



TE TĀHUHU O TE MĀTAURANGA  
MINISTRY OF EDUCATION

THE MINISTRY OF EDUCATION

# Annual Report **2020**

*For the year ended 30 June 2020*



Te Kāwanatanga o Aotearoa

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THE MINISTRY OF EDUCATION

# Annual Report

2020 *For the year ended 30 June 2020*

**Hon Chris Hipkins**

Responsible Minister for the Ministry of Education  
Minister of Education

**Hon Kelvin Davis**

Associate Minister of Education (Māori Education)

**Hon Jenny Salea**

Associate Minister of Education

**Hon Tracey Martin**

Associate Minister of Education

**Report of the Ministry of Education**

For the year ended 30 June 2020

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 2020.



**Iona Holsted**

Secretary for Education



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# Introduction from the Secretary for Education



This has been a year of two halves — before COVID-19, and with COVID-19. During the first half of the year, the Ministry of Education was pretty well on track to deliver strategies or implementation plans across the Government's Education Work Programme. This included:

- » planning for the Government's response to the Independent Taskforce Review of Tomorrow's Schools
- » consulting significantly and reaching agreement on changes to the National Certificate of Educational Achievement (NCEA)
- » implementing the Learning Support Coordinator role
- » designing a Curriculum, Progress and Achievement work programme, including starting work on New Zealand History
- » reaching a pay equity settlement for 22,000 teacher aides, the first to be agreed under new pay equity principles
- » planning for a \$400 million School Investment Package, above the annual expenditure of over \$1 billion
- » designing the National Education Growth Plan for the schooling network
- » developing the policy and business case for the Reform of Vocational Education.

Meanwhile, our internal focus has been on advancing our Te Ara Whiti programme to grow the confidence and capability of our staff to form genuine partnerships, and understand and respond to systemic racism, bias and discrimination.

During the second half of the year, along with the rest of the nation, we were thrown into responding to the unprecedented events of COVID-19. During the weeks spent at Alert Levels 3 and 4, educators, students, their families and all of our Ministry staff were required to adjust swiftly to remote learning and working.

As leaders and teachers from early learning services, schools, kura and tertiary providers stepped up to help their students through uncertain and challenging times, we moved in to support them in any way we could. This included:

- » communicating frequently to inform operational and Health and Safety advice through 53 Early Learning Bulletins, 62 School Bulletins and 33 Tertiary Bulletins
- » processing 132 requests for essential service status and 1,455 requests for access to school sites
- » distributing over 280,000 hard packs, negotiating IT network contracts, switching on two educational TV channels in Māori and English, distributing more than 25,000 devices, and establishing funding to support learners to access technology-enabled tertiary education and training
- » suspending over 520 Ministry- or school-led construction projects while supporting suppliers to be ready to restart as quickly as possible
- » providing virtual learning support services
- » developing and supporting the announcement of various COVID-19 support packages, including a \$1.6 billion package for trades and apprenticeships
- » preparing for and presenting to the COVID-19 Select Committee.

At the same time, we ensured other commitments and priorities continued to advance, including:

- » supporting the passage of the Education and Training Act 2020
- » finalising the Action Plan for Pacific Education
- » completing the refreshed Ka Hikitia and Tau Mai Te Reo
- » co-constructing a draft Education Workforce Strategy
- » implementing the living wage for support staff
- » working with NZEI Te Riu Roa and the Post Primary Teachers' Association through the Accord
- » establishing the New Zealand Institute of Skills and Technology.

COVID-19 did not create inequity, but it has revealed and exacerbated it. There was already a burning platform to address the inequities in our system, and COVID-19 has thrown petrol onto that fire. We have a huge responsibility to build on what we have learned and work with our partners to shape a truly equitable and excellent education system.

While exposing the equity challenges we face, the COVID-19 response has also brought out the best in our system, showcasing its responsiveness, strengthening the ways we engage with each other, and encouraging innovation. On top of supporting their own students, huge numbers of teachers participated in online workshops to help us plan Home Learning TV and other distance learning supports. Design teams, printing companies and courier drivers worked around the clock to get over 280,000 learning material packs to children and young people around the country. Kōhanga and kura used the power of technology to connect into homes so that kaiako, ākonga | learners and their whānau could start their lockdown days together with karakia and waiata. Parents and whānau taught maths in the kitchen, supervised science projects in the backyard, and did their best to mute and unmute at just the right times.

I have huge respect for the leadership, ingenuity, sheer hard work and dedication that has been demonstrated by people in every part of our system. All for one purpose: to support the wellbeing and education of our learners.

Finally, I want to acknowledge the support that Ministry staff have provided to the education system, the wider government response, and each other throughout these difficult times. It is a real privilege to lead an organisation with such heart.

He waka eke noa.



**Iona Holsted**  
Secretary for Education



# Our purpose and functions

## 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.

## Te Tiriti o Waitangi | the Treaty of Waitangi

With recent legislative change in the Public Service Act 2020, and more specifically in the Education and Training Act 2020, Parliamentary expectations around Te Tiriti o Waitangi | Treaty of Waitangi have increased. The Ministry is working to give practical effect to Te Tiriti o Waitangi | Treaty of Waitangi in relation to both how the Ministry and the education system form authentic and sustainable partnerships with Māori.

During 2019/20, we approved and released a new Te Tiriti o Waitangi | Treaty of Waitangi policy statement and support documents to staff, including education about Te Tiriti | the Treaty. We have also made cultural capability a priority for teacher professional learning and development.

The establishment of Te Taumata Aronui, providing independent advice to the Minister of Education, is a landmark opportunity for the tertiary education system to partner differently with Māori and to safeguard outcomes for Māori. We will take the opportunity to partner differently with Māori in all elements of our work. It will take time to build trust and competence.

## What we do

We are the lead advisor to the Government on education, and the steward of the education system responsible for:

- » advising on the long-term health and performance of the education system as a whole
- » working collaboratively with sector partners to deliver equitable and excellent outcomes for all learners
- » providing support to enable sector leaders to raise progress and achievement where needed.

Our key responsibilities and functions follow.

- » Administering Vote Education and Vote Tertiary Education
- » Providing advice on education from early learning through schooling to tertiary education.



- » Supporting the legislative programme.
- » Administering a range of legislative and regulatory controls, delivering funding and other resources, and providing services that support the governance, management and operation of early learning and schooling education providers. We also monitor providers and intervene in schools when there is operational or educational risk.
- » Providing support and resources for educators to deliver equitable outcomes for ākonga | learners. This includes the development of curriculum and curriculum resources that reflect learner's identity, language and culture to support teaching, learning and assessment, professional development, and scholarships and awards for teachers.
- » Administering the learning support system to provide a wide range of services to children and young people. This includes targeted interventions, specialist support services, funding and other services for children and young people with extra needs.
- » Providing support and resources to the community. This includes empowering parents and whānau to engage with their child's education, and working with whānau, iwi, employers and community groups to achieve high levels of engagement and achievement in education and to involve them in the education system.
- » Providing advice on and support for the international education sector and the Ministry's international engagements. We also contribute to education-related aspects of New Zealand's international reporting obligations.
- » Providing advice on and support for workforce negotiations, bargaining and pay equity.
- » Setting the schools' payroll strategy and monitoring the operational performance of Education Payroll Limited (EPL), which administers the largest payroll system in New Zealand, making payments to over 94,000 school staff each fortnight.
- » Overseeing all education property owned by the Crown, and managing the continued performance of school property, school transport, and information and communications technology (ICT) network infrastructure to enable children and young people to have access to high-quality learning environments.
- » Managing appointments to education entities' boards, supporting the setting of Crown entity performance expectations and monitoring the operational performance of Crown entities, including Education New Zealand, the New Zealand Qualification Authority and the Tertiary Education Commission.
- » Undertaking education research and analysis, and monitoring the overall performance of the education system.



# Expectations and context

Our delivery expectations were set out in the Ministry's *Statement of Intent 2018-2023* and the Government's Education Work Programme. We also contributed to the cross-agency *Child and Youth Wellbeing Strategy*.

In 2019, the Government released its vision for the future of New Zealand education. This vision reflects the overwhelming aspirations of New Zealanders for a more inclusive, equitable, connected and future-focused New Zealand learning system.

“Whakamaua te pae tata kia tina – Take hold of your potential so it becomes your reality...”

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

Wahaia te pae tawhiti kia tata – Explore beyond the distant horizon and draw it near!”

This vision is advanced by five overarching objectives for the education system, from early learning through schooling to tertiary and lifelong learning:

- » **‘Learners at the centre’** – Learners with their whānau are at the centre of education.
- » **‘Barrier-free access’** – Greater education opportunities and outcomes are within reach for every learner.
- » **‘Quality teaching and leadership’** – Quality teaching and leadership makes the difference for ākonga | learners and their whānau.
- » **‘Future of learning and work’** – Learning needs to be relevant to the lives of New Zealanders today and throughout their lives, as we meet the changing opportunities and challenges of the future of work.
- » **‘World class inclusive public education’** – New Zealand needs a world class inclusive public education system that meets the needs of our diverse population, now and in the future.

## COVID-19 has brought a new context and significant new challenges

COVID-19 disrupted all aspects of our lives, including education. The situation has impacted the wellbeing of learners and their families, the consequences of which will further undermine equity and wellbeing. The pandemic has exposed and exacerbated known inequities. Education provides the learning and training pathways, skills and competencies that will support New Zealand’s social and economic recovery.

## Supporting resilience and recovery

Our experience with COVID-19 showed us that while the vision and objectives for education were enduring, we needed a sharper focus on the actions that would support learners to achieve these objectives and contribute to the economic recovery. As a result, looking ahead, we are focused on:

- » **equity and wellbeing** – working alongside education professionals so together we support students’ voices and wellbeing, equitable access and support for all learners, which includes partnering with Māori and iwi to give effect to Te Tiriti | the Treaty.
- » **early learning and schooling curriculum** – bringing together knowledge, expertise and resources into an inclusive and comprehensive focus on curriculum so that every learner, with their whānau, engages in, progresses and achieves in learning that is relevant to their needs, identity, language and culture.
- » **connecting education and employment** – aligning the education system with the labour market and the careers system for school leavers, as well as for adults who need to shift their employment, while using infrastructure spending to stabilise the construction market.





# PART ONE

## Our key achievements

This section outlines what we set out to achieve during 2019/20 and is framed around five overarching objectives for the education system:

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

It then reports on progress during 2019/20 for the Ministry in:

- » Building Ministry capability.

Throughout the section, we have provided progress reporting on high-level indicators of performance included in the Ministry's *Statement of Intent 2018-2023*. In some instances, external parties are no longer collecting data for the indicators and, with COVID-19, data for some measures has not been available in time for inclusion in the Annual Report. Where possible, we have included alternative information to demonstrate progress.

The section concludes with governance information about the Ministry and the agencies it works with.



# Learners at the centre

## Before COVID-19

### Creating safe, inclusive and positive learning environments

Learners need to feel safe and cared for within their learning environments. This creates the sense of wellbeing necessary for students to engage, learn and thrive. Wellbeing is when students are able to lead fulfilling lives with purpose, balance and meaning.

Student wellbeing is seriously undermined by bullying. International surveys show that bullying has been a long-standing issue in education settings, with our learners experiencing some of the highest rates of bullying in the OECD, as illustrated on page 12.

We heard from our joint work with the Office of the Children's Commissioner and the Kōrero Mātauranga that young people around the country feel they are bullied. We commissioned SchoolKit to develop the **#notpartofmyworld** resource. This resource supports a collaborative classroom goal of eliminating everyday racist practices. More than 1,200 classes in 646 schools signed up for this resource, and kits were out of stock within 48 hours of its release in August 2019.

We have collaborated with the Office of the Children's Commissioner to develop **case studies** around what positive practices look like in schools that successfully provide safe, inclusive environments that deter bullying. We have also developed an **online resource** that will support schools to make sense of initiatives and programmes they can use to combat bullying. In addition, we are developing and trialling new **wellbeing@school** survey questions related to student resilience and experiences of racism to better understand their impact.

The Ministry continues to support schools to tackle all forms of bullying through the **Bullying Free NZ** online resource hub. A new **Bullying Prevention and Response Work Programme** was approved in August 2019 by the cross-agency Bullying Prevention Advisory Group.

The programme has enabling student agency, leadership and voice within bullying prevention and response initiatives. We have been working closely with the youth-led anti-bullying organisation Sticks'n Stones and the Ministerial Youth Advisory Group.

This year, we developed **He Māpuna te Tamaiti: Supporting Social and Emotional Competence in Early Learning**. Developed in collaboration with kaiako and others from the early learning sector, this resource supports teachers and kaiako to understand and draw on effective evidence-based practices that enhance behaviour engagement, participation and learning. It provides a range of practical and flexible strategies to support daily practice and has a culturally responsive approach in line with *Te Whāriki: He Whāriki mātauranga mō ngā mokopuna o Aotearoa*.

### Providing culturally relevant and responsive curriculum for diverse ākonga | learners

In 2019, the Government announced that **Aotearoa New Zealand History** will be taught as part of the local curriculum in all schools and kura so that New Zealanders learn about their histories and the events that shaped us as a nation. The Ministry is working with experts and partners to develop the content for this curriculum, which will be ready for schools in 2022.

