the New Zealand Qualifications Authority, the Tertiary Education Commission and Education New Zealand. Over the last year, we have continued to implement our integrated, transparent and collaborative monitoring approach. We are now working on improving our proactive engagement, enhancing our reporting, financial analysis and monitoring, and strengthening our quality assurance processes.

We also have begun to refine our process for board appointments and are focusing on increasing the diversity on education boards.

To support our Ministers, in 2017/18 we:

Responded to	&	Provided
594		610
Ministry Official Information Act 1982 requests		Parliamentary Question responses

We are improving the Ministry's data quality and management to strengthen our ability to provide effective policy advice and focus on activities and investments that will add more value. It also reduces the risk of data errors and better ensures that the reporting, analysis and insights generated by the Ministry are more timely, accurate and complete.

To help with this, in 2017/18 we designed and delivered Pūwaha, a new Knowledge Base that is being progressively rolled out across the Ministry. Pūwaha has been created to help our people find out where information is stored, how to use it, what the conditions of use are, and where to get further help for information and data queries.

Embed continuous improvement

Purposefully designed and usable feedback loops are essential to understand what works, for whom and when, and under what conditions. Along with people's voices, evidence and data provide us with the information needed for continuous improvement and evidence-based decision-making. An example of this is the spiral of inquiry feedback loop which is driving improvement in some schools and Kāhui Ako, and performance information being used to influence tertiary provider choices.

We are increasingly treating data as an asset, and have been investing in the people, processes and technology to better provide and enable access to information. During 2017/18, we progressed a number of initiatives to centralise and improve access to data as noted on page 16. We also reorganised our education data and knowledge services so we can better provide and enable access to data for decision-making.

During 2017/18, we administered a number of international benchmark studies that enable us to test the performance of the New Zealand education system and provide information on student achievement and teaching. Over the last year, this included supporting:

- the Programme for International Student Assessment (PISA), which assesses the reading, mathematical and science literacy of 15 year old students
- the Teaching and Learning International Survey (TALIS) – which surveys teachers of Year 7 to 10 students and their principals, covering topics related to teachers' work, attitudes, practices and school environments – took place in Term 4, 2017
- the Progress in International Reading Literacy Study (PIRLS), which assesses the reading literacy of Year 5 students
- the Trends in International Mathematics and Science Study (TIMSS), which assesses the mathematics and science achievement of Year 5 and Year 9 students.

We have also continued to release new research and evaluation reports as information becomes available. For example, our work to identify risk and predictive factors affecting tertiary education outcomes was completed and shared with Ministers, education agencies and the tertiary education sector during 2017/18. The work highlighted that the biggest single predictive factor of success in tertiary education is prior qualifications, with other risk factors being relatively limited by comparison. We will use our findings to inform future policy advice on how to improve system outcomes.

Invest to support access to learning

We need to understand, plan and organise our investment in the best possible way to support the delivery of and access to services. There are not limitless resources and we face prioritisation challenges. These challenges will be complicated by demographic changes, as well as changes in student participation, curriculum delivery, and expectations of government and the community.

For Budget 2018, a joint team approach was developed to ensure the Ministry provided a joined-up and consistent stream of advice across both Vote Education and Vote Tertiary Education. Lessons learnt from that process are being used to inform our planning for 2019/20.

Alongside the current review of the Ministry's strategy and operating model, we are establishing a longer term budget position to support the Ministry's purpose and strategic objectives. In 2017/18, we further developed the Ministry's 10 year Strategic Financial Plan, which was used to support Budget 2018. Over the last year we updated the plan to make it more accessible and include updated information based on our financial modelling. To support this work, we are also developing an investment management framework to help lift the Ministry's investment decision-making capability and performance.

Building capability and managing responsibly

Strong leadership and clear strategic direction

Capable and engaged staff

Good financial and resource management

Good information management systems and processes

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

Providing strong leadership and clear strategic direction

The Ministry's strategy and operating model is being reviewed to set out how we operate and what support we need to achieve our purpose.

Over the last year this involved:

- a review of the Ministry's strategy in the context of the broader education system
- a large number of interviews with internal and external stakeholders
- a comprehensive review of our strategic documents.

This resulted in the development of our new strategy which will progressively shape how we deliver our outcomes. Now that our strategic priorities have been finalised, we are in the design phase of the new operating model for the Ministry of Education. This includes work to consider what skills and capabilities will be required to lead successful implementation of our new way of working, and deliver on the significant education reform programme.

Our people

At 30 June 2018, we had 2,904.2 full-time equivalent (FTE) staff working from 41 locations around New Zealand. Of our workforce, 58% are based in the regions and 42% at our National Office in Wellington. Since 30 June 2017, the FTE cap (2,740) has been removed and our workforce has increased by 6% to 30 June 2018, in relation to our FTE cap of June 2017.

This is due to increased demand for the Ministry's services, particularly within learning support, as well as converting a number of contracting positions to permanent or fixed term roles.

Our unplanned turnover remained higher than the public sector average in 2017/18, with 15.5% of staff leaving the Ministry (compared to the public sector average of 11.1% in June 2017).

Capable and engaged staff

The Ministry's People Strategy 2017-2021 has four outcomes, which support our focus of shaping an education system that delivers excellent and equitable outcomes:

- strong brand and reputation
- a great place to work
- top talent and capability
- reposition and revitalise.

We want to have a highly motivated and engaged workforce, build our ability to attract great people and provide opportunities to develop their skills and capability.

Strong brand and reputation

To enable us to better engage and attract strong candidates, in 2017/18 we introduced a new Careers website. We also updated our sourcing and selection tools to ensure we offer a modern experience for candidates.

We are working in partnership with our unions to ensure we are offering terms and conditions of employment that are attractive to our people at all stages of their career, and the rewarding environment a diverse workforce seeks.

Over the last year we have embedded our Early in Career programme. It connects across the system to engage with other agencies to make the public sector and the Ministry a preferred choice for interns and graduates.

A great place to work

Hearing the voices of our people is important in continuing to develop a great place to work that supports diversity and is inclusive of all. In 2017/18, we completed two 'pulse' surveys to hear from our people and review our progress in key areas. Our results show that more people felt connected to the Ministry's mission and purpose, and feel like they have the opportunity to do what they do best every day.

We have also considered how we continue to encourage staff feedback, and we are moving to a more interactive survey approach with more regular opportunities to provide feedback. For example, we will gather information soon after people start working with the Ministry, to help us identify improvements to our brand and induction support. We will also gather more information from those who are leaving to better understand the employee experience and inform improvements.

Pay equity has also been a key focus over the last year, as we have been working with the New Zealand Educational Institute (NZEI) to progress the first claim to be examined under the new pay equity principles. This is groundbreaking and complex work, and while it has taken longer than expected, we have made steady progress and are now close to settlement.

During 2017/18, we continued to support a range of staff networks. Our Women's Network, which was launched in July 2017, is now fully established in Wellington with high membership and participation. Women represent almost 75% of the Ministry's workforce and the network helps to create a better sense of community and support our people to help each other achieve their potential. Events in 2017/18 included a seminar on the gender pay gap, social paper bag lunches and speed mentoring with some of the Ministry's women in leadership. The committee is helping our people in other locations to form similar networks.

Most of our people are now registered on the Wellbeing Hub, which offers trusted and up to date health and wellbeing information and resources. During 2017/18, we held wellness seminars which were well attended by staff and feedback indicated a desire for more sessions. We also offered free flu vaccines for all staff and longer term contractors through the hub.

Top talent and capability

We continue to deliver foundation leadership and management programmes to support our leaders and managers. While we are in the early stages developing talent management and succession planning as part of our Workforce Strategy, we have continued to focus on supporting greater access to development opportunities.

Reposition and revitalise services

Getting the basics right has also been a focus over the last year, ensuring activities such as NZ Police vetting and requirements to re-vet our core child workers were completed on time and to the required standards. Annual and regular processes have been streamlined, and where possible automated, to ensure we deliver these services effectively and efficiently.

Building a culture of diversity and inclusion

Building a diverse and inclusive way of working continues to be a priority for us. Following the launch of our Diversity and Inclusion framework and work programme in December 2017, the diversity and inclusion Committee has met. The committee has supported the flexible working initiatives that are underway and has also reviewed people policies with the most recent being our family friendly workplace guidelines. We have set diversity and inclusion targets which are communicated to our staff and unions quarterly.

Over the last year we have focused on closing our gender pay gap. We were part of the State Services Commission joint working group to design gender pay principles in partnership with unions, and have already taken steps to implement these as part of our Diversity and Inclusion programme of work. We are working with our people managers to look at ways to close the gender pay gap and are undertaking more detailed analysis on gender pay gap differences for like work within the Ministry.

Our Te Ara Whiti programme, introduced in March 2018, was designed to help us build a culturally responsive organisation better able to provide advice that is unbiased. The programme promotes cultural awareness, helps people understand their own unconscious bias and find ways to overcome barriers they may face.

At the end of June 2018, 180 Ministry leaders, including our Leadership Team, had completed the workshop. Building this capability in our organisation will help us embed a new way of leading aimed at attracting and nurturing diversity and inclusion within the Ministry, and enhancing cultural outcomes for the sector.

We also launched Tōku Ingoa, Tōku Mana – an internal initiative aimed at showing respect for people of diverse cultures by making the effort to pronounce their names correctly. This is part of a wider focus to build a more culturally responsive Ministry and education system.

Developing good financial and resource management

During 2017/18, we continued to progress our Finance Transformation programme, which aims to reduce fiscal risk, improve financial management and better position core systems and processes to support our activities. Key achievements over the last year include:

- rolling out the Purchase to Pay module in March 2018
- implementing the Contract Management System
- developing a more robust Long Term Investment Plan as a component of the Investor Confidence Rating assessment
- designing a toolkit to align our resources to our strategy that will be implemented over the next two years.

Improving our infrastructure

Supporting new ways of working

In December 2018, we refreshed the 10 year National Property Strategy for corporate property, which is based on a framework that configures our offices around five principles: accessible, welcoming, collaborative, choices, and enabling education. It also introduces a new concept, 'Ministry in the Community', where we locate and configure our offices as Education Hubs to support collaboration between other education and government agencies. An example of this was the New Plymouth office's new co-location with the Ministry of Social Development, Housing New Zealand and the Ministry for Children Oranga Tamariki.

Staff have embraced the flexible working environment, including new technology enabling them to be more mobile in their work.

We also implemented a coordinated approach for a new ICT roll out and refurbishment work as leases expire or come up for renewal. We are continuing to upgrade Ministry facilities and extend flexible working environments to many Ministry locations. At the end of 2017/18, work is in various stages of planning and delivery in our offices in Kaitaia, Whangarei, Thames and the wider Wellington region.

Enhancing health, safety, privacy and security

As part of our commitment to look after our people, visitors and workplaces, physical security changes continued to be made across all Ministry offices in 2018. New arrangements include physical changes to the reception and lobby areas and installation of security equipment, which is in line with government security requirements. This is an ongoing programme to continually improve and update security measures across our offices nationwide.

We introduced a new online reporting tool in November 2017, which enables all health, safety, security and privacy incidents (including near miss events) to be lodged, investigated and reported on.

A new governance model for health, safety, security and privacy was implemented in 2018 to improve our Leadership Team's oversight in this area. We also developed a Ministry-wide risk management framework for identifying and managing health, safety, security and privacy risks.

Our governance

Our Ministers at 30 June 2018

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

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 government-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 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.

The Education 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.

Our organisation at 30 June 2018

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 age 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 raise student achievement.