Over the past year, we refreshed **Ka Hikitia | The Māori Education Strategy** and **Tau Mai Te Reo | The Māori Language in Education Strategy**. **Te Aho Ngārahu**, a fund to develop te reo Māori learning resources, has so far developed more than 200 curriculum resources that increase access to local stories and histories from communities across the country. Through these traditional story books, audio and video recordings, augmented reality resources and interactive maps, Māori students' cultural identities will be better reflected in their learning materials.



## Working with others to enhance hauora | wellbeing

One of our deliverables under the **Child and Youth Wellbeing Strategy** is a two-year pilot of the **Free and Healthy School Lunch Programme**, which provides a free, healthy lunch each school day. Schools and kura are selected to participate in the programme using the Ministry's Equity Index, which estimates where children and young people may experience socio-economic disadvantage that could affect their education. In 2019/20, the programme reached almost 12,000 children and young people in primary and composite schools and kura in the Hawke's Bay | Tairāwhiti, Bay of Plenty | Waiariki and Otago-Southland regions. As part of the June 2020 COVID-19 Response and Recovery Fund, the Government announced an expansion of the programme so that it will reach around 200,000 children and young people across Aotearoa New Zealand during 2021.

In tertiary education, positive learning environments rest on students' safety and wellbeing. Our expectations of tertiary providers are set out in the **Interim Code of Practice for Pastoral Care of Domestic Tertiary Education Students** that was released in December 2019. Our work to develop an ongoing Code of Practice, with deeper consultation and engagement, was delayed by the COVID-19 response and will now take place in 2021.

## Responding to COVID-19

In response to the Government announcing the move into Alert Level 4, we stood up various distance learning options:

- » **Learning from Home** and **Ki te Ao Mārama** websites to help teachers and whānau support distance learning
- » **Kia Manawaroa** website to ensure ākonga Māori and their whānau had access to information on the range of distance learning support options available to them.

The Ministry organised care for 900 children of 500 essential health and business workers so that they could get on with their critical jobs.

The Ministry developed the **Respectful Relationships Kit**, which has been widely acclaimed by teachers, to help with the settling in of children after returning from lockdown, and a suite of **wellbeing webinars** for staff and students.

### Providing healthy lunches

Murupara Area School was one of the first schools in the country to implement the Free and Healthy School Lunches Programme. But they don't talk about free lunches; the emphasis is firmly on healthy lunches.

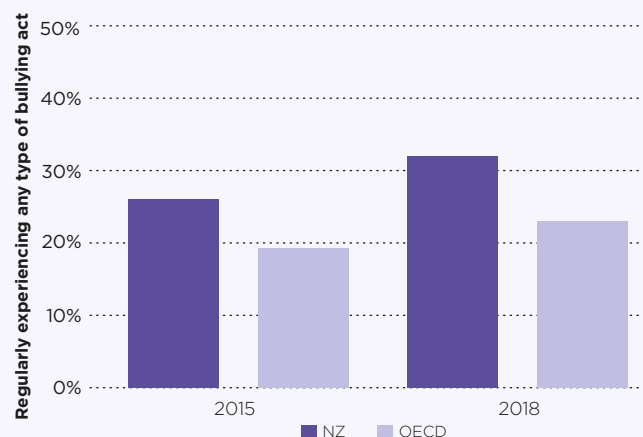
"Because it's for all of our children, not just those who may not have access to enough food all the time," explains principal Dr Angela Sharples. "It's not about poverty. It's actually about teaching about healthy nutrition. It does meet a need that was already evident around food security, but more than that, it's about the teaching and learning; it's about how it sits within our wellbeing programmes."

They are already seeing improvements in behaviour and student engagement. But Angela sees a major benefit as the lifelong learning that's happening around healthy eating.



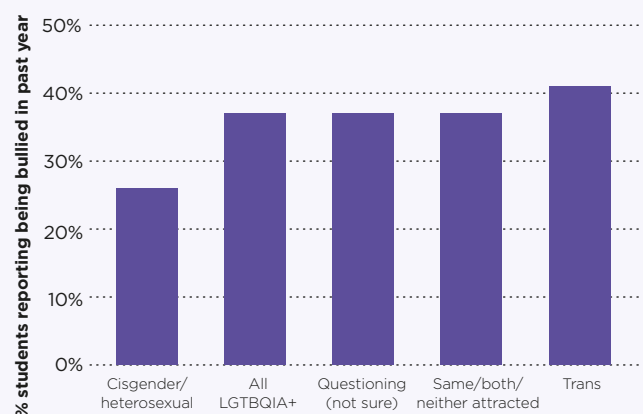
## Key statistics

**Bullying is still more common than the OECD average.**



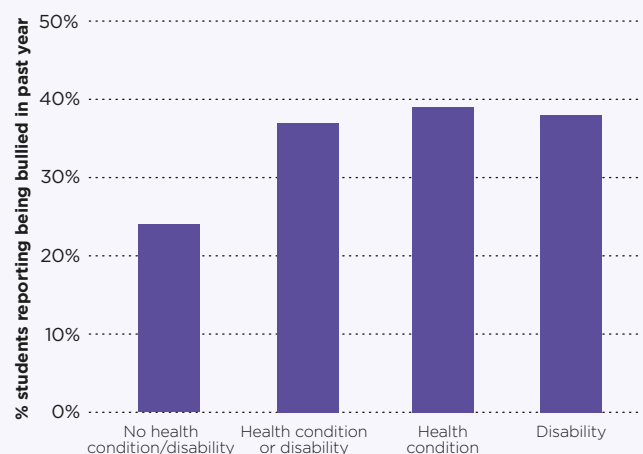
Source: Jang-Jones, A. & McGregor, A. (2019). PISA 2018: New Zealand students' wellbeing-School climate & student mindsets of 15-year-olds.

**LGBTQIA+ students are more likely to experience bullying...**



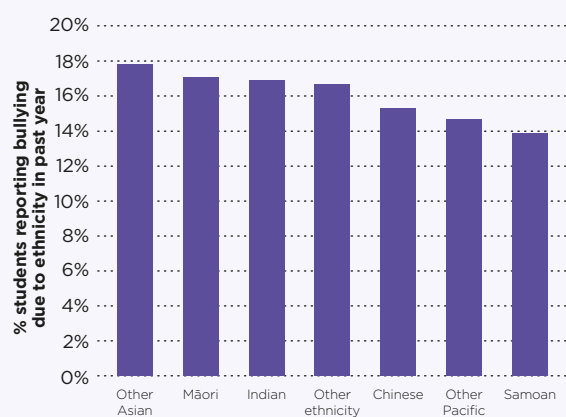
Source: Webber, A. & McGregor, A. (2019). What do we know about discrimination in schools?

**...as are disabled students.**



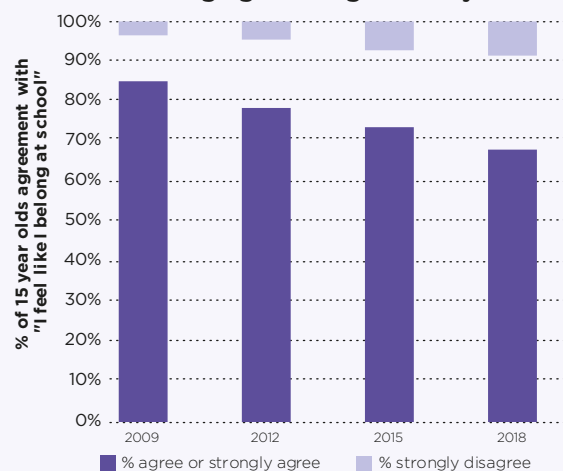
Source: Webber, A. & McGregor, A. (2019). What do we know about discrimination in schools?

**About 1 in 6 students report racism from teachers or peers.**



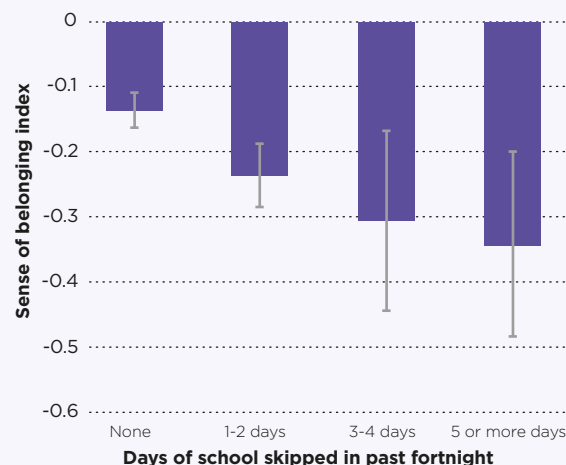
Source: Webber, A. & McGregor, A. (2019). What do we know about discrimination in schools?

**Sense of belonging is falling for everyone...**



Source: Jang-Jones, A. & McGregor, A. (2019). PISA 2018: New Zealand students' wellbeing-School climate & student mindsets of 15-year-olds.

**...which is correlated with attendance.**



Source: McGregor, A. & Webber, A. (2020). He Whakaaro: School attendance and student wellbeing.

# Barrier-free access

## Before COVID-19

### Recognising the inequity in the system

The New Zealand education system does not deliver equitable outcomes for all ākonga | learners, particularly for our Māori and Pacific students and disabled people. We are especially concerned about student attendance, since it is so closely linked with attainment and the attendance rate has been falling since 2015, notably among our Māori and low-decile students. This is evident in several of our performance measures that are not yet achieving the desired results (see Part 2, pages 49 to 55).

### Supporting Māori learners and their whānau

We have launched several programmes this year targeted specifically at supporting Māori students achieve success as Māori and fostering Māori identity, language and culture.

**Te Hurihanganui** is a kaupapa that will address racism, strengthen equity, and accelerate the educational achievement and wellbeing of ākonga Māori and their whānau in the education system. The approach acknowledges that parents, whānau, hapū, iwi and communities are critical in supporting Māori learner success as Māori. When communities work together, they can build powerful partnerships to realise learners' potential.

To grow the next generation of Māori leaders, the Ministry launched **Te Kawa Matakura** in February 2020. This is a tertiary qualification developed by iwi for ākonga Māori, supported by their whānau, to reach an in-depth level of mātauranga Māori, a high level of te reo Māori and strong leadership skills.

**Funding through 60 Toikuranui partnership agreements** is supporting iwi in implementing their Iwi Education Strategies to achieve their education aspirations.

We are also enhancing the design and delivery of high-quality, responsive and culturally inclusive local curriculum and embedding mātauranga Māori to ensure education reflects Māori identity, language and culture, supporting increased attendance and engagement.

### Supporting Pacific learners and their families

To advance Pacific student success, the Ministry co-designed the **Action Plan for Pacific Education** with communities over a series of fono to help Pacific learners and their families feel safe, valued and equipped to achieve their education aspirations. We also worked with community providers to deliver the **Pacific PowerUP** programme through 39 PowerStations, up from 19 in 2018/19. The Pacific PowerUP programme builds the knowledge of parents, families and their children about the education system and how they can support and champion their children's learning. We were proud that this programme was awarded the Pacific Services Excellence award at the 2019 SunPlix Pacific awards in November 2019.

In 2020, the Ministry improved Pacific PowerUp and re-branded it into **Talanoa Ako**, a 10-week Pacific parent education programme. The programme is delivered through community providers and is also available in Pacific languages and English over the radio and through a digital app.

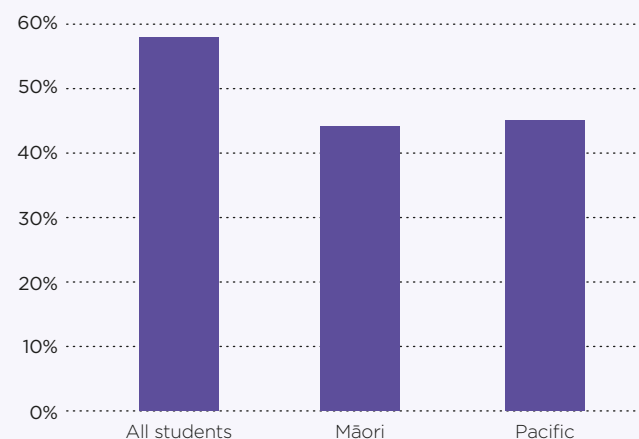
### Providing services for those with learning support needs

In 2019/20, Ministry specialists delivered specialist learning support services to 42,695 children and young people with extra learning needs, compared with 41,733 the previous year. However, it remains difficult to meet our waiting time standards, particularly for early intervention services (see Part 2, page 51). Measuring satisfaction with, and results from, these services was impacted by COVID-19 (see Part 2, pages 51 to 52). We still have room for improvement with these services.

## Key metrics

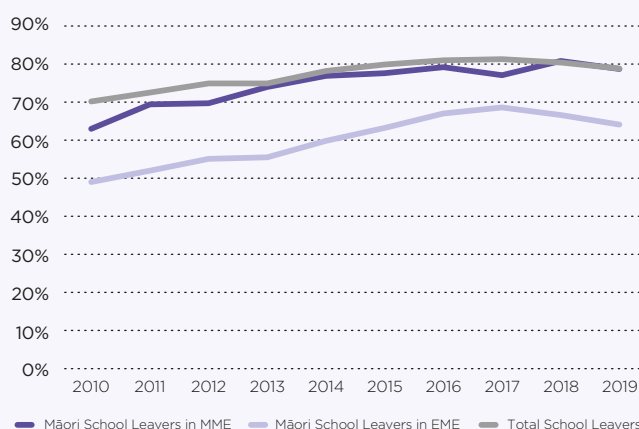
### Inequitable outcomes

There is a significant disparity of attendance for Māori and Pacific students in primary schools.



Source: Ministry of Education. (2020). New Zealand Schools Attendance Survey.

Students in Māori medium have higher NCEA Level 2 attainment...



Source: Ministry of Education. (2020). Māori school leavers' attainment in Māori medium and English medium education.

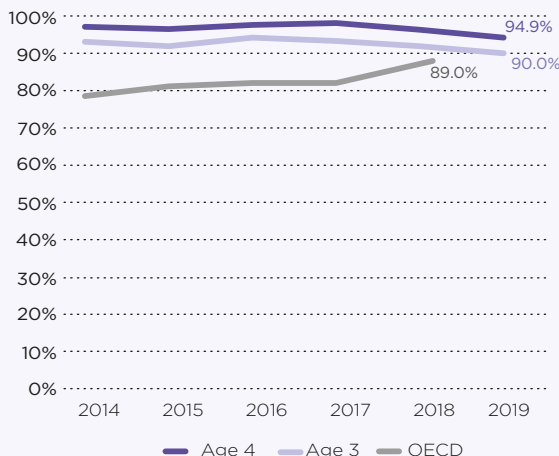
...and adult learners are increasingly enrolled in tertiary te reo Māori courses.



Source: Ministry of Education. (2020). Students enrolled at New Zealand's tertiary institutions.

### Early learning

We are at near universal participation in ECE compared to the OECD.



Source: Ministry of Education. (2019). Attendance at licensed ECE services in 2019.

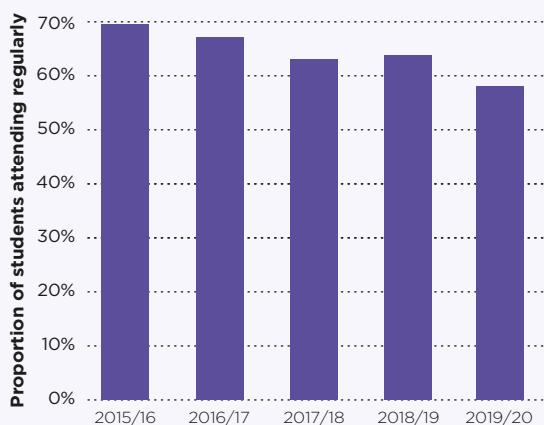
### Schooling

Attendance strongly influences student attainment...



Source: Ministry of Education. (2020). He Whakaaro: What is the relationship between attendance and attainment?

...but primary and secondary school attendance has been falling since 2015.



Source: Ministry of Education. (2020). New Zealand Schools Attendance Survey.

Note:  
This data reflects the results of the Student Attendance Term 2, 2019 report completed in the previous calendar year.

The **Learning Support Action Plan 2019-25**, announced in July 2019, supports the education system to be inclusive of diverse learners.

The **Learning Support Delivery Model** encourages early learning services me ngā kōhanga, schools and kura to work collectively, draw on a broader pool of skills and resources, and better coordinate supports to meet their learners' needs.

As at the start of Term 3, 2020, 586 of the new **Learning Support Coordinators** were employed in 1,052 schools and kura. Alongside teachers, specialist providers, parents and whānau, they plan for the disability and learning support needs of children and young people. The Learning Support Coordinators connect early learning services me ngā kōhanga reo with schools and kura.

We have worked with Te Kōhanga Reo National Trust to **co-design and co-deliver an awareness campaign** so that kaiako and whānau are better able to respond to the learning support needs of their tamariki.

### Ensuring physical accessibility to buildings

The Ministry is progressively working to **increase the physical accessibility of our schools**. All new school buildings are designed to meet or exceed the access and mobility requirements of Building Code Access Standard NZS4121 and support the highest levels of inclusivity in the building's use. For our existing property, accessibility has been increased by retrospective alterations. In 2019/20, the Ministry spent \$54.3 million on property modifications to improve over 600 schools.

### Measuring participation and engagement

The current measures of participation in early learning prior to starting school have plateaued and lower rates continue for Māori, Pacific and students in lower socio-economic areas. From 2020/21, we have developed improved measures that show the intensity of participation, with the percentage of children attending for 10 or more hours a week at ages 3 and 4.

For primary and secondary education, regular attendance rates fell in 2019, with rates for Māori, Pacific and low socio-economic areas remaining lower than for other groups. Ensuring students are enrolled in and attending school

is a shared responsibility and non-attendance is influenced by a range of factors. Ministry staff continued to work with schools and other agencies on initiatives, such as the school lunch programme, parent support programmes and wellbeing initiatives, to improve attendance and engagement.

## Responding to COVID-19

### Maintaining participation and engagement

To support participation in remote learning and teaching at Alert Level 4, the Ministry worked with kura and internet service providers to connect around **53,000 homes to the internet**. The Ministry also delivered over **25,000 fit-for-education devices** for households in need, which supplemented the distribution of over 16,000 school-owned devices to students.

For students not able to access digital learning, we developed a range of **hard copy learning packs** for distribution. Early learning take home packs were provided for over 66,000 children in need, and over 40,000 Māori medium packs were provided to kōhanga reo, puna reo, schools, kura and wharekura. In total, the Ministry sent out around 280,000 education hard packs.

**Papa Kāinga | Home Learning broadcasts**, featuring popular children's presenters Suzy Cato, Korou Whangataua, Junea Silbery and Ani-Piki Tuari, provided content that was aligned with the national curriculum five days a week, receiving 3.6 million views.

#### Ruby's mother shares her story

"The Ministry of Education learning pack looks great and we are working through a few pages each day. It was such a great idea to have hard copies of activities to do instead of staring at screens. Ruby watched the learning channel that was on TV but would rather do activities on the computer or iPad or write in books instead. She has enjoyed the Les Mills kids' fitness classes that have been on TV every afternoon."

With COVID-19, we provided financial support for **school transport** to offset the losses incurred due to Alert Level 4, keeping those businesses viable. Services are now fully up and running, with usage over 90% of normal volumes in most areas.

Even with these efforts, COVID-19 has negatively impacted attendance and participation for some groups. For the week ending 26 June 2020, daily attendance of those enrolled in early learning ranged from 52.7% to 59.7%, with a response rate of 94.3%.



With schools reopening post-lockdown, we have been monitoring attendance. In the week ending 26 June 2020, daily attendance figures ranged from 84.8% to 87.5% in schools and kura, with a response rate of 57.8%. While the responses looked positive, they hid the inequity of results across populations. While high-decile student attendance improved, at least temporarily, Māori and Pacific students and students at decile 1 and 2 schools had attendance rates below any previous year. This puts these students at greater risk for poorer educational outcomes.

It is not clear how attendance will continue to be impacted over the long term, particularly with more disadvantaged populations. We received additional funding in Budget 2020 that is enabling our regional offices to work with organisations to fund local initiatives intended to help address attendance and wellbeing issues. This enables regions to deliver local initiatives to specifically address their students' needs.

### Providing services for those with learning support needs during COVID-19

Early learning services, schools and learning support field staff worked together to support children with extra learning needs during the Alert Level 4 lockdown. With **Te Kahu Tōi | Intensive Wraparound Services**, learning support staff conducted virtual home visits and assessments, using video platforms to undertake

observations. Learning support staff helped families use what they had available in their homes to support their young people's learning. Learning support specialists found telepractice had a number of benefits, so we are continuing to promote this as a practice tool. The Ministry also maintained a strong and active relationship with the network of specialist schools.

### Maintaining engagement in tertiary education

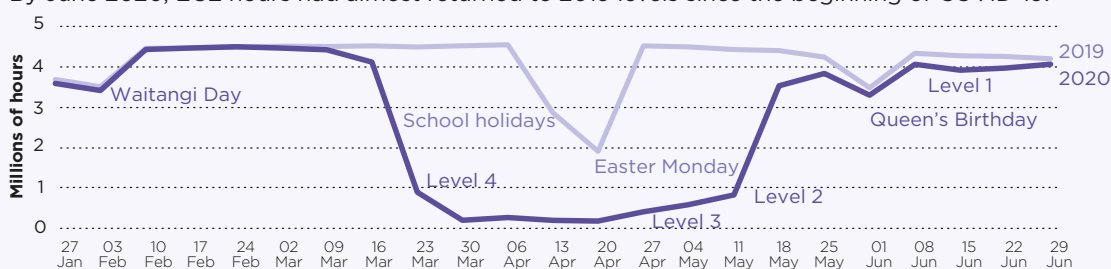
In order to help students meet the new costs associated with studying in a different way during lockdown, we **increased the student loan amount available** for course-related costs from \$1,000 to \$2,000. We also provided support payments for students unable to study online for up to eight weeks.

In addition, many providers reported that tertiary students were unable to access online learning. We created a \$20 million **Technology Access Fund for Learners** to support learners to access the technology they needed to study remotely.

A \$20 million **Hardship Fund for Learners** was developed to help the learners who needed it most, including enabling tertiary providers to arrange mental health and wellbeing support services and create food banks. We also provided a hardship fund for international students to address urgent temporary needs.

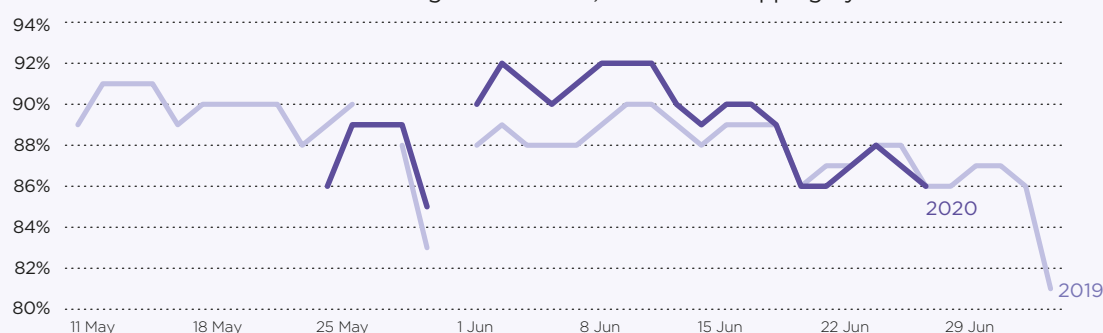
### Key COVID-19 statistics

By June 2020, ECE hours had almost returned to 2019 levels since the beginning of COVID-19.



Source: Ministry of Education. (2020). Early Learning Information System.

School attendance has overall been higher than 2019, but it was dropping by 30 June 2020.



Source: Ministry of Education. (2020). School attendance collection, 2015-2020.



# Quality teaching and leadership

## Before COVID-19

### Attracting and supporting the education workforce we need

With the sector, we have co-constructed a **draft Education Workforce Strategy** and a **draft Rāngai Māori strategy**, which is an education workforce strategy for full-immersion Māori medium education.

We provided advice and support on **workforce negotiations, bargaining and pay equity** over the past year, settling several collective agreements and reaching a pay equity settlement for 22,000 teacher aides. We have also moved towards pay parity for early childhood teachers.

In October 2019, the Secretary for Education signed an **Accord with NZEI Te Riu Roa and the Post Primary Teachers' Association** to resolve complex issues in the education system, such as workload and the future education workforce. Since then, we have worked with the **Teaching Council** to reduce workload by removing teacher appraisal requirements. We also explored options for an **online hub for the wellbeing of the education workforce**. The COVID-19 response budget package set aside funding for initiatives that increase the education workforce's wellbeing and access to mental health supports.

There are a number of Ministry-funded initiatives designed to ease teacher supply pressures. We worked with the Tertiary Education Commission to set targets for **increasing the numbers of initial teacher education enrolments** to provide more graduates for secondary schools. We **increased the funding rate** for all initial teacher education providers to reflect strengthened Teaching Council requirements for initial teacher education. We also ran advertising campaigns to attract New Zealand teachers back from overseas and encourage overseas teachers to come and teach here. These initiatives helped more graduates find permanent teaching positions and more experienced teachers get into the profession.

### Building capability and cultural competence

To support teacher quality, we spent \$90.8 million on **professional learning and development** over the past year. During 2019, Cabinet agreed to refresh the national priorities with culturally-responsive teaching practice and capability as a priority for English medium schools for the first time from the start of the 2021 school year. This is being supported by **new quality assurance processes** for the facilitator workforce, which raise our expectations of critical consciousness, inclusion, Kaupapa Māori and Te Tiriti o Waitangi | the Treaty of Waitangi.

The education workforce is keen to improve culturally sustaining practices, as we have seen from the strong uptake of the **racism toolkit**. We have also seen increased participation from school leaders in both the **Māori Achievement Collaborative** and the new programme for leaders of Pacific learners, **Tautai o Le Moana**.

#### #notpartofmyworld challenging racism toolkit

During 2019/20, the **#notpartofmyworld** challenging racism toolkit was sent out to 600 teachers. Overall, the toolkit, which provides actions for both kaiako and ākonga | learners, has been very well received.