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 pedagogy and the use of digital technology.

The **Graduate Achievement, Vocations and Careers group (Deputy Secretary, Claire Douglas)** delivers policy advice, strategy and research on international education, tertiary education and achievement, and secondary-tertiary transitions.

The **Parent Information and Community Intelligence group (Deputy Secretary, Apryll Parata)** 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 working with school boards of trustees to manage the school property asset portfolio. They support 21st century learning practices through the provision of flexible learning spaces and ICT infrastructure, and help students access education by providing school transport assistance. They also monitor the schools payroll service.

The **Strategy, Planning and Governance group (Deputy Secretary, Emily Fabling)** is responsible for business strategy, education system stewardship including Crown entity monitoring, planning and governance, risk and assurance, legal services, communications and Ministerial services.

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 co-ordinate and provide advice to the Secretary and Ministers.

Our governance arrangements

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

- Leadership Team Governance Board
- Investment and Finance Board
- ICT Governance Board
- Risk and Assurance Board
- Education Infrastructure Service Board (for school property matters).

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 2018 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 2019 and its operations for the year ending on that date.



Iona Holsted
Secretary for Education
28 September 2018



Independent Auditor's Report

TO THE READERS OF THE MINISTRY OF EDUCATION'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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 82 to 119, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2018, 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 2018 on pages 8 to 39 and 52 to 75; 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 2018 on pages 129 to 133; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 120 to 128 that comprise:
 - › the schedules of assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2018;
 - › the schedules of revenue; capital receipts and expenses for the year ended 30 June 2018;
 - › 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 82 to 119:
 - › present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 8 to 39 and 52 to 75:
 - › presents fairly, in all material respects, for the year ended 30 June 2018:
 - 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 129 to 133 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 120 to 128 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 2018; and
 - › expenses; and revenue for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. 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 Contingent Liabilities and Contingent Assets on page 123 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 2 to 6, 40 to 46 and 76 to 78, 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 Assurance engagements related to school payroll reporting.

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 2017/18. The information on pages 52 to 75 is audited and reports on what we achieved with each appropriation against the expectations set out in the Estimates of Appropriations for Vote Education and Vote Tertiary Education in 2017/18.

We are the appropriation administrator for some multi-category appropriations 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 76 to 78 and is not subject to audit for 2017/18. 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

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 educational institutions and independent research on education issues, policies and practices. This category is exempt from performance reporting under section 15D(2)(b)(iii) of the Public Finance Act 1989.

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, advice on operational matters and expert review service advice) to support decision-making by Ministers on government priority areas. This category is exempt from performance reporting under section 15D(2)(b)(iii) of the Public Finance Act 1989.

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Oversight of the Education System				
New measure	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	8	Achieved

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Ministerial Services				
This category is intended to achieve effective and efficient ministerial services.				
Revised measure	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. ¹⁰	95%	92.1%	Not achieved Due to an unprecedented increase in the volume of Ministerial correspondence, Parliamentary questions (PQs) and Ministerial Official Information Act (OIA) requests since the Election, we have been unable to meet our budget standard. We completed 100% of PQs and OIAs on time but only 90% of Ministerial correspondence.
New measure	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%	98.3%	Achieved
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 to within 1% of actual values	Achieved
Not available	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

¹⁰ Ministerial correspondence replies are required to be completed within 20 working days. Other replies to be completed within timeframes required by legislation or Standing Orders.

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2016/17		2017/18	2017/18	
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.				
74%	Independent assessment of the quality of the Ministry's policy advice (see Note 2).	75%	Not available. During the year we changed to an internal assessment methodology to enable more regular and timely review of the quality of our policy advice. The result cannot be directly compared with previous years' results.	Our new internal assessment reported a mean of 3.22 out of 5 where: 1 = Poor 2 = Borderline 3 = Adequate 4 = Good 5 = Excellent
Not available	The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey) (see Note 3).	7	8	Achieved
\$134	The total cost per hour per person of producing policy outputs (see Note 4).	Up to \$155	\$136	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.

New measure	For newly-released research and/or evaluation reports on the Education Counts website, the minimum number of: <ul style="list-style-type: none"> page visits per annum downloads per annum. 	Page visits 240 Downloads 120	Page visits 13,566 Downloads 5,438	Achieved The budget standard set for 2017/18 proved to be overly conservative. This has been increased to 7,000 page visits and 4,000 downloads for the 2018/19 year.
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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 - The independent assessment of the Ministry's policy advice will have a technical robustness score, using the measurement of robustness provided by the Treasury.

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 provided for context only.

Performance 2016/17	Activity Information	Budget Standard 2017/18	Actual Performance 2017/18
Professional Development and Support			
New indicator	The number of newly-released research and/or evaluation reports on the Education Counts website.	Up to 20	37

Financial performance

	2016/17	2017/18		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	53,912	62,599	71,882	66,778
This is made up of the following category information:				
Departmental Output Expenses				
Ministerial Services	8,086	5,773	5,773	5,685
Monitoring the Education System	8,800	9,757	13,450	10,986
Policy Advice	15,419	16,539	20,322	17,972
Research and Analysis	18,599	27,022	28,829	28,941
Non-Departmental Output Expenses				
Education Research Initiatives	3,008	3,008	3,008	3,008
Independent Advice on Government Priority Areas	-	500	500	186
Funding for Departmental Output Expenses				
Revenue from the Crown	53,729	59,081	68,364	68,364
Ministerial Services	8,081	5,763	5,763	5,763
Monitoring the Education System	8,800	9,757	13,450	13,450
Policy Advice	16,442	16,539	20,322	20,322
Research and Analysis	20,406	27,022	28,829	28,829
Revenue from Others	-	10	10	-
Ministerial Services	-	10	10	-

Improved Quality Teaching and Learning

About this appropriation

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.

The Professional Leadership and Development programme is currently undergoing a three-year change programme (2016 to 2018) to make it more effective for improving the quality of teaching and leadership for early childhood education services and schools.

What was achieved

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Improved Quality Teaching and Learning				
New measure	Communities of Learning Kāhui Ako and schools/kura who have accessed centrally-funded Professional Leadership and Development and have demonstrated a positive shift in the capability of teachers and leaders.	Baseline year	70%	Baseline established
Support and Resources for Teachers				
This category is intended to achieve a highly effective workforce and resources to enhance learning for years 0-18.				
92%	Percentage of school teachers surveyed who are satisfied that English-medium teaching and learning resources provided support curriculum delivery.	80%	92%	Achieved

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Curriculum Support				
This category is intended to achieve wider access to opportunities within schools.				
New measure	Percentage of students demonstrating accelerated achievement, whose teachers are participating in the Accelerated Learning in Literacy programme.	80%	86%	Achieved
New measure	Percentage of students demonstrating accelerated achievement, whose teachers are participating in the Accelerated Learning in Maths programme.	80%	94.5%	Achieved
Professional Development and Support				
This category is intended to achieve a more effective educational workforce and provide resources to enhance learning for years 0-18.				
82%	Percentage of early childhood education services participating in the Strengthening Early Learning Opportunities for children, whānau, families and communities programmes focused on improving teaching and learning demonstrate positive shifts in practice.	80%	80.19%	Achieved
New measure	Communities of Learning Kāhui Ako and prioritised schools/kura who have accessed centrally-funded Professional Leadership and Development and have demonstrated a positive shift in capability.	Baseline year	70%	Baseline established

The following information is provided for context only.

Performance	Activity information	Budget Standard	Actual Performance
2016/17		2017/18	2017/18
Professional Development and Support			
2,022	Number of early childhood education services participating in the Strengthening Early Learning Opportunities programme.	1,200 - 1,500	2,022

Financial performance

	2016/17	2017/18		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	209,343	226,187	239,863	217,232
This is made up of the following category information:				
Departmental Output Expense				
Support and Resources for Teachers	66,892	80,627	85,860	80,527
Non-Departmental Output Expenses				
Curriculum Support	54,628	54,213	56,989	54,591
Professional Development and Support	87,823	91,347	97,014	82,114
Funding for Departmental Output Expense				
Revenue from the Crown				
Support and Resources for Teachers	72,753	80,617	85,850	85,850
Revenue from Others				
Support and Resources for Teachers	47	10	10	-

The underspend in Professional Development and Support is due to slow uptake in the new centrally-funded professional learning and development. Approval has been obtained to carry forward \$14.900 million underspend to 2018/19.

Outcomes for Target Student Groups

About this appropriation

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.

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.

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

What we intended to achieve

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

What was achieved

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Outcomes for Target Student Groups				
All 96.8%	Participation in early childhood education prior to starting school: <ul style="list-style-type: none"> All Māori Pasifika Decile 1–3. 	All 98%	All 96.9%	Not achieved Participation continues to improve for all target groups and remains a priority for the Ministry. Refer to pages 21-22 for more information.
Māori 95.2%		Māori 98%	Māori 95.5%	
Pasifika 92.4%		Pasifika 98%	Pasifika 93.4%	
Decile 1-3 94.0% ¹¹		Decile 1-3 98%	Decile 1-3 94.3%	
New measure	Participation in primary and secondary education: The percentage of students attending school regularly (see Note 1).	70%	63%	Not achieved Both justified and unjustified absences increased from 2016. There was an increase in absences for medical reasons. Refer to pages 22-23 for more information.

¹¹ Due to the nature of the ECE prior participation data, there has been a small revision in the June 2017 year end figure for Decile 1-3 students. In the 2017 report this figure was reported as 94.1%

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2016/17		2017/18	2017/18	
Interventions for Target Student Groups				
This category is intended to achieve equitable participation and outcomes in education for targeted student groups.				
60 calendar days	Average number of days eligible children and young people wait to receive a Ministry provided specialist learning support core service after the request for support.	70 calendar days	80.93 calendar days	Not achieved We have been working on a new flexible service delivery model, which allows differentiation of service delivery to match specific support needs. We are also supporting a national network of practitioners to share challenges and solutions to meet service demand while maintaining quality early intervention practices. Refer to pages 28-29 for more information on changes being made to improve learning support services.
Revised measure	Satisfaction of parents and educators of children and young people receiving a specialist learning support core service with the overall quality of the Ministry's service delivery (see Note 2).	74	69	Not achieved The new service delivery model is being rolled out nationally. This will make learning support easier to access, child-centred and better integrated with health and social services, so that children and young people with learning support needs get the right support when they need it. Refer to pages 28-29 for more information on changes being made to improve learning support services.
Revised measure	Satisfaction of parents and educators of children and young people receiving a specialist learning support core service who are satisfied with the child/young person's progress after this service (see Note 2).	70	68	Not achieved See above.
New measure	Parents and educators receiving a specialist learning support core service are more confident in knowing how to support the child or young person after this service (see Note 2).	72	71	Not achieved See above.