One teacher told us: "I found the toolkit was both personally and professionally confronting. That is a good thing... I am now acutely aware of the impact of my words and how the messages I portray impact on the learners I teach. I am proud that I am no longer passively complicit to racism."

To grow and strengthen the education workforce to be able to confidently integrate te reo into the learning of all ākonga | learners, we are implementing **Te Ahu o te Reo Māori**. Over 570 teachers have graduated from the programme to normalise te reo in the classroom.

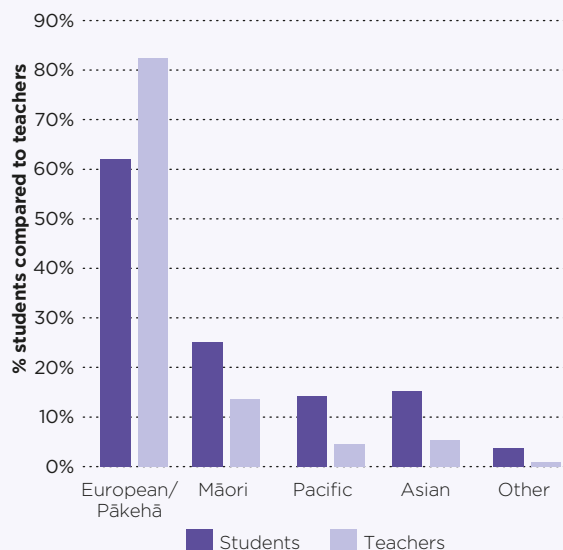
## Education workforce statistics

Most teachers like their jobs, but only one-third feel that the teaching profession is valued in society.



**Source:** Rendall, S. and Marshall, N. (2020). 2018 Teaching and Learning International Survey.

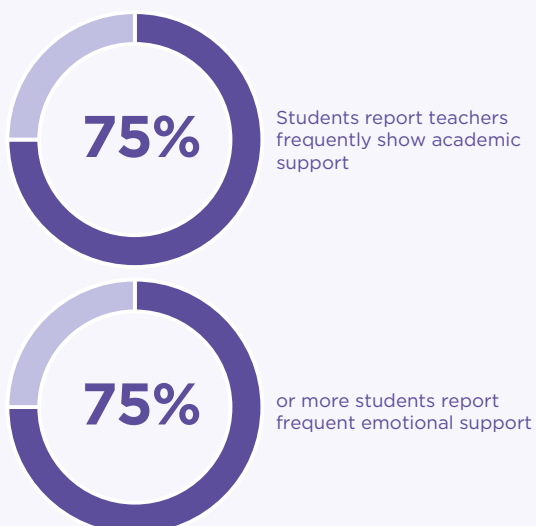
The ethnic diversity of our school aged learners is not reflected in our school teaching staff.



**Source:** Ministry of Education. (2019). Teacher Numbers (2019 annual release) and School Rolls (July 2019).

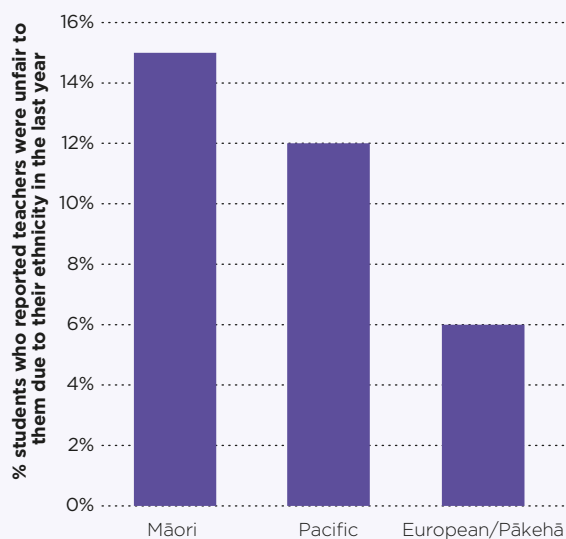
**Note:** Teachers figures exclude individuals where ethnicity is not recorded. Student figures are based on domestic student rolls, excluding international fee paying students. Both are counted on a total ethnicity basis. This means individuals are counted in each ethnic group they identify with. The percentages are calculated using the total number of individuals, not the total number of ethnicities, and so percentages for any given year will add up to more than 100%.

Most students report good support from their teachers...



**Source:** Jang-Jones, A. & McGregor, A. (2019). PISA 2018: New Zealand students' wellbeing-School climate & student mindsets of 15-year-olds.

...but students also report discrimination.



**Source:** Webber, A. & McGregor, A. (2019). What do we know about discrimination in schools?

In the past year, we also launched Kauwhata Reo, a central online hub for Māori language resources, to further integrate te reo in classrooms, and released *Reading Together® Te Pānui Ngātahi at Ngāti Moko Marae: A school-iwi partnership* in te reo Māori and English to provide an exemplar of teaching excellence. Together, these programmes will help normalise te reo in schools.

**E Ranga Kōkiri!** is a project that aims to support the development of teaching and learning partnerships between iwi or mana whenua and kura | schools. This project is intended to enhance local curriculum design and teacher practice to grow Māori cultural capability of school leaders and kaiako. What we learn from the project will be used to improve our professional learning and development system.

## Responding to COVID-19

### Supporting the education sector to work differently and successfully manage change

We supported the sector through COVID-19 by:

- » developing a closer working relationship with the Ministry of Health so we could access and deliver relevant information
- » providing 54 Bulletins to schools and kura with operational and Health and Safety advice they could adapt and use
- » using Zoom conferences with principals and regional staff to build rapport, strengthen trust and address immediate issues.

We also **co-developed curriculum content** and made it available as off-the-shelf resources, and many teachers participated in our **online workshops** as we planned Home Learning TV and other distance learning supports. This more hands-on approach worked well. We will be providing more frontline support to embed high-quality teaching approaches to mental health, wellbeing and healthy relationships in learning programmes and local curricula.



## Future of learning and work

The Ministry of Education is working closely with Education New Zealand, the New Zealand Qualifications Authority, the Tertiary Education Commission, and tertiary education organisations to make learning relevant to the lives of New Zealanders today and throughout their lives.

### Before COVID-19

#### Strengthening pathways from education to employment and life-long learning

Attainment of NCEA Level 2 has declined across all student groups in the past three years. We reviewed the NCEA to create a more accessible and simplified qualification, with an increased focus on literacy and numeracy. The changes should also support better employment outcomes for ākonga | learners by improving transitions to tertiary study and employment. This is intended to help decrease the proportion of 25 to 64 year olds with no formal qualifications in New Zealand. In 2019, first time participation rates in Level 3 to 7 tertiary education and training slightly decreased, while total participation rates in Level 3 to 7 tertiary education and training were generally maintained.

In 2019, we launched a **School Leavers' Toolkit** to provide information and resources on key workplace competencies, financial literacy, civics and personal wellbeing. We also established the **Prime Minister's Vocational Excellence Award**, which provides a \$2,000 prize to the top student engaged in a vocational programme. Across the country, 345 awards were presented at school prize-giving ceremonies.

We have created opportunities for young people to engage with employers and industries and explore the world of work. This interaction helps to develop their career aspirations and understand their employment pathways. These initiatives included delivering **education to employment events** like Got a Trade? Got it Made!

We also implemented two **contestable funds** to enable schools and communities to deliver their own education to employment events for their learners. There have been five events to connect schools and communities with employers, with almost 2,200 students and 135 employers participating in these events. Afterwards, 80% of participating students told us they feel more prepared for their futures.

#### Bringing the world of work into the classroom

We have piloted a 'Speakers in Schools' series that brings the employer, employee or apprentice back into the classroom through social media platforms. Students are familiar with social media, and it is much easier for businesses to connect this way without losing valuable time, energy and money. We intend to keep this programme up and believe it will allow for more diverse information to reach into classrooms.

From January 2020, **Trades Academy** availability increased by 2,000 places to 9,250. These places support wider opportunities for senior secondary students to access foundation vocational learning while they are at school.

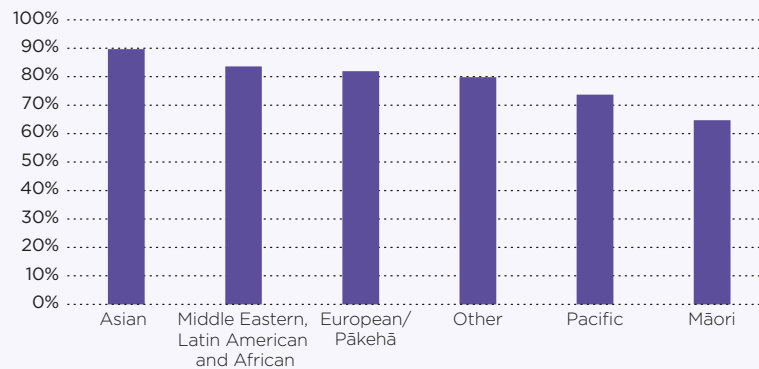
We are also collaborating with the **careers system** to proactively respond to the changing economy for both school leavers and adults needing to shift careers. The associated programmes are intended to help people with the transition into further education, training, employment and life beyond compulsory schooling.

#### Reforming vocational education and training

New Zealand needs to be ready for a fast-changing future of skills, learning and work. This requires bringing together the provider-led and industry-led vocational education systems so they collaborate in the best interests of learners, employers and regions. There was also a need to address the challenges Institutes of Technology and Polytechnics were facing to create a sustainable network of public provision.

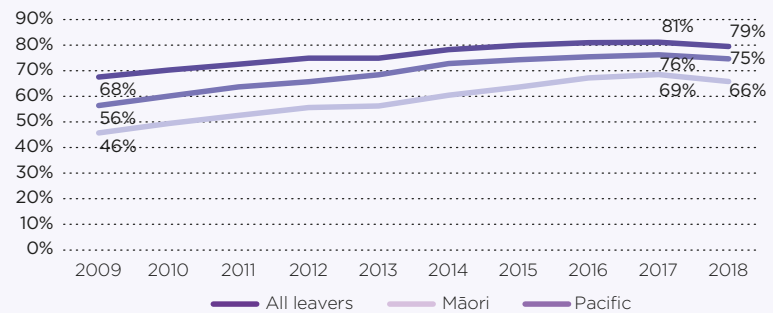
## Key metrics

**NCEA Level 2 attainment varies by ethnicity.**



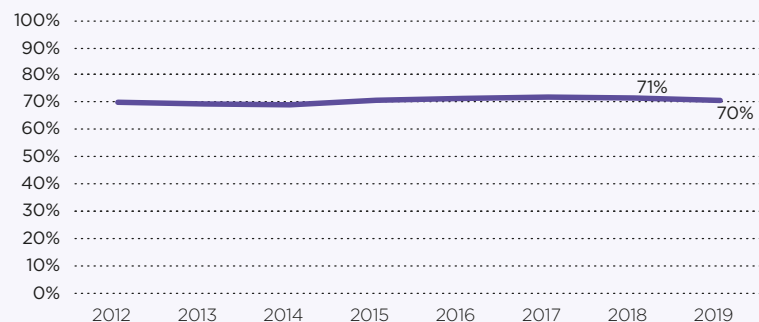
Source: Ministry of Education. (2020). School leavers with NCEA Level 2 or above.

**After a protracted increase, NCEA Level 2 attainment is beginning to decline for all groups...**



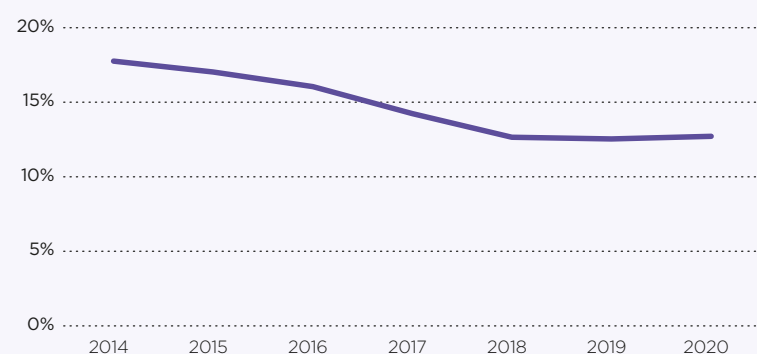
Source: Ministry of Education. (2020). School leavers with NCEA Level 2 or above.

**...as is the transition to tertiary education and training within three years of leaving school.**



Source: Ministry of Education. (2019). School leaver destinations.

**There has been no change over the last two years in adults, aged 25 to 64 years old, with no formal qualifications.**



Source: Statistics New Zealand Household Labour Force Survey. (2020).

Decisions were announced on the **Reform of Vocational Education** in August 2019 to create a strong, unified, sustainable system for vocational education that delivers the skills that learners, employers and communities need to thrive.

We completed substantial public engagement and policy development to achieve legislative changes in April 2020, giving effect to structural reforms. This included establishing the **New Zealand Institute of Skills and Technology and Workforce Development Councils**, as well as transferring responsibilities for apprentices and trainees from industry training organisations to tertiary education providers. This transition is expected to be completed by the end of 2022.