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
New measure	Parents of children and young people receiving a specialist learning support core service believe 'My child is made to feel welcome at their current school/early learning service' (see Note 2).	90	91	Achieved
71%	Percentage of children or young people whose behavioural issues have improved following their parents' completion of the Incredible Years Parent Programme.	70%	69.3%	Not achieved The result is slightly lower than expected and we are reviewing how we capture data and report progress throughout the year.
New measure	Satisfaction of educators with the overall quality of Resource Teacher: Learning and Behaviour services (see Note 2).	85	75	Not achieved The 2017 Education Review Office review of Resource Teacher: Learning and Behaviour clusters highlighted positive changes to the quality and consistency of the services. We are developing an improvement plan that will address their recommendations and other identified service improvements.
New measure	The percentage of Ongoing Resourcing Scheme (ORS) -verified school leavers with NCEA (see Note 3): <ul style="list-style-type: none"> • Level 1 or above • Level 2 or above 	Level 1 or above: At least 24.7% Level 2 or above: At least 15.6%	Level 1 or above: 24.0% Level 2 or above: 16.4%	Not achieved This result was slightly lower than expected. Some students achieved other types of qualifications or standards. Achieved
Service Academies				
This category is intended to achieve re-engagement of senior students in secondary schools.				
Revised measure	Percentage of students enrolled in Service Academies either retained or transitioned to further education, training or employment.	80%	87%	Achieved

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
New measure	Percentage of students retained in Service Academies who achieve NCEA Level 2.	75%	56%	Not Achieved A number of retained students were not working towards NCEA Level 2 because they were either not yet at that level or were working towards the higher NCEA 3 level. 78% of retained students achieved NCEA Level 2 or higher.
Student Attendance and Engagement				
This category is intended to achieve maximum attendance at schools by reducing unjustified absence rates and non-enrolment and reducing the time it takes to return students to education.				
36 days	The median numbers of school days before excluded learners are returned to schooling.	40 days or less	39 days	Achieved
Learning Support				
This category is intended to achieve equitable participation and education outcomes for targeted student groups.				
New measure	Service providers 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 Note 4).	90%	100%	Achieved A new review process was introduced this year which was trialled by three service providers. This result only covers these three trial reviews.

Note 1 - Attending regularly is defined as attending at least 90% of the time. This is assessed by measuring attendance across the whole of Term 2.

Note 2 - This result comes from an annual satisfaction survey of parents and educators of children and young people who receive a specialist learning support core service. It uses a Service Quality Score which is the same as the approach used for the State Services Commission's Kiwis Count. The Service Quality Score is calculated by rescaling the result from each respondent's five-point scale (1, 2, 3, 4, 5) to a 101-point scale (0, 25, 50, 75, 100) then calculating an average of these scores.

Note 3 - Ongoing Resourcing Scheme (ORS) provides specialist services and support for students with the very highest additional learning needs. Students have to meet one or more of the nine eligibility criteria for ORS; once a student is in ORS their funding and support stays with them throughout their time at school, which can be up to when they are 21.

Note 4 - Our 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 provided for context only.

Performance 2016/17	Activity Information	Budget Standard 2017/18	Actual Performance 2017/18
Interventions for Target Student Groups			
36,693	The number of children receiving a specialist learning support core service.	29,285 - 35,365	36,359
Learning Support			
2,784	Number of young people enrolled in the Alternative Education programme.	2,500	2,849
17,742	Number of individual students supported through the Resource Teacher: Learning and Behaviour service.	15,000 - 17,000	17,312

Financial performance

	2016/17 Actual \$000	2017/18		Actual \$000
		Budget \$000	Supplementary Estimates \$000	
Total expenses for MCA as a whole	678,400	690,049	712,316	703,605

This is made up of the following category information:

Departmental Output Expense				
Interventions for Target Student Groups	255,117	258,744	268,961	261,625
Non-Departmental Output Expenses				
Service Academies	3,310	3,640	3,640	3,444
Students Attendance and Engagement	9,590	9,676	9,676	9,680
Non-Departmental Other Expense				
Learning Support	410,383	417,989	430,039	428,856
Funding for Departmental Output Expense				
Revenue from the Crown	255,673	257,044	267,261	267,261
Interventions for Target Student Groups	255,673	257,044	267,261	267,261
Revenue from Others	902	1,700	1,700	251
Interventions for Target Student Groups	902	1,700	1,700	251

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
New measure	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).	All 80% Māori 80% Pasifika 80%	All 93% Māori 89% Pasifika 96%	Achieved
1,397 ¹²	Number of contracted early childhood education child places created to meet the needs of targeted communities as a result of the Targeted Assistance Programme.	550 - 720	781	Achieved

Note 1 – As measured by the percentage of participants who showed a 'positive' or higher rating in initiative evaluation surveys, using a five-point scale where 4 is deemed 'positive'.

Financial performance

	2016/17	2017/18		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	12,139	11,753	12,303	12,257
Funded by:				
Revenue Crown	12,797	11,743	12,293	12,293
Other revenue	-	10	10	100

¹² The prior year figures are not directly comparable as they reflect 2016/17 funding for performance against a target range of 948-1,100.

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Accurate 100% On time 75%	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.	Accurate 100% On time 100%	Accurate 100% On time 100%	Achieved
Accurate 99.79% On time 99.99%	Percentage of payroll payments to eligible teachers and school support staff which are accurately calculated and sent to financial institutions on time in order to be processed on or before advised pay dates.	Accurate 99.5% On time 99.5%	Accurate 99.83% On time 99.99%	Achieved
97%	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%	91%	Not achieved 34 proposed interventions were approved, of which 31 were within three months. Delays occurred largely due to uncontrollable factors, such as the unavailability of Boards of Trustees due to holiday periods or pending Board elections.

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
99.4%	Percentage of eligible early childhood education services connected to the Early Learning Information system.	98%	99.5%	Achieved
New measure	Specialist learning support service providers who are required to develop an action plan are satisfied with the support received from the Ministry (see Note 2).	85%	100%	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.

Note 2 - Specialist learning support service providers who do not have effective internal evaluation processes on initial review are required to develop an action plan with the support of the Ministry of Education.

Financial performance

	2016/17 Actual	Budget	2017/18 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	93,663	111,918	110,872	100,034
Funded by:				
Revenue Crown	95,272	110,778	109,732	109,732
Other revenue	595	1,140	1,140	602

The underspend is mainly due to delays in projects that involved the use of external resources.

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
20	Children and their whānau and families in Otangarei, Kaikohe and Kaitaia/Te Hiku who have an integrated service plan.	570	571	Achieved
Revised measure	Co-designed Community Action Plans for Otangarei, Kaikohe and Kaitaia/Te Hiku are being implemented.	Achieved	Achieved	Achieved

Financial performance

	2016/17 Actual	2017/18 Budget Supplementary Estimates		Actual
	\$000	\$000	\$000	\$000
Expenses	1,029	1,683	2,333	1,529
Funded by:				
Revenue Crown	1,687	1,683	2,333	2,333

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; upgrades to existing property and disposal of surplus property; and 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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Lower Advanced	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).	Lower Advanced	Intermediate (78%) ¹³	Not Achieved A work plan aimed at improving our asset management maturity and our evidence base is in place.
72%	Percentage of State schools with a utilisation ratio between 75% and 105% as an indicator of the effective use of the school property portfolio (see Note 2).	65%	72% ¹⁴	Achieved
New measure	Percentage of State school buildings with property-related elements of Innovative Learning Environment assessments showing functionality score of '3' or better (see Note 3).	65%	71%	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 - Utilisation is expressed as the ratio of the number of classrooms a school is entitled to relative to its actual number of classrooms at the school. Classroom entitlement is calculated based on maximum roll figures, school types, Māori immersion rolls, special needs and technology aspects of the school. This measure covers about 70% of State schools in total, and excludes schools with 100 or fewer students and schools which are less than 10 years old. Schools with enrolments of 100 students or fewer are excluded because small variations in enrolments will result in major changes in utilisation, and new schools are excluded because they would have been built in anticipation of future need for increased space.

Note 3 - The functionality measure is based on property-related elements of Innovative Learning Environment (ILE) assessments conducted by accredited assessors at the time each school prepares its ten-year property plan (10YPP). This measure is only available for a subset of schools at present but will be progressively applied across all schools as part of the property planning cycle. 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 DQLS and H&H criteria. A rating of 5 applies to buildings which score 0% for both DQLS and H&H criteria.

¹³ This result was based on an internal assessment and took into consideration changes in the assessment methodology and an external assessor's advice. Our next formal Investor Confidence Rating assessment will occur in November 2018.

¹⁴ We use the previous year's roll projections to calculate this measure.

Financial performance

	2016/17 Actual	2017/18 Budget	2017/18 Supplementary Estimates	2017/18 Actual
	\$000	\$000	\$000	\$000
Expenses	1,647,556	1,614,689	1,794,597	1,787,880
Expense components:				
Capital charge	957,594	917,143	1,040,980	1,036,980
Depreciation	561,498	570,080	600,080	598,580
Management of the school property portfolio	128,464	127,466	153,537	152,320
Funded by:				
Revenue Crown	1,645,025	1,611,503	1,773,785	1,773,785
Other revenue	38,106	3,186	23,243	33,598

Actual expenditure is higher than budget mainly due to increases in capital charge and depreciation funding resulting from the revaluation of the school property portfolio at 30 June 2017.

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
New measure	Percentage of State school buildings with a maintenance index of '3' or better as an indicator of the relative maintenance requirements for buildings in the school property portfolio (see Note 1).	85%	96%	Achieved

Note 1 - The maintenance index is based on a nationwide physical inspection of school buildings. It is the ratio of each building's forward 10-year cost for maintaining the building to current standards relative to its replacement cost. The higher the ratio, the greater the degree of maintenance required. All other things being equal, a building with a higher ratio will tend to indicate poorer condition than a building with a lower ratio. This measure represents over 95% of total replacement value and about 70% of the number of buildings in the entire State school portfolio, excluding about 10,000 minor buildings such as sheds and covered walkways. For reporting purposes, building indices are shown on a scale from 1 to 5 (1 being the highest rating), defined as follows: 1 is an index of less than 5%, 2 is 5-10%, 3 is 10-20%, 4 is 20-30% and 5 is over 30%.

Financial performance

	2016/17 Actual \$000	2017/18 Budget \$000	2017/18 Supplementary Estimates \$000	2017/18 Actual \$000
Capital expenditure				
School property portfolio:				
Land	38,163	50,060	63,528	57,313
Buildings	849,575	930,445	917,296	921,461
Ministry-wide:				
Office furniture, fittings and equipment	8,316	2,394	6,624	4,315
Computer hardware	11,390	15,287	5,742	3,316
Motor vehicles	2,604	-	-	-
Intangibles – computer software	21,054	29,528	29,837	24,313
Total capital expenditure	931,102	1,027,714	1,023,027	1,010,718

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
95%	The minimum percentage of service standards which are agreed as 'Achieved' with the recipients of those services (see Note 1).	95%	100%	Achieved

Note 1 - The reported percentage is the lowest level of achievement across all service level agreements.

Financial performance

	2016/17 Actual	2017/18 Budget	2017/18 Supplementary Estimates	2017/18 Actual
	\$000	\$000	\$000	\$000
Expenses	1,232	4,825	4,362	2,529
Funded by:				
Revenue from Others	1,232	4,825	4,362	2,529

The underspend is mainly due to lower demand for ICT support services from education agencies than anticipated.

Vote Tertiary Education

Portfolio Minister – Minister of Education

Stewardship of the Tertiary Education System

About this appropriation

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 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Stewardship of the Tertiary Education System				
Revised measure	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	8	Achieved
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.				
74%	Independent assessment of the quality of the Ministry’s policy advice (see Note 2).	75%	Not available. During the year we changed to an internal assessment methodology to enable more regular and timely review of the quality of our policy advice. The result cannot be directly compared with previous years’ results.	Our new internal assessment reported a mean of 3.22 out of 5 where: 1 = Poor 2 = Borderline 3 = Adequate 4 = Good 5 = Excellent

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
7.5	The satisfaction rating given by Ministers for the quality and timeliness of policy advice (as per the Common Satisfaction Survey) (see Note 3).	7	7.8	Achieved
\$134	The total cost per hour per person of producing policy outputs (see Note 4).	Up to \$155	\$136	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 2.5% 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	Accurate within 3.2% of actual values	Not achieved Three of the four components of this measure were accurate within $\pm 1.5\%$ of actual values, but the student loan expenditure forecast was 3.2% higher than actual expenditure. Forecast accuracy was affected by limited data on the likely uptake of the new "first-year free" tertiary education policy, at the time of forecasting.
7	The satisfaction rating given by the Minister of Education on the quality of monitoring advice provided by the Ministry about Crown agencies (see Note 5).	7	8	Achieved
Good	The quality and range of the Ministry's analytical outputs is assessed through an independent expert review (see Note 6).	Quality is assessed as 'Good' or better	Good	Achieved
7	The satisfaction rating given by Ministers for the quality and timeliness of support for ministerial delegations and visits (see Note 5).	7	9	Achieved

Performance 2016/17	Performance Measure	Budget Standard 2017/18	Actual Performance 2017/18	Comment
Revised measure	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%	96.3%	Achieved
New measure	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%	99.6%	Achieved

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

Note 2 - The independent assessment of the Ministry's policy advice will have a technical robustness score, using the measurement of robustness provided by the Treasury.

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.

Note 5 - The rating measures Ministers' satisfaction on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

Note 6 - Based on a five-point rating scale: 1 = 'Very poor'; 2 = 'Poor'; 3 = 'Acceptable'; 4 = 'Good'; 5 = 'Very good'.

Financial performance

	2016/17 Actual	Budget	2017/18 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Total expenses for MCA as a whole	12,788	12,377	12,377	12,352

This is made up of the following category information:

Departmental Output Expenses

Policy Advice	5,396	4,856	4,856	6,563
Research, Data Analysis and Monitoring	7,392	7,521	7,521	5,789

Funding for Departmental Output Expenses

Revenue from the Crown	12,401	11,627	11,627	11,627
Policy Advice	4,856	4,856	4,856	4,856
Research, Data Analysis and Monitoring	7,545	6,771	6,771	6,771
Revenue from Others	510	750	750	822
Policy Advice	20	-	-	45
Research, Data Analysis and Monitoring	490	750	750	777

Asset measures

The Ministry of Education's asset performance measures are assessed as part of the Investor Confidence Rating. This section is not subject to audit, although some of the measures and results are also reported in the previous audited section of the report.

Asset Portfolio	Asset Purpose	Quantity as at 30 June 2018	Net Book Value as at 30 June 2018 (\$'000) ¹⁵	
School Property	To enable the delivery of education through provision of schools.	8,000 hectares of occupied land	Land	5,595,235
		2,100 state schools (over 15,000 buildings and over 35,500 learning spaces)	Buildings	12,246,735
			Total owned	17,841,970
ICT	To enable core business function through provision of computer hardware and software.	12 critical systems	Hardware	6,868
		Major hardware: • 1,581 user devices	Software	56,111
			Total owned	62,979

Performance 2016/17	Performance Measure	Budget Standard or Target 2017/18	Actual Performance 2017/18	Comment
ICT				
99.98%	The percentage of time our critical systems are available (see Note 1).	99.85%	99.99%	Achieved
99.98%	The percentage of time our systems are available.	95%	99.99%	Achieved
New measure	Peak usage of any one of the Ministry of Education's Wide Area Network bandwidth links.	80%	15%	Achieved
84%	The Ministry of Education's disk storage capacity: • allocated storage ¹⁶	No more than 90%	52%	Achieved
95%	The percentage of computers/user devices aged < 5 years.	100%	100%	Achieved

¹⁵ The ICT figures exclude ICT assets in the course of development.

¹⁶ The result reported annually is the result for the month of June. 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 2016/17	Performance Measure	Budget Standard or Target 2017/18	Actual Performance 2017/18	Comment
57%	The percentage of critical systems requiring upgrade within the last 5 years, which have been upgraded (see Note 1).	70%	80%	Achieved
New measure	Number of critical (priority 1) faults per annum.	40	60	Not achieved The target was established based on the past performance of the Ministry's critical ICT systems; however the scope of the measure now includes all the Ministry's supported ICT systems.
New measure	Average time to resolve priority 1 faults.	90 minutes	67 minutes	Achieved
New measure	Annual network penetration test risk level assessment (5 - critical, 4 - high, 3 - medium, 2 - low, 1 - informational).	4	4	Achieved
School ICT Network¹⁷				
New measure	Eligible schools which are connected to the Network for Learning for broadband services to support a modern learning environment.	2,350 schools	2,463 schools	Achieved
786 (Target was 660)	Schools that have had their networks upgraded to enable better wireless functionality under the Wireless School Network Upgrade Project.	825	955	Achieved
New measure	Percentage of State schools' teaching spaces with an Innovative Learning Environment rating for ICT of 50% or better.	85%	95%	Achieved

¹⁷ 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.

Performance 2016/17	Performance Measure	Budget Standard or Target 2017/18	Actual Performance 2017/18	Comment
100%	Percentage of eligible schools with ultra-fast broadband connection available.	100%	100%	Achieved

School Property Portfolio

Refer to the results on page 68 of this report.

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



PART 3

Annual financial statements

The financial statements are presented in three parts – departmental (page 82), non-departmental schedules (page 120) and appropriation statements (page 129).

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 2018. 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, 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 2018

Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2018

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.

2017 Actual		Notes	2018 Actual	2018 Budget	2018 Supp. Estimates	2019 Forecast
\$000			\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
Revenue						
2,149,337	Revenue Crown	3	2,331,245	2,144,076	2,331,245	2,401,603
41,417	Other revenue	3	38,037	11,631	31,225	11,289
2,190,754	Total operating revenue		2,369,282	2,155,707	2,362,470	2,412,892
Expenses						
287,294	Personnel costs	4	308,642	294,080	312,176	324,881
580,650	Depreciation and amortisation	11,12	621,473	592,655	622,341	622,309
962,029	Capital charge	5	1,046,158	926,321	1,050,158	1,077,346
11,079	Finance costs	6	20,862	20,540	20,624	27,622
300,293	Other operating expenses	7	325,317	322,111	354,740	360,734
2,141,345	Total operating expenses¹⁸		2,322,452	2,155,707	2,360,039	2,412,892
49,409	Net operating surplus		46,830	-	2,431	-
Remeasurements¹⁹						
16,571	Net unrealised gain/(loss) on derivative financial instruments	19	(22,498)	(564)	(9,659)	(266)
65,980	Net surplus/ (deficit)		24,332	(564)	(7,228)	(266)
Other comprehensive revenue						
2,354,550	Gain on property revaluations	11	294,748	-	-	-
2,354,550	Total other comprehensive revenue		294,748	-	-	-
2,420,530	Total comprehensive revenue and expenses		319,080	(564)	(7,228)	(266)

Explanations of major variances against the original 2018 budget are provided in Note 23.

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

18 Total operating expenses excluding \$135,000 (2017: \$25,000) against a Ministry of Justice departmental output expense equals total departmental output expenses and appropriations in the Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations on page 129.

19 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 2018

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.

2017 Actual		2018 Actual	2018 Budget	2018 Supp. Estimates	2019 Forecast
\$000	Notes	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
Assets					
Current assets					
40,547	Cash and cash equivalents	51,839	50,000	50,000	50,000
568,119	Debtors and other receivables	645,018	471,385	667,036	472,492
37,789	Prepayments	27,646	21,500	21,500	21,500
29,655	Non-current assets held for sale	32,693	25,000	25,000	25,000
676,110	Total current assets	757,196	567,885	763,536	568,992
Non-current assets					
17,244,492	Property, plant, and equipment	17,887,768	15,337,062	17,598,557	18,037,073
64,570	Intangible assets	74,571	95,829	80,907	101,052
17,309,062	Total non-current assets	17,962,339	15,432,891	17,679,464	18,138,125
17,985,172	Total assets	18,719,535	16,000,776	18,443,000	18,707,117
Liabilities					
Current Liabilities					
150,709	Creditors and other payables	159,310	96,685	102,500	103,661
41,726	Return of operating surplus to Crown	44,399	-	-	-
1,042	Provisions	981	-	-	-
18,519	Employee entitlements	20,332	17,985	17,985	17,985
2,805	Service concession liabilities	4,271	4,566	4,238	4,874
214,801	Total current liabilities	229,293	119,236	124,723	126,520
Non-current liabilities					
2,145	Provisions	2,231	1,216	1,490	1,490
9,245	Employee entitlements	9,173	10,000	10,000	10,000
278,317	Service concession liabilities	421,082	345,003	411,278	504,857
19,045	Derivative financial instruments (Net)	41,543	11,141	27,081	25,890
308,752	Total non-current liabilities	474,029	367,360	449,849	542,237
523,553	Total liabilities	703,322	486,596	574,572	668,757
17,461,619	Net assets	18,016,213	15,514,180	17,868,428	18,038,360
Taxpayers' equity					
4,999,956	General funds	5,271,387	5,401,905	5,410,875	5,580,807
12,461,663	Property revaluation reserves	12,744,826	10,112,275	12,457,553	12,457,553
17,461,619	Total taxpayers' equity	18,016,213	15,514,180	17,868,428	18,038,360

Explanations of major variances against the original 2018 budget are provided in Note 23.

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 2018

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.

2017 Actual			2018 Actual	2018 Budget	2018 Supp. Estimates	2019 Forecast
\$000	Notes	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
14,833,901	Balance at 1 July	17,461,619	15,098,615	17,461,621	17,746,137	
2,420,530	Total comprehensive revenue and expenses	319,080	(564)	(7,228)	(266)	
	<i>Owner transactions</i>					
352,388	Capital injections	318,424	447,640	452,546	313,263	
(103,474)	Capital withdrawals	(38,511)	(31,511)	(38,511)	(20,774)	
(41,726)	Return of operating surplus to Crown	14	(44,399)	-	-	-
17,461,619	Balance at 30 June	18	18,016,213	15,514,180	17,868,428	18,038,360

Explanations of major variances against the original 2018 budget are provided in Note 23.

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 2018

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 82.

2017 Actual		2018 Actual	2018 Budget (unaudited)	2018 Supp. Estimates (unaudited)	2019 Forecast (unaudited)
\$000		\$000	\$000	\$000	\$000
	Cash flows from operating activities				
2,023,028	Receipts from Revenue Crown	2,251,894	2,064,039	2,228,949	2,485,185
26,386	Receipts from other revenue	27,293	11,631	25,318	11,289
(300,595)	Payments to suppliers	(299,588)	(323,131)	(335,329)	(361,481)
(287,030)	Payments to employees	(307,409)	(293,060)	(311,209)	(324,134)
(962,029)	Payments for capital charge	(1,046,158)	(926,321)	(1,050,158)	(1,077,346)
2,709	Goods and services tax (net)	5,963	-	(2,389)	-
502,469	Net cash flow from operating activities	631,995	533,158	555,182	733,513
	Cash flows from investing activities				
38,362	Receipts from sale of property, plant, and equipment	27,695	30,395	44,225	30,225
(766,111)	Purchase of property, plant, and equipment	(839,974)	(924,959)	(909,161)	(979,097)
(21,054)	Purchase of intangible assets	(24,313)	(29,528)	(29,837)	(33,645)
(748,803)	Net cash flow from investing activities	(836,592)	(924,092)	(894,773)	(982,517)
	Cash flows from financing activities				
352,388	Capital injections	318,424	447,640	452,546	313,263
(103,474)	Capital withdrawals	(38,511)	(31,511)	(38,511)	(20,774)
(7,968)	Return of operating surplus to Crown	(41,726)	-	(41,726)	(11,329)
(7,093)	Payment of finance charges on service concession arrangements	(19,527)	(22,118)	(20,494)	(27,918)
(986)	Repayment of service concession liability	(2,771)	(3,077)	(2,771)	(4,238)
232,867	Net cash flow from financing activities	215,889	390,934	349,044	249,004
(13,467)	Net (decrease)/increase in cash	11,292	-	9,453	-
54,014	Cash at the beginning of the year	40,547	50,000	40,547	50,000
40,547	Cash at the end of the year	51,839	50,000	50,000	50,000

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 23.