Over the past year, we established **Te Taumata Aronui** to provide independent advice to the Minister of Education about how the vocational education system could reflect Māori-Crown partnerships, improve outcomes for Māori learners, support Māori employers, and advance Māori economic and social development strategies.

We have also begun designing a **new funding system**, drawing on user feedback and technical expertise, which will be implemented from 2023.

## Responding to COVID-19

### Ensuring learning is relevant for New Zealanders today and throughout their lives

In light of COVID-19, we are taking action to improve student transitions to tertiary education and the world of work. For example, we partnered with GirlBoss to understand how “education to employment” events could be delivered online to **develop young people’s ‘work ready’ skills**, running **virtual employment events** in priority regions with schools and industry representatives. We also made **changes to NCEA and university entrance requirements** this school year to ensure students are not disadvantaged. These changes were designed to encourage students to continue working for their NCEA qualification and ensure it remains valid.

Throughout the year, we worked with the **Adult and Community Education** sector to design a new vision and identify priorities to inform investment. The sector received a funding boost to meet the increased needs for training and upskilling as part of the COVID-19 economic recovery plan. This will expand courses to better

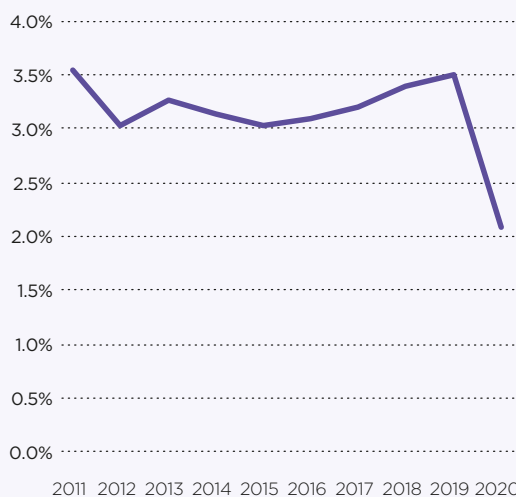
support those displaced from work and facing barriers to entering the labour market, as well as people experiencing social isolation.

We developed the **Trades and Apprenticeships Training Package**, which provides a \$1.6 billion investment in training and education for people who have lost their jobs or want to move into a different sector. It will provide opportunities for New Zealanders of all ages to access revitalised trades training, including fees-free education in critical industries, to support employment and rebuild the economy.

### Key metrics

Fewer secondary students are leaving school.

#### Percent of Year 9+ students leaving school between March and June



Source: March and June School Roll Return, 2012-2020.

### Supporting international relationships

Connecting to other education systems across the world has become even more critical as we learn from and share lessons in responding to COVID-19. Issues such as online learning and assessments, impacts on exams and school closure arrangements have been discussed through the OECD, UNESCO and APEC, as well as with individual countries.



### Supporting international students and providers

In 2019, international education contributed \$5.0 billion to the New Zealand economy, as well as sharing invaluable social, cultural and educational benefits. COVID-19 has had a significant impact on the sector, which will intensify in the future as international students currently in New Zealand leave, while new students remain unable to arrive.

With COVID-19, our first response was to ensure international students and education providers had the support, guidance and advice they needed. This included creating a **cross-agency operational response** to cover pastoral care matters for international students. A \$1 million **International Student Hardship Fund** helped over 11,500 students with basic living costs. The Ministry, alongside other agencies, worked closely with the sector to help **facilitate the safe return** of approximately 1,700 students to their home countries. Agencies supported education providers and community organisations to help students address issues such as changes to online learning. Students have also been able to access free mental health resources and free testing and treatment for COVID-19.

### Supporting a sustainable international education recovery

A reset of the international education sector is required to address the impact of COVID-19. The Ministry worked with Education New Zealand to develop an **International Education Strategic Recovery Plan**, which was approved by Cabinet. The Plan sets out three stages of pandemic response: transitioning and economic stimulus, strengthening the system, and transforming for a more sustainable future. To help the transition, we immediately provided financial relief to schools and private teaching establishments and funded future-focused products and services. We then initiated a second phase, to ensure border restrictions, including isolation and quarantine requirements, will enable students to return to New Zealand when it is safe to do so, to restart international education.



# World class inclusive public education

## Before COVID-19

### Benchmarking performance and improving information

The Ministry tracked the education system's performance through student **participation in international assessments** in Years 5, 9, and 11 to see how their learning compares to students of the same age in other countries. Based on these assessments, we see that Aotearoa New Zealand's students score lower in reading, mathematics and science than other countries in Year 5, but they catch up by Year 9 and results stay comparable at Year 11. About 80% of students are at or above the baseline level of expected skills by the time they are 15 years old, but this is trending downward.

To maximise the use of international assessment and other education data, we produce **Whai Whakaaro | Insights for Learning**. These papers inform learning and teaching policies and practices.

The work we undertook in 2019/20 enabled us to successfully deliver the first early stage rollout of the **Te Rito** project in August 2020 with the Pūtauaki ki Rangitaiki Kāhui Ako in the Bay of Plenty. This involves the development of a national learner repository and data exchange that carries learner information with the learner wherever they move in the education system, be it a new school or kura in the community or a different region.

### Strengthening service delivery

In November 2019, the Government announced its response to the Independent Taskforce on the **Review of Tomorrow's Schools**. Underpinning the response is the need to provide greater support to schools and early learning services. This included committing to setting up an **Education Service Agency** within a redesigned Ministry. It is also intended to support learners and their whānau and connect with tertiary providers and communities. The recently passed **Education and Training Act**

provides the legal framework to implement many of the Government's decisions and shifts the education system so that all students have the right to attend school fulltime.

### Managing the school property portfolio

The Ministry manages the State school property portfolio to ensure that schools are quality learning environments. We **oversee and support the property management** for 2,100 State schools, spending over \$1 billion in 2019/20. Our data shows that the condition of school property is continuing to be addressed and improved by our actions. We have worked hard to **improve our reputation as a client** over the past year. We have taken action to streamline our procurement processes, improve the balance of risk in our contracts, and identify how we can support the supply chain to ensure New Zealand has a high-performing and sustainable construction sector. By being a preferred client for construction services, we can attract the best of the industry to build quality learning environments for all our schools.

Throughout 2019/20, the **capital works programme** delivered 36 redevelopments, 53 growth projects and six new schools. We have continued to progress the **Christchurch Schools Rebuild** programme, which is on track for completion by the end of 2022. As of June 2020, of the 115 schools that are part of the rebuild programme, 50 are complete and 26 are under construction. Of the remaining schools, 37 are at various stages of planning and design and only two are yet to enter the programme. We also provided more direct support for **school property management**, which enabled us to respond to local needs.

The Prime Minister launched the **School Investment Package**, worth nearly \$400 million, in December 2019. As at 30 June 2020, 1,274 schools had initiated \$222 million worth of projects using this fund.

## Key metrics

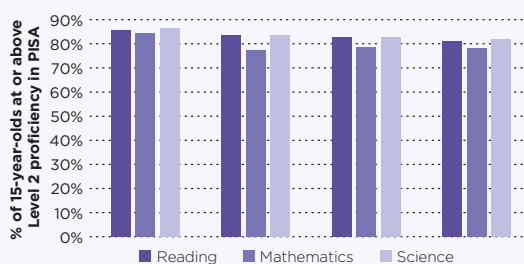
### International assessments

New Zealand's reading, mathematical and science literacy scores were above the OECD average at age 15.



Source: May, S., Jang-Jones, A., and McGregor, A. (2019). PISA 2018: New Zealand Summary Report, System Performance and Equity.

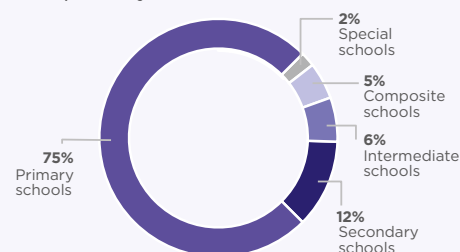
Most students are at or above the baseline level of skills by 15 years old, but this is trending downward.



Source: May, S., Jang-Jones, A., and McGregor, A. (2019). PISA 2018: New Zealand Summary Report, System Performance and Equity.

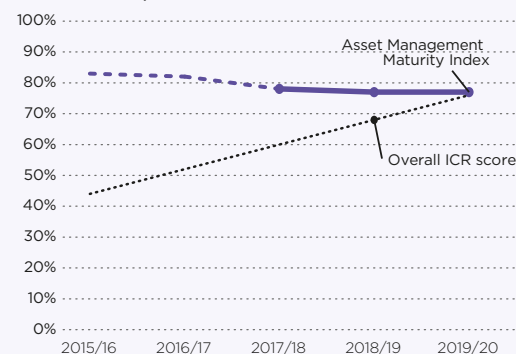
### School property

Most schools in New Zealand are for primary students.



Source: Ministry of Education. (2020).

The Ministry worked towards delivering world class public education infrastructure.



Source: Ministry of Education. (2020).

## Planning for future demand

The **National Education Growth Plan** guides our approach to managing the school aged population in high-growth areas and to maintain and expand the schooling network. We have also undertaken planning and engagement with stakeholders to gather data and insights to develop a long-term vision and comprehensive national plan for the provision of specialist schools and associated satellite units.

### Supporting Te Tiriti o Waitangi | Treaty of Waitangi

To meet some of our responsibilities under Te Tiriti | the Treaty, we have addressed issues raised in Treaty claims. We secured resources to support **Kōhanga Reo** and revitalise te reo Māori, and we finalised a relationship agreement between **Te Wānanga o Raukawa** and the Crown to improve Māori outcomes and indigenous research for Aotearoa New Zealand's future. This document is part of the Government's wider work to build a system that recognises and represents Māori culture, values and voices.

We also gave evidence at the Waitangi Tribunal hearing of the WAI2180: **Rangitikei ki Rangipō District Inquiry**. Iwi claim significant historic breaches of Te Tiriti | the Treaty principles, which has resulted in a lack of Māori immersion education, inequitable education outcomes, and the disconnection between schools and iwi in the Mōkai Pātea area. We are currently working to develop sustainable, collective and local efforts to support Māori to succeed as Māori in education.

The **Education and Training Act 2020** includes expectations for honouring Te Tiriti | the Treaty, such as acknowledging that any statement of national education and learning priorities issued by the Minister of Education must be consistent with the objectives for education. These objectives entail instilling in each child and young person an appreciation of the importance of Te Tiriti | the Treaty and te reo Māori. We will work with the sector to implement these parts of the Act as it fully comes into force. The first statement of national education and learning priorities is currently being finalised following extensive consultation with the education sector and the wider New Zealand public.

Nāu te rourou, nāku te rourou, ka ora ai te iwi.  
| With your food basket and my food basket,  
the people will live.

We have engaged with the Iwi Chairs Forum and given stronger recognition to Iwi Education Plans, notably in Waiariki and Waikato. There has also been further engagement with Te Hiku Treaty Accord as a model for giving effect to Treaty Settlements more generally.

### Maintaining overall satisfaction with services

Public attitudes toward the education system and related services remain positive. Te Kawa Mataaho | Public Service Commission's annual survey of satisfaction with public services (Kiwis Count) found that in 2019 average satisfaction improved for early learning services, was maintained for learning support services, and slightly decreased for schooling and tertiary services.

The Ministry has **exceeded its targets for Ministerial satisfaction**. Our Ministerial satisfaction rating increased to 8 out of 10 in three additional standard areas from last year, improving on our target of 7 as published in the Estimates of Appropriations for 2019/20. The Minister has rated the quality, timelines and value for money of our policy advice as 5 out of 5. While the Minister has been satisfied with our policy work, our internal assessment of the technical quality of the advice found there is room to improve. We have put in place continuous improvement processes and regular training to improve these results.

#### Ministerial satisfaction survey results

	2018/19 rating	2019/20 rating
Quality, timelines and value for money of our policy advice	7	5 out of 5*
Quality of monitoring advice about Crown entity agencies	8	8
Quality and timelines of support for Ministerial delegations and visits	8	8
Overall performance of the Ministry	7	8

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

\* The standard for policy advice changed for 2019/20 to be measured on a scale of 1 to 5, where 1 means unsatisfactory and 5 means extremely satisfied.

## Responding to COVID-19

### Strengthening service delivery

Our urgent response to COVID-19 has already changed the way we operate to be consistent with the Tomorrow's Schools reforms. We mobilised our **regional teams** to connect directly and remotely with early learning services and schools, and with tertiary leaders. Our **Māori advisors in the regions** strengthened our partnership with iwi to respond to the crisis. Finally, we live-tested new ways of delivering services and supported **more devolved decision-making**, while recording and responding to almost 1,500 enquiries directly related to COVID-19. Because of this experience, future reforms will build on the COVID-19 experience so it strengthens service delivery and support through existing structures.

#### Improving communications to education audiences

We significantly increased our communication with early learning services and kura | schools before and during the COVID-19 Alert Levels. We also introduced a new tertiary sector Bulletin and Kia Manawaroa, which brings together information from the Ministry and other agencies to support iwi and Māori audiences. By 30 June, 53 early learning, 62 school and 33 tertiary Bulletins had been sent out, along with 6 editions of Kia Manawaroa.

We received substantial positive feedback about these communications, affirming that the Ministry provided rapid, tailored responses with a high level of support during COVID-19.

### Maximising the benefits from managing the school property portfolio

We have a leading role as a member of the **Construction Sector Accord**, which allowed us to build the collaborative working relationships to quickly support the sector in response to COVID-19. We immediately **provided \$4.9 million in short-term cash flow relief** to our contractors and suspended the collection of money until construction activities resumed. This meant our contractors could pay their bills during the lockdown.

The Ministry is one of the largest buyers of construction services in the country, so we can play an important role in kick-starting the economy. Moving forward into recovery, Ministry-led construction projects will continue to create stable jobs across the country.

# Building Ministry capability

## Having capable and engaged staff

At the end of the year, we had 3,486 full-time equivalent staff working from 43 locations around New Zealand. More than half our staff provide services directly to children, parents and their communities.

We have continued to embed our **He Huarahi Pai | People Strategy** so that our workforce reflects, understands and values the diversity of the communities we serve. We listen to employees about their experience working at the Ministry and this informs the development of our future policies and practices. Results from our February/March 2020 employee pulse survey show that 79% of staff feel like they belong in their team<sup>1</sup>. Further, staff insights from May 2020 on working from home and flexible working were positive, as 92% of participants reported feeling their manager had communicated with them regularly and felt connected with their team during the lockdown period.

The Ministry has increased communication and awareness to staff on the importance of **Health and Safety** in the workplace, including raising incidents and near misses when they happen. Compared to last year, we have seen a slight increase in the number of Health and Safety incidents reported from 1,314 in 2018/19 to 1,446 in 2019/20. The increase in reporting is a positive trend, as it allows us to identify the root causes of potential issues.

## Enhancing responsiveness to Māori

We need to lead the transformation of the education system so that it is inclusive. A significant barrier to inclusivity is an inbuilt, often unconscious, bias. We are working with our staff to do things differently through our **Te Ara Whiti** programme. This professional development opportunity supports our staff to understand and confront their own cultural biases, gain a better understanding of Te Tiriti | the Treaty, and ensure we have multiple perspectives informing our work. While some training was put on hold during the lockdown, a total of 985 staff have completed Te Ara Whiti training and a number of staff have been trained as Racial Equity Coaches, which provides regional support as further training is rolled out.

We also made our own history in November 2019, with the **first national hui** for our Māori staff in 14 years. About 260 staff from across the country attended this event, which helped strengthen relationships between Māori staff across the Ministry. This will be a solid platform to lift our ability to deliver improved education services for and with ākonga | learners, whānau, hapū and iwi.

## Supporting Te Tiriti o Waitangi | the Treaty of Waitangi

Bringing Te Tiriti | the Treaty to life in the education system and supporting Māori to exercise their agency in education is very important to us. During 2019/20, we approved and released a new **Te Tiriti o Waitangi | Treaty of Waitangi policy statement** and support documents to staff. Since the programme started, 889 staff have completed Te Tiriti o Waitangi | the Treaty of Waitangi workshops. We expect staff to embed our commitment to Te Tiriti | the Treaty in their work, partnering with Māori, and lifting the leadership practice and cultural capability of the education system.

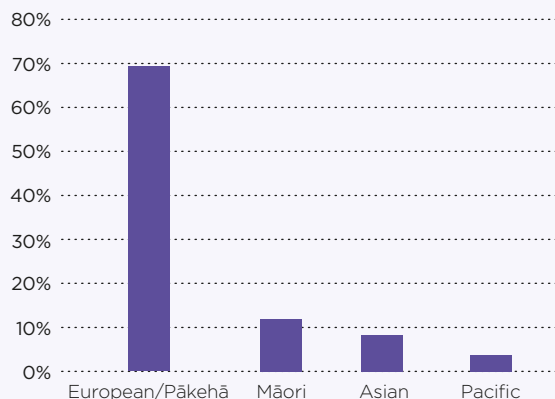
<sup>1</sup> With changes in survey design, it is no longer possible to measure if staff engagement is comparable to other similar public sector agencies.



## Key metrics

### Diverse and engaged staff

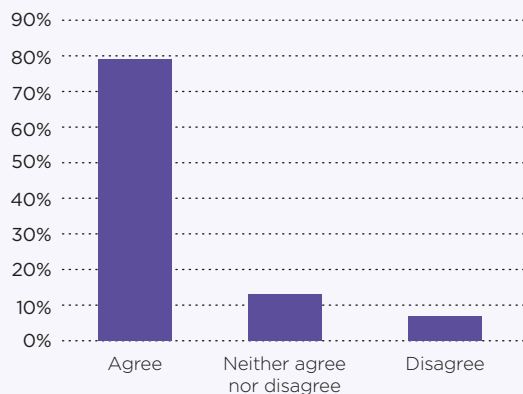
Staff have a variety of ethnic backgrounds.



Source: Ministry of Education. (2020).

Most staff feel they belong in their team.

### I feel like I belong in my team



Source: Ministry of Education. (2020).

The Ministry's pay gap is dropping faster than the overall public service's...

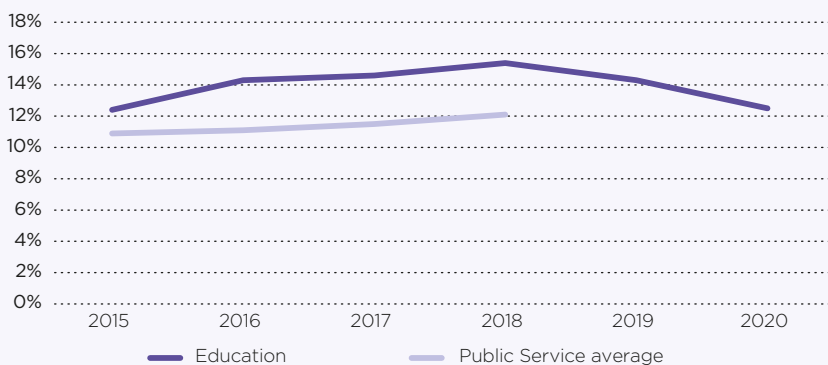
### Gender pay gap



Source: Te Kawa Mataaho / Public Service Commission. (2019). Public Service Workforce Data.

...although turnover has been slightly higher than the public service average in recent years.

### Percentage of total unplanned turnover overtime



Source: Ministry of Education. (2020).



## Enhancing diversity and inclusion

We have continued to focus on meeting our diversity targets and embedded and expanded our **Diversity and Inclusion networks**, establishing executive sponsors from among the Ministry's leaders. We are proud that our Education Rainbow Network was a finalist in the 2020 Diversity Works Awards, and that our Internship programme has a specific focus on attracting Māori, Pacific and disabled people. We have continued to focus on the Gender Pay Gap action plan, while continuing to reduce the gap. We also established a challenge group to deliver more diverse representation in Crown appointments. We will continue to improve on our Diversity and Inclusion priorities as part of how the Ministry of Education gives effect to the five Public Sector Papa Pounamu commitments.

### The network groups are:

- Disability Working Group
- Māori Staff Network
- Pacific Staff Network
- Asian Networking Group
- Women's Network
- Rainbow Network
- Young Professionals' Network.

Over the past year, we have strengthened relationships with disabled people's organisations, and established networks across the Ministry to coordinate how we integrate the needs of disabled people across the education system. We have progressed and implemented our commitments to the **Accessibility Charter**, drawing on the lived experience of disabled staff through our Disability Working Group.

## Building trust and confidence

We know that our ability to shape the system to achieve equitable and excellent outcomes relies on having a strong foundation of trusting, collaborative relationships with the sector, whānau and communities. We have been actively building trust through **listening and responding** to the needs of education leaders and professionals, as well as to parents and whānau. During COVID-19, we approached our work very differently, strengthening relationships by **co-constructing clear and frequent communications** with the system in response to emerging needs and **responding**

**rapidly** to questions. We also collaborated with the system to deliver regional actions that supported learners, early learning services, schools and tertiary institutes.

As a result, we received feedback to tell us that trust and confidence now exists where it did not before. The 2020 Colmar Brunton Public Sector Reputation Index poll results inform us that trust in the Ministry of Education increased in every category and by 5 points overall in the past year.

## Having the capability and capacity to respond in a crisis

Our experience with COVID-19 emphasised the value of investing in our capability and having high-quality corporate services. Our business continuity and emergency management practices provided the guidelines and direction that allowed the Ministry to continue to operate and deliver our services, albeit in a slightly different way throughout a National Emergency. This included having robust and scalable ICT networks and appropriate hardware that enabled our people to successfully work remotely while having systems and processes to allow for remote work to continue securely without impacting services. Contingency plans and strategies were in place for critical roles and capability within the Ministry was also prepared. We also provided clear Health and Safety guidelines and processes to minimise the impact of disruptive events.

Our corporate teams also directly supported frontline activity:

- » setting up new legal powers so the Secretary for Education could issue binding directions to education providers to ensure a unified and coordinated educational response to the COVID-19 outbreak, and the ability to act quickly in the best interests of ākonga | learners, educators, parents and whānau when required
- » providing regular bulletins, media releases and other communications while overseeing the production of hard copy material for learners
- » procuring digital devices and negotiating TV and IT network contracts.

## Key COVID-19 statistics

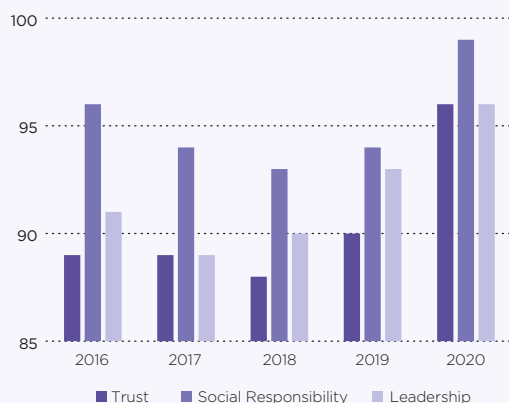
### Trust in the Ministry of Education

The Ministry of Education's overall reputation has improved by more than 5 points over the past year...



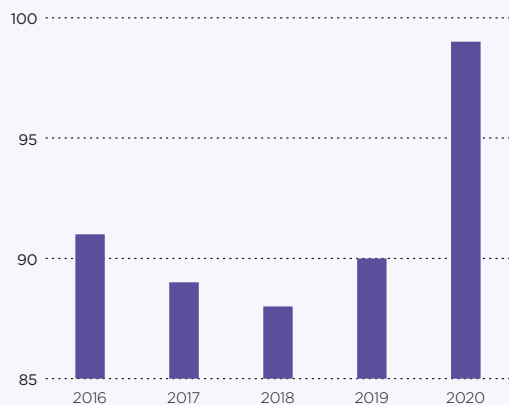
Source: Colmar Brunton. (2020). Public Sector Reputation Index 2020.

...to the highest rate in 5 years across all categories...



Source: Colmar Brunton. (2020). Public Sector Reputation Index 2020.

...including significantly improving our positive working relationships with Māori.



Source: Colmar Brunton. (2020). Public Sector Reputation Index 2020.

## Building ongoing system improvement

While delivering our normal range of services and responding to the COVID-19 pandemic, we have continued to improve services across our corporate areas. In our finance and planning areas, we maintained a 'Good' rating in the 2019 audit assessment of the Ministry's Environment, Systems and Controls rating for management control environment, financial information systems and controls, and service performance information systems and controls. We also have met all of our IT asset measures and delivered support for key initiatives across the Ministry.

The Ministry is ranked 15th lowest for emissions out of 71 mandated agencies in the New Zealand Government Procurement Fleet Emissions Dashboard.

In 2019/20, the Ministry met the target of paying 95% of its invoices within 10 business days, which supports further economic recovery.

For Ministerial Servicing, including responding to Official Information Act (OIA) requests, Parliamentary Questions and Ministerials, we met all timeliness standards. As part of being open and transparent, we regularly release reports and OIA responses on the Ministry's website, with 548 reports and responses proactively released in 2019/20.

# Our governance

## Our Ministers as at 30 June 2020

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

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

## Our education system partners

The management, governance and leadership of the early learning, schooling and tertiary sectors is the responsibility of largely autonomous boards of trustees, councils of tertiary institutions and other individual providers. We work with around 4,500 licensed early childhood education services, over 2,500 schools, and over 500 tertiary education providers.

Within government, the New Zealand education sector has many 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 New Zealand (ENZ)

The lead government agency for the promotion of New Zealand education internationally.

### Education Payroll Limited (EPL)

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

### 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.

### Network for Learning (N4L)

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

### New Zealand Council for Education Research (NZCER)

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

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

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

### Teaching Council of Aotearoa New Zealand – Matatū Aotearoa

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

### 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

The Government's key agency for investing in tertiary education, training and careers services.

## Our organisation as at 30 June 2020

The **Secretary for Education (Iona Holsted)**, with the support of those heading the following business groups, leads the Ministry that focuses on shaping 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 (Dr Andrea Schöllmann)** provides an integrated education system policy function covering the learning journey from ages 0 to 18.

The **Graduate Achievement, Vocations and Careers Group (Andy Jackson)** delivers policy advice, and provides strategy and research on international education, tertiary education and achievement, and secondary-tertiary transitions.