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 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).

	2017	2018
	Actual	Actual
	\$000	\$000
Net surplus	65,980	24,332
Add/(less) non-cash items		
Depreciation, impairment and write-off on property, plant and equipment	576,083	614,736
Amortisation, impairment and write-off on intangible assets	11,340	14,312
Impairment of non-current assets held for sale	-	191
Net unrealised loss/(gain) on derivative financial instruments	(16,571)	22,498
(Decrease) in non-current employee entitlements	(595)	(72)
Increase in non-current provisions	929	86
Total non-cash items	571,186	651,751
Add/(less) items classified as investing or financing activities		
Net (gain) on sale of property, plant and equipment	(6,386)	(7,783)
Finance charges on service concession arrangements	11,079	20,862
Total investing or financing activities	4,693	13,079
Add/(less) movements in working capital items		
(Increase) in debtors and other receivables	(128,284)	(76,899)
(Increase)/decrease in prepayments	(7,679)	2,862
(Decrease)/ increase in creditors and other payables	(3,683)	15,118
Increase in current employee entitlements	401	1,813
(Decrease) in current provisions	(145)	(61)
Total net movement in working capital items	(139,390)	(57,167)
Net cash flow from operating activities	502,469	631,995

Statement of Commitments

as at 30 June 2018

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

	2017 Actual \$000	2018 Actual \$000
Capital expenditure		
School property capital works programme		
• Not later than one year	675,142	706,359
• Later than one year and not later than five years	800,813	819,790
• Later than five years	212,065	211,643
Development of Education Resourcing System		
• Not later than one year	3,950	4,572
• Later than one year and not later than five years	2,714	1,082
Integrated Education Data programme		
• Not later than one year	-	2,954
Total capital commitments	1,694,684	1,746,400
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	15,317	16,228
• Later than one year and not later than five years	42,578	47,124
• Later than five years	55,478	58,196
School property		
• Not later than one year	10,992	12,120
• Later than one year and not later than five years	30,713	33,268
• Later than five years	83,235	80,479
Motor vehicles		
• Not later than one year	1,049	1,513
• Later than one year and not later than five years	2,187	2,247
Total non-cancellable operating lease commitments	241,549	251,175
Total commitments	1,936,233	1,997,575

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 nor recognised as a liability at balance date.

The \$49.772 million increase in commitments, despite capital expenditure in excess of \$921 million in 2017/18, reflects the demand for redevelopments and upgrades in existing schools, new schools, roll growth classrooms and continuation of the Christchurch Schools Rebuild Programme.

Education Resourcing System

The Education Resourcing System is a new resourcing system that will determine funding for early childhood education, school operational grants, staffing entitlements, and learning support.

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, Wellington. The lease expires in December 2030.

The increase in office lease commitments is mainly due to the establishment of the lease on the new Christchurch office premises at the corner of Hereford Street and Cambridge Terrace through to 30 September 2029.

The total of minimum future office accommodation payments expected to be received under co-location agreements with other government departments at balance date is \$8.658 million (2017: \$1.172 million). The increase is for co-location agreements entered into for the new Christchurch office premises from 11 October 2017. 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.

The increase in motor vehicle lease commitments reflects the ongoing transition from owning to leasing a fleet of around 565 vehicles nationwide.

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 2018

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

	2017 Actual \$000	2018 Actual \$000
Legal proceedings and disputes		
Contractual disputes	9,670	26,800
Historical negligence claims of abuse in government institutions such as special schools	2,625	4,725
Total quantifiable contingent liabilities	12,295	31,525

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 (2017: Nil).

Unquantifiable contingent assets

As at 30 June 2018, the Ministry has various unquantified contingent assets in relation to potential (but as yet unquantified) revenue resulting from prospective weather tightness related legal settlements.

Settlement payments have been received on various legal claims through the 2017/18 financial year (refer Note 3 to the financial statements), and the High Court has permitted a claim against a cladding manufacturer to proceed to trial, but due to the complexity of the cases, it is unknown at this time when subsequent payments (if any) may be received.

Quantifiable contingent assets

The Ministry has no quantifiable contingent assets (2017: \$Nil).

Notes to the Departmental Financial Statements

for the year ended 30 June 2018

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 (PFA).

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: early childhood education, 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 for financial reporting purposes.

The financial statements of the Ministry are as at and for the year ended 30 June 2018. The financial statements were authorised for issue by the Secretary for Education on 28 September 2018.

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 PFA, 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 Public Benefit Entity Standards (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.

Comparatives

There have been a number of prior period comparatives which have been reclassified to make disclosure consistent with the current year. Changes have been made to Notes 6, 11, 12 and 18 to provide more detail. There is no impact on the Statement of Comprehensive Revenue and Expenses or Statement of Financial Position.

Changes in accounting policies

The Ministry has adopted the amendment to PBE IPSAS 32 *Service Concession Arrangements: Grantor* removing the requirement for service concession assets to be accounted for as a separate class of assets under property, plant and equipment. The effect of this is presentation in nature. There have been no other changes in the Ministry's accounting policies since the date of the last audited financial statements.

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:

Financial instruments

On 12 January 2017, the New Zealand Accounting Standards Board of the External Reporting Board issued PBE IFRS 9 Financial Instruments. The Crown has resolved to adopt PBE IFRS 9 Financial Instruments for financial statements prepared for periods beginning on or after 1 July 2018. This accounting standard updates the principles for recognising and measuring financial assets. The application of PBE IFRS 9 to the Ministry has been assessed as limited to accounting for the more detailed requirements for impairments of debtors and other receivables.

The impairment model will change from incurred losses to expected credit losses, which may result in the earlier recognition of impairment losses.

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 amendment is effective for the periods beginning on or after 1 January 2019. The timing of the Ministry adopting this amendment will be guided by the Treasury's decision on when the Financial Statements of the Government will adopt the 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 2018 and a salary inflation factor of 2.5% (2017: 2.5%). The discount rates used are based on the yields on Government Bonds and range from 1.78% to 4.75% (2017: 1.87% 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.

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 April 2018. The Ministry has applied an uplift factor based on the Capital Pricing Index when establishing the inputs used in the 30 June 2018 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	2017 unit rate	2018 unit rate
Classroom - fit out	\$781 m ²	\$813 m ²
Classroom - services	\$894 m ²	\$932 m ²
Classroom - roof	\$351 m ²	\$366 m ²
Classroom fabric - single storey	\$1,456 m ²	\$1,519 m ²
Classroom fabric - per storey	\$414 m ²	\$432 m ²
Ancillary buildings	\$785 m ²	\$804 m ²
Covered way	\$421 m ²	\$429 m ²
Swimming pools	\$3,388 m ³	\$3,450 m ³
Boilers	\$61,867 each	\$63,657 each
Lifts - standard (3 floors)	\$121,706 each	\$121,252 each
Lifts - additional floor	\$6,491 each	\$6,568 each
Transportables	\$2,633 m ²	\$3,517 m ²
Hoists	\$14,000 each	\$13,300 each

School buildings and site improvements useful life

The useful life of school buildings and site improvements are 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.
Assessment of the impact of the Canterbury earthquakes	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.

Budget and forecast figures

The budget figures in the financial statements are for the year ended 30 June 2018 and were published in the 2017 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the 2017 Budget Economic and Fiscal Update (BEFU) for the 2017/18 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 2019, and are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU 2018 for the 2018/19 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 accounting policy not to budget for annual revaluation movements.

The forecast financial statements were approved for issue by the Secretary for Education on 9 April 2018. 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 2019 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 2018/19 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 2017/18 was used as the opening position for the 2018/19 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 2018. 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 2018 will result in land and building values at 30 June 2019 being higher than in the existing 2019 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 2018/19.

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 2019 are not 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.

	2017 Actual \$000	2018 Actual \$000
<i>Non-exchange</i>		
Weather-tightness settlements	10,057	6,131
Third party contributions to development of school building assets	11,171	9,553
Export Education Levy	440	769
<i>Exchange</i>		
Gain on disposal of property, plant and equipment	12,444	13,165
School house rentals	3,737	3,954
Support services to other public entities	1,232	2,529
Miscellaneous revenue	2,336	1,936
Total other revenue	41,417	38,037

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 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 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.

	2017 Actual \$000	2018 Actual \$000
Salaries and wages	273,726	294,214
Superannuation contributions to defined contribution plans	7,209	7,544
Training and development	3,631	3,485
Increase/(decrease) in employee entitlements	(194)	1,741
Increase/(decrease) in restructuring provision	342	(58)
Increase in payroll remediation provision	655	59
Other personnel costs	1,925	1,657
Total personnel costs	287,294	308,642

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 2017 was 6% and the rate for the six months to 30 June 2018 was 6% (2017: 7% 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.

	2017 Actual \$000	2018 Actual \$000
Fees to auditors		
• Audit fees for audit of the financial statements	469	477
• Other assurance services	313	-
• Advisory services	-	17
Contracts for services	108,719	115,272
Special education payments	64,329	71,276
Maintenance of school property	33,115	39,127
Operating lease costs – Office accommodation	16,426	16,891
Operating lease costs – School property	12,450	13,150
Operating lease costs – Motor vehicles	377	1,175
Operating lease costs – Office equipment	373	62
ICT costs	18,389	18,491
Travel, meetings and conference costs	10,844	12,792
Loss on disposal of property, plant and equipment	6,058	5,382
Legal fees and litigation costs	6,546	9,041
Consultants	1,524	3,111
Risk and Assurance Board fees	40	59
Write-off of software under development	389	-
Write-off and impairment of property, plant and equipment	6,384	7,575
Impairment of non-current assets held for sale	-	191
Increase/(decrease) in lease reinstatement provision	(213)	24
Increase/(decrease) in provision for impairment of trade debtors	668	79
Other	13,093	11,125
Total other operating expenses	300,293	325,317

Fees to the auditors for advisory services were with respect to the Northland Social Investment Place-Based Initiative project. There is a \$522,000 fee included in the Schedule of Non-departmental Expenses which was paid to the auditors for other assurance services in relation to centrally provided audit work to support school auditors (2017: \$501,000).

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. 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. Trade debtors and other receivables are considered to be impaired when there is evidence that the Ministry will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount and the present value of the amount expected to be collected. Overdue trade debtors that are renegotiated are reclassified as current (ie. not past due).

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

	2017 Actual \$000	2018 Actual \$000
<i>Non-exchange</i>		
Debtor Crown	559,740	639,091
Trade Debtor - Export Education Levy Fund	460	655
<i>Exchange</i>		
Trade Debtors - other (net)	5,194	3,334
Other receivables (including accrued revenue)	2,725	1,938
Total debtors and other receivables	568,119	645,018

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, having regard to the aging profile, for impairment and appropriate provisions applied, as detailed below:

	2017			2018		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	2,879	-	2,879	2,327	-	2,327
Past due 31 - 60 days	1,433	-	1,433	366	-	366
Past due 61 - 90 days	60	-	60	1,153	-	1,153
Past due > 90 days	2,185	(903)	1,282	951	(808)	143
Total	6,557	(903)	5,654	4,797	(808)	3,989

No other receivables are past due or impaired.