The **Early Learning and Student Achievement Group (Ellen MacGregor-Reid)** is the intersection between policy and operations. The group focuses on raising the quality of teaching, leadership and system performance by setting the direction for curriculum, teaching practice and qualifications, building sector capability and an effective workforce, and encouraging innovation in the development of new teaching practice and the use of digital technology.

The **Sector Enablement and Support Group (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 support to children and young people with learning support needs, and their whānau and educators.

The **Kaiwhakarite Matamuri mo te Matauranga Māori (Daryn Bean)** leads an integrated focus on Māori progress and achievement, including the development of Māori medium education, provides advice on Treaty-based relationships and works with leaders across the Ministry to improve results for Māori.

The **Parent Information and Community Intelligence Group (Rose Jamieson)** involves parents, families and whānau, iwi, communities and employers in education because these connections are fundamental to strengthening student attendance, participation and wellbeing in early childhood education and schools.

The **Education Infrastructure Service Group (Kim Shannon)** assists school boards of trustees to manage school property, including delivering new schools, expansions and roll growth teaching spaces, providing school transport assistance and monitoring the schools payroll service.

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

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

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

## 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 2020 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 2021 and its operations for the year ending on that date.



**Iona Holsted**

Secretary for Education

30 September 2020





# Independent Auditor's Report

## TO THE READERS OF THE MINISTRY OF EDUCATION'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of 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 76 to 114, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, 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 2020 on pages 10 to 26 and 39 to 69;
- » 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 and statement of funds held for the year ended 30 June 2020 on pages 119 and 125 to 130; and
- » the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 115 to 124 that comprise:
  - › the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2020;
  - › the schedules of revenue; capital receipts and expenses for the year ended 30 June 2020; and
  - › the notes to the schedules that include accounting policies and other explanatory information.

### Opinion

In our opinion:

- » the financial statements of the Ministry on pages 76 to 114:
  - › present fairly, in all material respects:
    - its financial position as at 30 June 2020;
    - 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 10 to 26 and 39 to 69:
  - › presents fairly, in all material respects, for the year ended 30 June 2020:
    - what has been achieved with the appropriation;
    - 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 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 and statement of funds held on pages 119 and 125 to 130 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 115 to 124 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 2020; and
  - › the revenues; capital receipts and expenses for the year ended 30 June 2020.

Our audit was completed on 30 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. We draw your attention to other matters. 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.

### Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures in the financial statements.

#### *Holidays Act non-compliance liability*

Schedule of Non-Departmental Liabilities on page 117 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.

#### *Impact of COVID-19*

Note 2 describes the impact of COVID-19 on the Ministry.

### 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.

### 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 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 and statement of funds held 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 3 to 7, 27 to 33 and 70 to 71 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 Department in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

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



### Grant Taylor

Ernst & Young

Chartered Accountants

On behalf of the Auditor-General

Wellington, New Zealand







# PART TWO

## Our performance information

This section describes what we were funded to deliver in 2019/20. The information on pages 40 to 69 in this section is audited. It reports on what we achieved with each appropriation against what was intended to be achieved and how performance would be assessed, as set out in the Estimates of Appropriations for Vote Education and Vote Tertiary Education, as well as any changes made through the 2019/20 Supplementary Estimates.

COVID-19 has impacted our ability to collect and report on some measures as lockdown prevented the delivery of some programmes, and it was not always appropriate or possible to survey stakeholders as originally planned. A number of our measures relate to the school year, reporting available information for the 2019 school year, with any impact from COVID-19 to be reported in the 2020/21 Annual Report.

We are the appropriation administrator for some multi-category appropriations (MCAs), 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 70 to 71. This information is required to be included in the Annual Report as part of the Treasury's Investor Confidence Rating.

# Vote Education

## Portfolio Minister — Minister of Education

### Oversight of the Education System

#### About this appropriation

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

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

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

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

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

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

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

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

#### What we intended to achieve

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

## What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Oversight of the Education System</b>				
7	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	8	Achieved
<b>Note 1</b> - The rating measures Ministers' satisfaction on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.				
<b>Ministerial Services</b>				
This category is intended to achieve effective and efficient Ministerial services.				
95%	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%	97%	Achieved
99.7%	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%	Achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Monitoring the Education System</b>				
This category is intended to monitor the overall education system including the performance and compliance of Crown entities and statutory bodies.				
Accurate to within 1.6% 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	Overall, actual expenditure in these areas was 1.1% lower than forecast	<b>Achieved</b>
8	The satisfaction rating given by the Minister of Education on the quality of monitoring advice provided by the Ministry about Crown agencies (see Note 1).	7	8	<b>Achieved</b>
<b>Policy Advice</b>				
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.				
Mean of 3.14 out of 5	Internal assessment of the quality of the Ministry's policy advice (see Note 2).	Mean of 3.5 out of 5	3.3	<b>Not achieved</b> Most papers scored 'adequate' or 'good', meeting most quality standards or most standards, with some elements missing. Continuous improvements processes and regular training is in place to address gaps.
Revised Measure	Satisfaction of the portfolio Minister with the policy advice service (see Note 3).	Baseline year	5 out of 5	<b>Achieved</b>

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2018/19		2019/20	2019/20	
<b>Research and Analysis</b>				
This category is intended to undertake research initiatives focused on the education system and produce and disseminate data and statistics for the sector.				
Page visits 13,564	For newly-released research and/or evaluation reports on the Education Counts website, the minimum number of:	Page visits 7,000	Page visits 10,572	<b>Achieved</b>
Downloads 6,353		Downloads 4,000	Downloads 5,516	<b>Achieved</b>
	<ul style="list-style-type: none"> <li>• page visits per annum</li> <li>• downloads per annum.</li> </ul>			

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

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

**Note 3** - The Ministerial Policy Satisfaction Survey assesses Ministers' satisfaction with the services provided by the policy function on a scale from 1 to 5, where 1 means unsatisfied and 5 means extremely satisfied. The survey contains a common set of questions to be used by all policy agencies from 1 July 2019, with guidance available on the Department of Prime Minister and Cabinet Policy Project website.



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

Performance 2018/19	Activity Information	Budget Standard 2019/20	Actual Performance 2019/20	Comment
45	Number of newly-released research and/or evaluation reports on the Education Counts website.	40	52	Achieved

## Financial performance

	2018/19 Actual	2019/20		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>65,275</b>	<b>58,762</b>	<b>67,284</b>	<b>65,126</b>
This is made up of the following category information:				
<b>Departmental Output Expenses</b>				
Ministerial Services	5,146	4,408	4,408	5,550
Monitoring the Education System	14,556	11,861	14,661	12,564
Policy Advice	21,173	17,502	20,924	16,507
Research and Analysis	21,206	21,483	24,263	27,494
<b>Non-Departmental Output Expenses</b>				
Education Research Initiatives	3,008	3,008	3,008	3,008
Independent Advice on Government Priority Areas	186	500	20	3
<b>Funding for Departmental Output Expenses</b>				
<b>Revenue from the Crown</b>	<b>67,711</b>	<b>55,244</b>	<b>64,246</b>	<b>64,246</b>
Ministerial Services	5,201	4,398	4,398	4,398
Monitoring the Education System	18,492	11,861	14,661	14,661
Policy Advice	24,115	17,502	20,924	20,924
Research and Analysis	19,903	21,483	24,263	24,263
<b>Revenue from Others</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>-</b>
Ministerial Services	-	10	10	-

Actual expenditure for this MCA is \$6.364 million (11%) higher than Budget mainly due to expense transfers from 2018/19 and to 2020/21 (net \$3.401 million) and transfer of resources from departmental output expense Support and Resources for Education Providers to deliver the Education Work Programme (\$2.500 million).

## Improved Quality Teaching and Learning

### About this appropriation

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

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

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

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

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

### What we intended to achieve

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

### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Improved Quality Teaching and Learning</b>				
70%	Percentage of Communities of Learning   Kāhui Ako and schools/ kura who have accessed centrally-funded professional development and have reported a positive shift in the capability of teachers and leaders.	Maintain or improve	574 schools accessed the support. Data was gathered to assess this measure but an independent review, conducted by NZCER, concluded that the quality and consistency of the data was not at the level necessary to accurately report a positive or negative shift.	<b>Not measured<sup>2</sup></b>

<sup>2</sup> While we have feedback reports on this measure, the data gathered varies in quality and cannot be accurately used to report on this. This has been independently confirmed by NZCER. We have taken these shortcomings into account when designing a new Salesforce-based Professional Learning and Development system to accurately allow us to report on a 'positive shift' when data becomes available. Anecdotally, to date, Expert Partners concluded that many of the Kāhui Ako that they worked with have realised a positive shift in the capability of teachers and leaders.

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2018/19		2019/20	2019/20	
<b>Support and Resources for Teachers</b>				
This category is intended to achieve a highly effective workforce and resources to enhance learning for years 0 to 18.				
New Measure	Usage of the Te Kete Ipurangi (TKI) portal: <ul style="list-style-type: none"> <li>Overall number of page views</li> <li>Total number of unique users.</li> </ul>	Maintain or improve	Page views 29.8 million  Unique users <sup>3</sup> 4.2 million	<b>Baseline established</b>
<b>Curriculum Support</b>				
This category is intended to achieve wider access to opportunities within schools.				
74%	Percentage of children exited from Reading Recovery who are able to read at cohort expectation.	80%	72.85%	<b>Not achieved</b>  The number of Reading Recovery children who are able to read at cohort expectation shows a performance decline. While the change each year has not been statistically significant, the trend over a number of years has become significant. In 2020 and 2021, we are implementing changes in response to a 2018 Reading Recovery evaluation, which identified areas for improvement.
New Measure	Percentage of ākonga who have exited Mauri Tū Mauri Ora initiatives are achieving at expected levels of Te Marautanga o Aotearoa.	Baseline year	Information is being supplied by the Education Review Office as part of the evaluation process at completion of the programme in December 2020.	<b>Not yet available</b>
New measure	Percentage of schools and kura engaged in curriculum supports for: <ul style="list-style-type: none"> <li>Digital Technology curriculum content</li> <li>Hangarau Matihiko curriculum content.</li> </ul>	Baseline year	45%  45%	<b>Baseline established</b>

<sup>3</sup> The Ministry relies on Google Analytics to determine the number of users. This method sets a Client ID for each device that accesses our TKI sites. For example, if an individual accesses TKI sites using three devices, Google Analytics will count this as three users. Note that TKI can be accessed by individuals from across the world, and about 50% of users are from outside of New Zealand.

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2018/19		2019/20	2019/20	
16,453	Number of teachers accessing the Digital Technology and Hangarau Matihiko Readiness Programme.	Maintain or Improve	A number has not been able to be obtained for this measure. <sup>4</sup>	<b>Not available</b>
<b>Professional Development and Support</b>				
This category is intended to achieve a more effective educational workforce and provide resources to enhance learning for years 0 to 18.				
84.55%	Percentage of early childhood education services participating in the Strengthening Early Learning Opportunities for children, whānau, families and communities (SELO) programmes focused on improving teaching and learning demonstrating positive shifts in practice (see Note 1).	80%	79.04%	<b>Not achieved</b> The result varies from the target with only 10 out of 999 services not reporting a positive shift.
Baseline Year (80%)	Percentage of Beginning Principals who report positive feedback about the support they have received from their Leadership Advisors.	Maintain	92%	<b>Achieved</b>
New Measure	Total number of schools, kura and kāhui ako receiving centrally-funded locally-focused allocations of professional learning and development.	Maintain or Improve	574 supported	<b>Partially achieved</b> The COVID-19 lockdown resulted in the 2020 Term 1 allocation round being postponed and ultimately combined with the Term 2 round, which also had to be delayed. This round is currently being resolved so the allocations are not able to be included here. The value reported relates to only two rounds of allocations as opposed to the usual four.

**Note 1** - It is expected to deliver SELO programmes to between 1,200 and 1,500 early childhood education services.

<sup>4</sup> An evaluation model is currently being co-designed by the Ministry and the University of Canterbury to assess the programme over its life. As part of the evaluation design, we will be looking at sector engagement over the life of the programme. This report is being written in December 2020 and is due in January 2021.

At the beginning of 2020, regional data collected by the Digital Champions showed that 115 schools, or 4.6% of all schools in New Zealand, have not engaged with the Ministry supports. We have been working to improve the performance of this programme, including developing regional engagement plans. In response to COVID-19 we also pivoted to a blended learning model and have been collecting data on the number of English-medium and Māori-medium schools engaging in the programme.

The response to the blended model has been very positive. Numbers peaked during the first several months and have continued to remain steady over time.