The provision for impairment has been calculated based on a review of specific overdue debtors and a collective assessment based on past collection history and debt write-offs.

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

	2017 Actual \$000	2018 Actual \$000
Balance at 1 July	259	903
Increase in provisions made during the year	668	79
Debtors written off during period	(24)	(174)
Balance at 30 June	903	808

Note 9 – Prepayments

Prepayments are comprised of:

	2017 Actual \$000	2018 Actual \$000
School property capital expenditure programme	20,627	13,346
Operating expenses	17,162	14,300
Total prepayments	37,789	27,646

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 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:

	2017			2018		
	Land \$000	Buildings \$000	Total \$000	Land \$000	Buildings \$000	Total \$000
Balance at 1 July	15,705	6,699	22,404	22,540	7,115	29,655
Revaluation decrements recognised in other comprehensive revenue	(12,713)	(139)	(12,852)	-	-	-
Impairment losses recognised in net surplus or deficit	-	-	-	(31)	(160)	(191)
Disposals	(5,386)	(4,473)	(9,859)	(8,907)	(2,581)	(11,488)
Transfers from Property, Plant and Equipment	24,934	5,028	29,962	13,554	1,163	14,717
Balance at 30 June	22,540	7,115	29,655	27,156	5,537	32,693

The accumulated revaluation reserve balance associated with non-current assets held for sale at 30 June 2018 is \$28.597 million comprising of Land \$23.473 million and Buildings \$5.124 million (2017: \$27.184 million comprising of Land \$20.843 million and Buildings \$6.341 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 assets classes are measured at cost, less accumulated depreciation and impairment losses.

Additions

Individual assets, or groups of assets, are capitalised if their cost is greater than \$2,500, or \$5,000 for property assets. The value of an individual asset that is less than \$2,500, or \$5,000 for property assets 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.

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 optimised depreciated replacement cost. 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.

Disposals

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the net surplus or deficit. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

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

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

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 a 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 2016	4,675,020	9,884,305	44,594	25,569	13,186	14,642,674
Additions	38,163	849,575	8,316	11,390	2,604	910,048
Revaluation increase	911,377	892,429	-	-	-	1,803,806
Reclassified to assets held for sale	(24,934)	(5,028)	-	-	-	(29,962)
Reclassified between categories and to intangible assets	-	-	(60)	(601)	-	(661)
Disposals and write-offs	(8,805)	(9,722)	(3,480)	(2,527)	(7,004)	(31,538)
Balance at 30 June 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 (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
Accumulated depreciation and impairment losses						
Balance at 1 July 2016	-	2,989	21,230	17,527	7,740	49,486
Depreciation expense	-	561,498	3,594	4,076	531	569,699
Impairment losses	-	5,707	-	-	677	6,384
Reclassified to intangible assets	-	-	(51)	(2,580)	-	(2,631)
Eliminate on disposal or write-off	-	(891)	(3,402)	(2,483)	(2,691)	(9,467)
Eliminate on revaluation	-	(563,596)	-	-	-	(563,596)
Balance at 30 June 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
Carrying amounts						
At 1 July 2016	4,675,020	9,881,316	23,364	8,042	5,446	14,593,188
At 30 June 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

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:

	2017 Actual \$000	2018 Actual \$000
Buildings including those financed under a service concession arrangement	667,474	808,775
Office furniture, fittings (leasehold improvements), and equipment	3,976	1,113
Computer hardware	8,421	8,808
Total work-in-progress	679,871	818,696

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 that covers, and is allocated between:

- construction of the schools – these costs are not repriced;
- finance costs – finance 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 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 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:

	2017	2018
	Actual	Actual
	\$000	\$000
Learning Infrastructure Partners – Buildings	85,999	86,318
Ministry – Land	26,377	26,377
Total carrying value	112,376	112,695

PPP2

The Ministry entered into a public private partnership agreement with Future Schools Partners in 2015 to provide 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 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:

	2017	2018
	Actual	Actual
	\$000	\$000
Future Schools Partners - Buildings	211,145	209,075
Ministry - Land	31,276	29,263
Total carrying value	242,421	238,338

PPP3

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

- Te Ao Marama (Sylvester Primary School), Hamilton
- Te Uho O Te Nikau (Flat Bush South Primary School), Auckland
- Matua Ngaru (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 to use for the construction of the schools. The construction of the five schools is not due to be completed until 2019.

Carrying value of assets by source:

	2017 Actual \$000	2018 Actual \$000
ShapEd NZ - Buildings	1,153	128,364
Ministry - Land	27,710	23,392
Total carrying value	28,863	151,756

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 2018. 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
2017			
Quotable Value Limited	5,590,821	237,123	5,827,944
Internal assessment by experienced Ministry staff	-	11,368,729	11,368,729
Total valuation as at 30 June 2017	5,590,821	11,605,852	17,196,673
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

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.

Note 12 – Intangible Assets

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

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

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 2016	11,434	129,752	141,186
Additions	9,186	11,868	21,054
Disposals	-	(139)	(139)
Write-offs	-	(389)	(389)
Reclassified from property, plant and equipment	-	661	661
Balance at 30 June 2017	20,620	141,753	162,373
Additions	5,404	18,909	24,313
Disposals	(567)	(3,724)	(4,291)
Reclassification	(6,908)	6,908	-
Balance at 30 June 2018	18,549	163,846	182,395
Accumulated amortisation and impairment losses			
Balance at 1 July 2016	10,430	73,930	84,360
Amortisation expense	348	10,603	10,951
Disposals	-	(139)	(139)
Reclassified from property, plant and equipment	-	2,631	2,631
Balance at 30 June 2017	10,778	87,025	97,803
Amortisation expense	522	13,790	14,312
Disposals	(567)	(3,724)	(4,291)
Balance at 30 June 2018	10,733	97,091	107,824
Carrying amounts			
At 1 July 2016	1,004	55,822	56,826
Balance at 30 June 2017	9,842	54,728	64,570
Balance at 30 June 2018	7,816	66,755	74,571

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

There are software assets valued at \$77.349 million that are fully amortised but that are still in use (2017: \$78.025 million).

The total amount of software assets in the course of development is \$18.460 million (2017: \$15.874 million). This work-in-progress is included in above figures at cost, less impairment, and is not amortised.

Note 13 – Creditors and Other Payables

Creditors and other payables is comprised of:

	2017 Actual \$000	2018 Actual \$000
<i>Exchange</i>		
Creditors	23,179	21,923
Accrued operating expenses	28,014	39,750
Accrued capital expenditure	88,050	62,710
Construction contract retentions	-	17,488
<i>Non-exchange</i>		
Taxes payable	11,466	17,439
Total creditors and other payables	150,709	159,310

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. The calculation for the operating surplus to be paid to the Crown is as follows:

	2017 Actual \$000	2018 Actual \$000
Net surplus	65,980	24,332
Add/(deduct) net unrealised loss/(gain) on derivative financial instruments recognised in the net surplus/(deficit)	(16,571)	22,498
Less retained earnings for the school property works programme	(7,683)	(2,431)
Total return of operating surplus to Crown	41,726	44,399

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 recorded 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.

	2017 Actual \$000	2018 Actual \$000
Current portion		
Restructuring	1,029	971
Reinstatement of leased premises	13	10
Total current portion	1,042	981
Non-current portion		
Reinstatement of leased premises	1,490	1,517
Payroll remediation	655	714
Total non-current portion	2,145	2,231
Total provisions	3,187	3,212

Movements for each class of provision are as follows:

	Lease Reinstatement	Payroll Remediation	Restructuring
	\$000	\$000	\$000
Balance at 1 July 2016	1,716	655	687
Additional provisions made	420	-	2,574
Amounts used	(500)	-	(2,054)
Unused amounts reversed	(133)	-	(178)
Balance at 30 June 2017	1,503	655	1,029
Additional provisions made	24	59	1,744
Amounts used	-	-	(1,176)
Unused amounts reversed	-	-	(626)
Balance at 30 June 2018	1,527	714	971

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.

	2017 Actual	2018 Actual
	\$000	\$000
Current portion		
Annual leave	14,794	15,678
Retirement gratuities	1,514	1,870
Long service leave	274	594
Other short-term employee entitlements	1,937	2,190
Total current portion	18,519	20,332
Non-current portion		
Retirement gratuities	7,247	6,968
Long service leave	1,998	2,205
Total non-current portion	9,245	9,173
Total employee entitlements	27,764	29,505

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 that provided the valuation for long service leave and retiring gratuities as at 30 June 2018 and 30 June 2017 was Jonathan Eriksen, Fellow of the New Zealand Society of Actuaries. 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 \$808,000 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 \$7,000 higher/lower.

Note 17 – Service Concession Liabilities

	2017	2018
	Actual	Actual
	\$000	\$000
Balance at 1 July	171,889	281,122
Additions	110,219	147,002
Repayments	(986)	(2,771)
Balance at 30 June	281,122	425,353
Current portion	2,805	4,271
Non-current portion	278,317	421,082
Balance at 30 June	281,122	425,353

The Ministry's service concession liabilities are interest bearing at the effective interest rate of 1.94% per quarter, 7.75% per annum (2017: 1.94% and 7.75% respectively) for PPP1 and 1.90% per quarter, 7.60% per annum (2017: 1.89% and 7.58% respectively) for PPP2. 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.

	2017			2018		
	General Funds	Revaluation Reserves	Total Taxpayers’ Equity	General Funds	Revaluation Reserves	Total Taxpayers’ Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July	4,718,705	10,115,196	14,833,901	4,999,956	12,461,663	17,461,619
Net surplus	65,980	-	65,980	24,332	-	24,332
Revaluation gains	-	2,354,550	2,354,550	-	294,748	294,748
Transfers on disposal of property	8,083	(8,083)	-	11,585	(11,585)	-
Capital injections	352,388	-	352,388	318,424	-	318,424
Capital withdrawals	(103,474)	-	(103,474)	(38,511)	-	(38,511)
Return of operating surplus to the Crown	(41,726)	-	(41,726)	(44,399)	-	(44,399)
Balance at 30 June	4,999,956	12,461,663	17,461,619	5,271,387	12,744,826	18,016,213
Property revaluation reserves consist of:						
Land		5,050,257			5,005,433	
Buildings		7,411,406			7,739,393	
Total property revaluation reserves		12,461,663			12,744,826	
Capital injections were for the following:						
Construction of new schools and roll growth classrooms, Christchurch Schools Rebuild Programme, and repayment of service concession liabilities			346,180			309,238
Contribution towards development of the Education Resourcing System			1,438			7,100
Development of an Education Workforce Shared Platform			2,450			1,156
Early Learning Information System			-			930
Contribution towards the Christchurch Integrated Government Accommodation programme			2,320			-
Total capital injections			352,388			318,424
Capital withdrawals were for the following:						
Decisions to procure new schools under Public Private Partnership contracts rather than through traditional procurement process			(96,549)			(29,789)
Decisions to lease rather than construct school buildings			(3,104)			(5,222)
Transfer to non-departmental capital expenditure appropriation Schools Furniture and Equipment			(3,821)			(3,500)
Total capital withdrawals			(103,474)			(38,511)

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:

	2017 Actual \$000	2018 Actual \$000
Cash and receivables		
Cash and cash equivalents	40,547	51,839
Trade debtors and other receivables	8,379	5,927
Total cash and receivables	48,926	57,766
Fair value through surplus and deficit		
Derivative financial instrument (Net)	19,045	41,543
Net liability for derivative financial instruments	19,045	41,543
Financial liabilities measured at amortised cost		
Creditors	23,179	21,923
Service concession liabilities	281,122	425,353
Total financial liabilities measured at amortised cost	304,301	447,276

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 withheld 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 New Zealand Debt Management Office to manage exposure to fluctuating market interest rates as a result of its service concession arrangements which are interest 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 2018, the total notional principal of derivatives outstanding was \$449.472 million (2017: \$451.300 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 2018 derivatives in loss (liabilities) exceed derivatives in gain (assets) by \$41.543 million. The \$22.498 million net unrealised movement in the fair value of the derivative financial instruments from 30 June 2017 to 30 June 2018 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
2017				
Financial liabilities				
Long-term interest rate swaps (Net)	-	19,045	-	19,045
2018				
Financial liabilities				
Long-term interest rate swaps (Net)	-	41,543	-	41,543

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 (2017: 7.75%) and 7.60% for PPP2 (2017: 7.58%). The Ministry has entered into derivative financial instruments in the form of interest rate swaps with the New Zealand Debt Management Office 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 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	2017 Impact on net surplus/ (deficit)	2018 Impact on net surplus/ (deficit)
	\$000	\$000	\$000
Long-term interest rate swaps	+1.00%	45,041	43,277
Long-term interest rate swaps	-1.00%	(45,041)	(49,368)

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 drawdowns from the New Zealand Debt Management Office. 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 \$000	Between 6 Months and 1 Year \$000	Between 1 and 5 years \$000	Over 5 Years \$000	Total \$000
2017					
Creditors	23,179	-	-	-	23,179
Service concession liabilities	1,291	1,514	16,984	261,333	281,122
Derivative financial instruments	-	-	-	19,045	19,045
Total financial liabilities	24,470	1,514	16,984	280,378	323,346
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

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 (2017: \$Nil).

Key management personnel compensation disclosure

	2017 Actual	2018 Actual
Remuneration and other benefits	\$3,988,000	\$4,313,000
Full-time equivalent staff	10	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 Maori. 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 – 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

Note 23 – Explanation of Major Variances against Budget

Explanations for major variances from the Ministry's 2018 budget figures are as set out below.

Statement of Comprehensive Revenue and Expenses

Actual operating expenditure was greater than Budget due to the increase of \$204.332 million in appropriations to \$2,360.039 million in the Supplementary Estimates mainly for:

- increased capital charge (\$142.795 million) and depreciation (\$30 million) as a consequence of the revaluation of the school property portfolio
- increased provision for rationalisation of school property (\$10.686 million) mostly funded from realised gain on sale of property
- provision for additional costs associated with weather-tightness issues in schools (\$10.340 million), offset by revenue from successful legal claims
- funding to expand Behavioural Services to focus on children aged 0 to 8 (\$5.226 million)
- increased provision for schools to enter into rental arrangements where building construction solutions are not available or are uneconomic (\$3.500 million increase) under the Cash for Buildings funding programme
- transfer from 2016/17 for the continuation of the corporate transformation programme to improve the effectiveness of the Ministry's corporate areas including Finance and Procurement (\$3.420 million)
- funding for the Education Portfolio work programme (\$2.783 million)
- transfer from non-departmental other expense Secondary Education to fund the operating model review (\$1.900 million)
- funding to meet the cost of the initial investigation for Pay Equity claims (\$1.731 million)
- additional funding for removal of the Charter School Model (\$1.558 million)
- transfer from 2016/17 for the Education Sector Identity and Access Management Programme (\$1.485 million), and
- transfer from 2016/17 for Communities of Learning bundled services and new appointments panel (\$1.250 million).

These increases were partially offset by the reduced capital charge resulting from later than forecast drawdown of capital injections following delays in the capital expenditure programme, unrealised loss on derivative financial instruments and capital transfer to non-departmental capital expenditure appropriation Schools Furniture and Equipment (\$18.958 million).

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 2018” for an explanation of budget changes by output class between the 2017/18 Main Estimates and 2017/18 Supplementary Estimates (B.7 – pages 207 to 237 for Vote Education and pages 715 to 727 for Vote Tertiary Education).

Actual expenditure for 2018 was less than Supplementary Estimates by \$37.587 million. In-principle approval has been given to carry forward \$31.608 million of this unspent appropriation to 2018/19 due to delays in some work programmes. These expense transfers will be reflected in the Supplementary Estimates of Appropriations for 2018/19.

Statement of Financial Position

Property, plant and equipment and property revaluation reserves

The Budget figures did not provide for the gain on property revaluations at 30 June 2017 (in Supplementary Estimates) and 30 June 2018, as it is Crown accounting policy not to forecast for annual revaluation movements.

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 was mainly due to underspends. The Ministry is required to pay the operating surplus to Treasury by 31 October of each year.

Service concession liability

The service concession liability is higher than budget due to construction costs being brought forward from 2019 to 2018 for schools under a public private agreement with ShapEd NZ.

Derivative financial instruments

The Ministry uses derivative financial instruments, in the form of interest rate swaps with the New Zealand Debt Management Office (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 2018 derivatives in loss (liabilities) exceed derivatives in gain (assets) by \$41.543 million. The \$22.498 million net unrealised movement in the fair value of the derivative financial instruments from 30 June 2017 to 30 June 2018 is recognised in the net surplus or deficit in the Statement of Comprehensive Revenue and Expenses.

Debtors and other receivables & general funds

Debtors and other receivables through Debtor Crown are higher than budget due to payments for capital expenditure being lower than expected. 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 lower level of payments for capital expenditure than forecast led to the decision to defer draw down of some capital funding from NZDMO until 2018/19 as reflected in the *Statement of Cash Flows*.

Ministry of Education Non-Departmental Schedules

for the year ended 30 June 2018

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 2018

2017 Actual		2018 Actual	2018 Budget (unaudited)
\$000		\$000	\$000
6,571	Tertiary recoveries	2,202	-
4,659	Export education levies	4,014	4,841
3,084	Overseas student fees	3,370	3,757
348	Tertiary investments - interest	350	122
237	Miscellaneous revenue	245	485
14,899	Total non-departmental revenue	10,181	9,205

Schedule of Non-Departmental Capital Receipts

for the year ended 30 June 2018

2017 Actual		2018 Actual	2018 Budget (unaudited)
\$000		\$000	\$000
-	Proceeds from encumbrance relating to the sale of land by Unitec Institute of Technology	2,858	-
-	Proceeds from sale of land by Wellington Institute of Technology (WelTec)	17	-
2,080	Proceeds from the sale of teacher and caretaker housing	4,092	-
2,080	Total non-departmental capital receipts	6,967	-

The above schedules should be read in conjunction with the accompanying notes.

Schedule of Non-Departmental Expenses

for the year ended 30 June 2018

2017 Actual	Notes	2018 Actual	2018 Budget (unaudited)
\$000		\$000	\$000
Grant expenditure			
1,784,929	Early childhood education services	1,825,604	1,845,947
154,859	Other	198,187	215,275
Personnel related expenses			
141,818	Superannuation contributions	140,773	135,221
5,896	ACC levies	8,965	12,405
51,965	Social assistance benefits	55,985	64,358
(91)	(Release of impairment) 2	(930)	-
Fees to Auditors			
880	Fee for audit of schools' financial statements (Office of the Auditor General appointed auditors)	880	880
501	Other assurance services (Ernst & Young)	522	500
343	School Risk Management Scheme underwriting and claims expense 3	(240)	-
Other operating expenses			
5,449,617	Operations funding to schools	5,594,443	5,696,013
2,929,267	Services from Tertiary Education Commission	3,052,667	2,982,823
29,439	Services from Education New Zealand	30,689	30,689
42,868	Services from New Zealand Qualifications Authority	45,804	45,804
402,565	Services from 3rd parties	408,768	417,725
1,641,538	GST input expense	1,680,082	1,702,289
12,636,394	Total non-departmental expenses	13,042,199	13,149,929

The fees to auditors for other assurance services related to the centrally provided audit work performed by Ernst & Young to support school auditors.

Further details of non-departmental expenditure and appropriations by Vote are provided in the *Appropriations Statements* on pages 129 to 133. 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 2018

2017 Actual		Notes	2018 Actual	2018 Budget (unaudited)
\$000			\$000	\$000
Current Assets				
181,094	Cash and cash equivalents		243,374	168,028
31,173	Debtors and other receivables	2	27,368	8,171
6,080	Prepayments		13,871	4,648
4,082	School Risk Management Scheme recoveries		3,803	4,973
Non-Current Assets				
1,131	Debtors and other receivables	2	1,131	1,478
223,560	Total non-departmental assets		289,547	187,298

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 is 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 Limited and Education Payroll Limited. The Treasury is responsible for ownership monitoring. These investments are consolidated in the financial statements of the Government and are not included in this schedule.

Schedule of Non-Departmental Liabilities

as at 30 June 2018

2017 Actual		Notes	2018 Actual	2018 Budget (unaudited)
\$000			\$000	\$000
Current liabilities				
1,187,790	Creditors and other payables	4	1,083,430	1,173,813
1,089	School Risk Management Scheme claims liability	3	1,459	2,694
182,524	Teacher entitlements		177,491	173,935
1,371,403	Total non-departmental liabilities		1,262,380	1,350,442

Schedule of Non-Departmental Commitments

as at 30 June 2018

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2017: \$Nil).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

as at 30 June 2018

Quantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no quantifiable contingent liabilities (2017: \$Nil).

Unquantifiable contingent liabilities

The Ministry, on behalf of the Crown, has an unquantifiable contingent liability related to the statutory compliance of the schools payroll with the Holidays Act 2003. An initial review has identified areas of non-compliance, however the potential impact on any specific individual and any associated historical liability will not be known until further detailed analysis has been completed. The schools payroll is both complex and large with an average of 91,000 individuals paid each pay period and the Holidays Act issues span multiple years. It should be noted that this issue is distinct and unrelated to the Ministry's own payroll which operates separately on its own system.

Contingent assets

The Ministry, on behalf of the Crown, has no contingent assets (2017: \$Nil).

Notes to the Non-Departmental Schedules

for the year ended 30 June 2018

Note 1 – Statement of Accounting Policies

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 results of its operations for the year reference should be made to the financial statements of the Government.

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 (Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

Comparatives

There have been a number of prior period comparatives which have been reclassified to make disclosure consistent with the current year. More detail for grant expenditure and other operating expenses in the Schedule of Non-departmental Expenses has been provided so that the reader can relate this schedule to the non-departmental appropriations in the Appropriation Statements.

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 2018 budget figures are for the year ending 30 June 2018, which are consistent with the best estimate financial information submitted to Treasury for the 2017 Budget Economic and Fiscal Update (BEFU) for the year ending 2017/18.

Note 2 – Debtors and Other Receivables

Debtors and other receivables is comprised of:

	2017 Actual \$000	2018 Actual \$000
Debtors	27,158	18,341
Less provision for impairment	(5,520)	(2,886)
Accrued revenue and other receivables	10,666	13,044
Total debtors and other receivables	32,304	28,499
Represented by:		
Current	31,173	27,368
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 aging profile of debtors and impairment at year-end is detailed below:

	2017			2018		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Past due 1 - 90 days	17,378	112	17,266	14,548	58	14,490
Past due 91 - 180 days	628	119	509	210	53	157
Past due 181 - 360 days	1,734	599	1,135	245	211	34
Past due > 360 days	7,418	4,690	2,728	3,338	2,564	774
Total	27,158	5,520	21,638	18,341	2,886	15,455

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:

	2017 Actual \$000	2018 Actual \$000
Balance at 1 July	5,611	5,520
Release of provisions during the year	(91)	(930)
Debts written-off during the year	-	(1,704)
Balance at 30 June	5,520	2,886

Note 3 – 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 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 (2017: \$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 2018 is \$1.459 million (2017: \$1.089 million). The valuation was undertaken at 30 June 2018 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 \$279,680 (2017: \$515,259) and was calculated as the claim rate (0.76 claims per day) times the average delay (50 days) times the average claims cost (\$7,360).

The insurance underwriting result is as follows:

	2017 Actual \$000	2018 Actual \$000
Insurance premium revenue	3,148	3,209
Outwards re-insurance premium expense	(1,198)	(1,241)
Claims expense	(887)	(1,064)
Claims liability adjustment from valuation	253	(370)
Administration costs	(1,659)	(294)
Insurance underwriting result	(343)	240

Note 4 – Creditors and Other Payables

Creditors and other payables is comprised of:

	2017 Actual \$000	2018 Actual \$000
Creditors	34,764	34,896
Taxes payable	52,779	55,915
Grants funding payable to the Tertiary Education Commission (Net)	612,096	507,916
Accrued expenses	488,151	484,703
Total creditors and other payables	1,187,790	1,083,430

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 thus their carrying value approximates their fair value and are classified as current liabilities.

Note 5 – 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 for.

Schedule of expenses

Crown expenditure in Vote Education was lower than the main Estimates by \$164 million mainly due to:

- teachers' salaries and operational grants being lower than forecast in Primary Education and Secondary Education;
- a lower number of funded child hours in Early Childhood Education.

Crown expenditure in Vote Tertiary Education was higher than the main Estimates by \$85 million mainly due to the implementation of the Government's first-year fees-free policy from 1 January 2018.

Schedule of assets

Cash and cash equivalents were higher than budget due to an increase in the balance held in teachers' salaries account to a level equal to fund a standard fortnightly pay.

Appropriation Statements

for the year ended 30 June 2018

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 2018, in compliance with section 45A of the Public Finance Act.

Total departmental output expenses and appropriations equal total operating expenses in the Statement of Comprehensive Revenue and Expenses on page 82. 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 2018

Annual and permanent appropriations for Vote Education

Expenditure Actual 2017 As Restated ²² \$000	Appropriation Title	Expenditure Actual 2018 \$000	Approved Appropriation ²⁰ 2018 \$000	Location of End-of-year Performance Information ²¹
	Departmental output expenses			
1,029	Place-Based Initiative - Te Tai Tokerau, Northland	1,529	2,333	1
1,647,556	School Property Portfolio Management	1,787,880	1,794,597	1
1,232	Services to Other Agencies RDA	2,529	4,362	1
93,663	Support and Resources for Education Providers	100,034	110,872	1
12,139	Support and Resources for Parents and the Community	12,257	12,303	1
1,755,619	Total departmental output expenses	1,904,229	1,924,467	
	Departmental capital expenditure			
931,102	Ministry of Education - Capital Expenditure PLA	1,010,718	1,023,027	1
	Non-departmental output expenses			
8,164	Contribution to the Education Council of Aotearoa New Zealand	11,895	15,042	2
23,669	Provision of Information and Advisory Services	10,654	10,943	2
6,049	Qualifications Support Structures	6,049	6,049	4
5,204	Quality Assurance	5,359	5,359	4
29,436	School Managed Network Funding	30,449	30,450	5
185,581	School Transport	194,827	198,450	2
26,810	Secondary School Assessments	26,760	26,760	4
72,271	Secondary-Tertiary Interface	73,946	74,512	2
8,628	Supporting Parenting	8,946	9,329	2
365,812	Total non-departmental output expenses	368,885	376,894	

²⁰ These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act.

²¹ The key for the numbers in this column is located at the end of the tables.

²² The 2017 Actuals have been re-classified in the 2018 Appropriation Structure for comparative purposes.

Expenditure Actual 2017 As Restated ²² \$000	Appropriation Title	Expenditure Actual 2018 \$000	Approved Appropriation ²⁰ 2018 \$000	Location of End-of-year Performance Information ²¹
Benefits or related expenses				
9,209	Boarding Allowances	9,152	9,319	3
3,987	Home Schooling Allowances	5,990	6,028	3
15,236	National Study Awards	16,612	16,983	3
1,018	Puawaitanga Scholarships	859	1,152	3
3,808	Scholarships for Students to Attend Private Schools	3,785	3,826	3
1,045	Teacher Trainee Scholarships	1,699	1,992	3
50	United World Scholarships	50	50	3
34,353	Total benefits or related expenses	38,147	39,350	
Non-departmental other expenses				
1,784,929	Early Childhood Education	1,825,604	1,869,448	2
-	Impairment of Debts and Assets and Debt Write-Offs	933	1,500	3
63,798	Integrated Schools Property	69,241	71,201	2
120	Interest Subsidy for Schools	55	60	3
3,021,839	Primary Education	3,142,842	3,196,982	2
1,288	Remission of Fees	1,288	1,288	4
5,118	Schooling Improvement	4,968	5,853	2
2,138,817	Secondary Education	2,202,841	2,247,057	2
11,089	Support for Early Childhood Education Providers	8,961	11,826	2
1,715	UNESCO	1,826	2,083	3
7,028,713	Total non-departmental other expenses	7,258,559	7,407,298	
Non-departmental capital expenditure				
832	School Support Project	579	1,880	2
33,432	Schools Furniture and Equipment	25,922	36,578	2
34,264	Total non-departmental capital expenditure	26,501	38,458	
Multi-Category Expenses and Capital Expenditure (MCAs)²³				
209,343	Improved Quality Teaching and Learning MCA	217,232	239,863	1
	Departmental Output Expenses			
66,892	<i>Support and Resources for Teachers</i>	80,527	85,860	
	Non-Departmental Output Expenses			
54,628	<i>Curriculum Support</i>	54,591	56,989	
87,823	<i>Professional Development and Support</i>	82,114	97,014	
678,400	Outcomes for Target Student Groups MCA	703,605	712,316	1
	Departmental Output Expenses			
255,117	<i>Interventions for Target Student Groups</i>	261,625	268,961	
	Non-Departmental Output Expenses			
3,310	<i>Service Academies</i>	3,444	3,640	
9,590	<i>Students Attendance and Engagement</i>	9,680	9,676	
	Non-Departmental Other Expenses			
410,383	<i>Learning Support</i>	428,856	430,039	

23 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 2017 As Restated ²²	Appropriation Title	Expenditure Actual 2018	Approved Appropriation ²⁰ 2018	Location of End-of-year Performance Information ²¹
\$000		\$000	\$000	
53,912	Oversight of the Education System MCA	66,778	71,882	1
	Departmental Output Expenses			
8,086	Ministerial Services	5,685	5,773	
8,800	Monitoring the Education System	10,986	13,450	
15,419	Policy Advice	17,972	20,322	
18,599	Research and Analysis	28,941	28,829	
	Non-Departmental Output Expenses			
3,008	Education Research Initiatives	3,008	3,008	
-	Independent Advice on Government Priority Areas	186	500	
941,655	Total Multi-Category Expenses and Capital Expenditure	987,615	1,024,061	
11,091,518	Total annual and permanent appropriations for Vote Education	11,594,654	11,833,555	

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 2017	Appropriation Title	Expenditure Actual 2018	Approved Appropriation ¹ 2018	Location of End-of-year Performance Information ²
\$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 2016/17		7,915	
	Adjustments for 2017/18		(300)	
	Adjusted Appropriation		17,615	
	Cumulative expenses to 1 July		4,505	
2,590	Current year expenses	2,840	4,000	
	Cumulative expenses to 30 June		8,505	
	Remaining appropriation		9,110	
	Appropriation for non-departmental capital expenditure: Schools Payroll Sustainability Loan			9
	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		-	
	Adjusted Appropriation		13,225	
-	Current year expenses	-	7,783	
	Remaining appropriation		5,442	

Annual and permanent appropriations for Vote Tertiary Education

Expenditure Actual 2017	Appropriation Title	Expenditure Actual 2018	Approved Appropriation ¹	Location of end-of-year Performance Information ²
\$000		\$000	\$000	
	Non-departmental output expenses			
23,677	Access to Tertiary Education	23,080	26,449	6
-	Administration of and Support for the Careers System	18,775	18,775	6
46,918	Administration of and Support for the Tertiary Sector	50,865	50,865	6
49,800	Centres of Research Excellence	49,800	49,800	6
29,439	International Education Programmes	30,689	30,689	7
301,500	Tertiary Education Research and Research-Based Teaching	316,500	316,500	6
23,664	Tertiary Sector / Industry Collaboration Projects	23,739	27,778	6
1,600	University-led Innovation	2,402	10,833	6
476,598	Total non-departmental output expenses	515,850	531,689	
	Benefits or related expenses			
4,362	Awards for Outbound New Zealand Students	3,706	5,040	3
800	Scholarships for Inbound International Students	800	800	3
263	Support to Apprentices	288	1,036	3
12,187	Tertiary Scholarships and Awards	13,044	14,732	3
17,612	Total benefits or related expenses	17,838	21,608	
	Non-departmental capital expenditure			
500	Literacy and Numeracy Assessment Tool	-	-	6
-	Support for Lincoln University	-	65,000	10
3,600	Support for Tai Poutini Polytechnic	6,450	6,450	8
15,000	Support for the University of Canterbury	-	-	
19,100	Total non-departmental capital expenditure	6,450	71,450	
	Multi-Category Expenses and Capital Expenditure (MCAs)²¹			
12,788	Stewardship of the Tertiary Education System MCA	12,352	12,377	1
	Departmental Output Expenses			
5,396	<i>Policy Advice</i>	6,563	4,856	
7,392	<i>Research, Data Analysis and Monitoring</i>	5,789	7,521	
2,465,672	Tertiary Tuition and Training MCA	2,551,618	2,736,094	2
	Non-Departmental Output Expenses			
72,751	<i>Community Education</i>	69,197	73,476	
2,085,205	<i>Tertiary Education: Student Achievement Component</i>	2,069,345	2,054,192	
307,716	<i>Training for Designated Groups</i>	283,094	298,526	
	Non-Departmental Output Expenses			
-	<i>Fees-free Payments</i>	129,982	309,900	
2,478,460	Total Multi-Category Expenses and Capital Expenditure	2,563,970	2,748,471	
2,991,770	Total annual and permanent appropriations for Vote Tertiary Education	3,104,108	3,373,218	

Location at end-of-year performance information

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 respective Vote Ministerial report in relation to non-departmental appropriations for the year ending 30 June 2018, appended to the Ministry's Annual Report
3. No reporting due to an exemption obtained under section 15D of the Public Finance Act
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 Education Payroll Limited Annual Report
10. The Lincoln University Annual Report

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

for the year ended 30 June 2018

There is no unappropriated expenditure for the year ended 30 June 2018 (2017: \$Nil)

Statement of Departmental Capital Injections

for the year ended 30 June 2018

Actual Capital Injections		Actual Capital Injections	Authorised in Appropriation'
2017 \$000		2018 \$000	2018 \$000
Vote Education			
352,388	Ministry of Education - Capital Injection	318,424	452,546

A breakdown of capital injections is provided in the departmental financial statements under Note 18 - Taxpayers' Equity.



MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

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