## Financial performance

	2018/19 Actual	2019/20		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>263,091</b>	<b>227,899</b>	<b>311,102</b>	<b>283,972</b>
This is made up of the following category information:				
<b>Departmental Output Expense</b>				
Support and Resources for Teachers	105,782	74,049	144,385	133,646
<b>Non-Departmental Output Expenses</b>				
Curriculum Support	52,945	55,188	65,413	59,462
Professional Development and Support	104,364	98,662	101,304	90,864
<b>Funding for Departmental Output Expense</b>				
<b>Revenue from the Crown</b>	<b>102,075</b>	<b>74,039</b>	<b>144,375</b>	<b>144,375</b>
Support and Resources for Teachers	102,075	74,039	144,375	144,375
<b>Revenue from Others</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>-</b>
Support and Resources for Teachers	-	10	10	-

Actual expenditure for this MCA is \$56.073 million (25%) higher than Budget mainly due to a combination of:

- » additional funding to enable students to access online teaching and learning during the temporary close down of early learning services and schools as part of the emergency response to COVID-19 (\$51.340 million increase)
- » reprioritisation of resources, through a capital to operating swap and transfer from non-departmental output expense Primary Education to output expense Support and Resources for Teachers, to address demand driven cost pressures and support work programmes for Curriculum Teaching and Learning (\$17.700 million increase), and
- » underspends to be carried forward to 2020/21 to complete work programmes delayed mainly due to the COVID-19 lockdown (\$16.850 million decrease).



## Outcomes for Target Student Groups

### About this appropriation

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

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

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

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

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

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

*School Lunch Programme (Non-Departmental Output Expense)* — This category is limited to providing lunches to students in schools and kura with high concentrations of disadvantage.

### What we intended to achieve

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

### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Outcomes for Target Student Groups</b>				
All 97.0%	Participation in early childhood education prior to starting school:	All 98%	All 97.1%	<b>Not achieved</b> Overall participation increased slightly from June 2019. Pacific rates have improved but remain lower than other groups.  These measures have been replaced for 2020/21 with improved measures showing the intensity of participation for the different groups, with the percentage of children attending for 10 or more hours a week at aged 3 and aged 4.
Māori 95.6%		Māori 98%	Māori 95.4%	
Pacific 93.1%		Pacific 98%	Pacific 93.4%	
Decile 1-3 94.1%		Decile 1-3 98%	Decile 1-3 94.5%	

63.8%	Participation in primary and secondary education: The percentage of students attending school regularly (see Note 1).	70%	58%	<p><b>Not achieved</b></p> <p>Regular attendance fell in 2019 as noted in the Student Attendance Term 2, 2019 report. Ensuring students are enrolled in and attending school is a shared responsibility and non-attendance is influenced by a range of factors.</p> <p>Since the move out of the COVID-19 lockdown in May, we have been closely monitoring attendance (refer Part 1, pages 15-16). Our regional teams and the Attendance Service are providing support to schools and communications for parents and whānau to support students returning on-site as soon as possible, and are encouraging schools to pay particular attention to patterns of non-attendance.</p> <p>Regional staff are prioritising attendance and engagement plans in the COVID-19 response and recovery, which should also see a shift in these performance measures.</p>
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**Note 1** - Attending regularly is defined as attending at least 90% of half days. This is measured through a Term 2 survey that approximately 80% of schools complete.

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Interventions for Targeted Student Groups</b>				
This category is intended to achieve equitable participation and outcomes in education for targeted student groups.				
Revised Measure 49.12 days	Average number of days eligible children and young people wait to receive support after the request for support: <ul style="list-style-type: none"> <li>behaviour service</li> </ul>	50 calendar days	53.19 days	<p><b>Not achieved</b></p> <p>A small number of regions consistently have higher wait times as a result of issues recruiting specialist staff. Action is underway to rectify this, but results are not expected in the short term.</p>
73.15 days	<ul style="list-style-type: none"> <li>communication service</li> </ul>	75 calendar days	72.43 days	<b>Achieved</b>

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
22.07 days	<ul style="list-style-type: none"> <li>ongoing resourcing scheme.</li> </ul>	22 calendar days	16.54 days	<b>Achieved</b>
Revised Measure 105.39 days	Average number of days eligible children and young people wait to receive support from the Early Intervention Service after the request for support:	90 calendar days	104.21 days	<b>Not achieved</b>  While the average waiting time is not significantly lower than last year, regions have made progress in reducing the number of children on the Early Intervention Service waiting list, particularly those long waiting cases.
	<ul style="list-style-type: none"> <li>percentage within 45 calendar days</li> </ul>	25%	22.07%	
	<ul style="list-style-type: none"> <li>percentage within 60 calendar days.</li> </ul>	40%	28.70%	
Revised Measure	People are more confident in knowing how to support their child after Ministry learning support involvement (see Note 1): <ul style="list-style-type: none"> <li>parents</li> <li>educators.</li> </ul>	72 72	71 66	<b>Not achieved</b>  The results are from the first two quarterly surveys only. The third and fourth quarterly surveys were delayed due to COVID-19. These surveys have been subsequently run and the results of all surveys will be published on Education Counts in the final survey report.
Revised Measure	Children and young people made progress in their learning and achievement as a result of specialist learning support, as reported by (see Note 1): <ul style="list-style-type: none"> <li>parents</li> <li>educators.</li> </ul>	70 70	75 68	<b>Achieved</b>  <b>Not achieved</b>  The result is from the first two quarterly surveys only as the remaining surveys were delayed due to COVID-19 as noted above.

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
Revised Measure	Parents/whānau were listened to and involved in the decisions about the child's specialist learning support (see Note 1).	83	82	<b>Not achieved</b>  The result is from the first two quarterly surveys only as the remaining surveys were delayed due to COVID-19 as noted above.
83%	Percentage of children whose behavioural issues have improved following their parents' completion of the Incredible Years Parent Programme (see Note 2).	70%	81%	<b>Achieved</b>

#### Learning Support

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

100%	Fundholder schools providing specialist learning support services who do not have effective internal evaluation processes on initial review have implemented an action plan with the support of the Ministry and demonstrate that they are progressing towards achieving the agreed actions in the plan when re-reviewed (see Notes 3 and 4).	90%	93%	<b>Achieved</b>
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Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Service Academies</b>				
This category is intended to achieve re-engagement of senior students in secondary schools.				
91.8%	Percentage of retained students in Service Academies who are retained in education or transitioned to further education, training or employment.	80%	84.50%	<b>Achieved</b>
Revised Measure	Percentage of retained students in Service Academies who achieve NCEA Level 2 or higher.	75%	78%	<b>Achieved</b>
<b>Student Attendance and Engagement</b>				
This category is intended to achieve maximum attendance at schools by reducing absence rates and non-enrolment and reducing the time it takes to return students to education.				
Revised Measure	Percentage of students who have been returned to schooling within:			<b>Not achieved</b>
48.09% returned within 40 days.	<ul style="list-style-type: none"> <li>40 days following an exclusion</li> <li>75 days following an exclusion.</li> </ul>	55%  85%	45.48%  79.27%	Regional staff are prioritising attendance and engagement plans in the COVID-19 response and recovery, which should also see a shift in these performance measures.



Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>School Lunch Programme</b>				
This category is intended to improve learners' levels of concentration, engagement, school achievement and behaviour by providing access to a healthy lunch every day.				
New Measure	Number of students receiving free and healthy school lunches.	13,000	11,963	<b>Not achieved</b>  60 schools have joined the lunches programme and 54 are currently providing lunches. The remaining schools will begin in Term 3 when the supplier has scaled up to meet the demand (having previously scaled down during lockdown).  We will be providing 13,000 lunches per day at that point.

**Note 1** - The survey uses the questions and methodology of the Public Service Commission Kiwis Count survey which measures the satisfaction of New Zealanders with public services. It uses a Service Quality Score methodology to ensure the overall satisfaction score takes into account all responses, including those who indicate neither satisfaction nor dissatisfaction.

**Note 2** - The data for this measure is drawn from results from a questionnaire (Eyberg Child Behaviour Inventory) completed by parents before and after participation in the programme.

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

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

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

Performance 2018/19	Activity Information	Budget Standard 2019/20	Actual Performance 2019/20
<b>Interventions for Target Student Groups</b>			
41,733	Number of children receiving a specialist learning support service.	34,225–41,755	42,695
<b>Learning Support</b>			
2,684	Number of young people enrolled in the Alternative Education programme.	2,500	2,310
18,954	Number of individual students supported through the Resource Teacher: Learning and Behaviour service.	15,000–17,000	15,265

## Financial performance

	2018/19 Actual	Budget	2019/20 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>759,604</b>	<b>812,609</b>	<b>868,663</b>	<b>858,963</b>
This is made up of the following category information:				
<b>Departmental Output Expense</b>				
Interventions for Target Student Groups	299,354	317,794	329,389	325,734
<b>Non-Departmental Output Expenses</b>				
Learning Support	447,144	480,887	519,054	515,227
School Lunch Programme	-	-	6,125	4,170
Service Academies	3,505	3,785	3,785	3,550
Students Attendance and Engagement	9,601	10,143	10,310	10,282
<b>Funding for Departmental Output Expense</b>				
<b>Revenue from the Crown</b>	<b>299,599</b>	<b>316,094</b>	<b>327,689</b>	<b>327,689</b>
Interventions for Target Student Groups	299,599	316,094	327,689	327,689
<b>Revenue from Others</b>	<b>456</b>	<b>1,700</b>	<b>1,700</b>	<b>641</b>
Interventions for Target Student Groups	456	1,700	1,700	641

Actual expenditure for this MCA is \$46.354 million (6%) higher than Budget mainly due to:

- » the introduction of around 600 new Learning Support Coordinator roles, including digital devices costs (\$26.858 million)
- » the settlement of the Teachers' and Principals' collective agreements (\$9.448 million), and
- » implementing a Free and Healthy School Lunch prototype for Year 1 to 8 students (\$6.131 million, including \$1.961 million departmental costs).

## 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 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
93%	Percentage of families receiving targeted information and support who, after receipt of such support, report that they are more confident and better equipped to support their children's learning and make informed decisions about learning pathways (see Note 1).	80%	93.4%	<b>Achieved</b>
100%	Percentage of families who, after receiving targeted communications from schools, report (see Note 2):	80%	Not available	<b>Not available</b> With COVID-19, it was not appropriate to survey parents in May/June as originally planned. As a result, it is not possible to quantify this measure. Work on the digital toolkit prototype has been delayed with the need to focus our IT support on the COVID-19 response.
92.31%	<ul style="list-style-type: none"> <li>increased confidence in their ability to support their child's learning</li> <li>increased satisfaction with the quality of information they receive.</li> </ul>	80%		The measure covers parents and families of children attending the three schools that use the communications package.

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

**Note 2** – This measure covers parents and families of children attending schools that use the communications package.

## Financial performance

	2018/19	2019/20		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	11,657	11,769	13,498	12,210
Funded by:				
Revenue Crown	11,750	11,759	13,488	13,488
Other Revenue	-	10	10	-

## Support and Resources for Education Providers

### About this appropriation

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

### What we intended to achieve

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

### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
Accurate 98% On time 98%	All resourcing payments will be accurate and timely in respect of payment amounts, payment to the correct providers, schedules advised to public education service providers or agreements with those providers, timeframes notified to payees, and fulfilling statutory requirements: <ul style="list-style-type: none"> <li>accuracy</li> <li>on time.</li> </ul>	Accurate 100% On time 100%	99% 98%	<b>Not achieved</b> The measure is not met due to an underpayment made in the July 2019 instalment which was subsequently corrected.
Accurate 99.81% On time 99.99%	Percentage of payroll payments to eligible teachers and school support staff which are: <ul style="list-style-type: none"> <li>accurately calculated</li> <li>sent to financial institutions on time in order to be processed on or before advised pay dates.</li> </ul>	99.5% 99.5%	99.79% <sup>5</sup> 99.99%	<b>Achieved</b>

<sup>5</sup> This information is calculated by the Education Payroll Ltd from information received from schools.

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
96%	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%	97%	Achieved

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

## Financial performance

	2018/19 Actual	Budget	2019/20 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Expenses</b>	114,622	125,165	128,357	118,693
Funded by:				
<b>Revenue Crown</b>	120,592	124,025	126,617	126,617
<b>Other revenue</b>	502	1,140	1,740	1,080

Actual expenditure is \$6.472 million (5%) less than Budget due to a combination of:

- » underspends to be carried forward to 2020/21 to complete work programmes delayed mainly due to the COVID-19 lockdown (\$9.517 million decrease), and
- » implementation costs of the teacher aide pay equity claim (\$3.167 million increase).



## School Property Portfolio Management

### About this appropriation

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

### What we intended to achieve

This appropriation is intended to achieve a school sector property portfolio that is managed well, sustainable, and supports achievement of educational outcomes.

### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
77% (Intermediate)	The Ministry is seen as a high quality property manager for government as measured by the Asset Management maturity index for the school property portfolio (see Note 1).	75-80%	77%	Achieved
71% of State Schools	Percentage of State schools where the number of entitled teaching spaces (based on their rolls) is between 75% and 105% of the number of physical teaching spaces (see Note 2).	67%	72%	Achieved
70%	Percentage of State school buildings with property-related elements of Innovative Learning Environment assessments showing a functionality score of '3' or better (see Note 3).	65%	71.10% <sup>6</sup>	Achieved
95%	Percentage of State school buildings with an assessed maintenance forecast for the next 10 years that is no more than 20% of their replacement value, as an indicator of condition (see Note 4).	88%	96%	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.

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

<sup>6</sup> For 2019/20, the coverage of buildings by area for this measure was 80%.

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

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

## Financial performance

	2018/19 Actual	Budget	2019/20 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Expenses</b>	<b>1,882,809</b>	<b>1,909,036</b>	<b>1,973,988</b>	<b>1,971,365</b>
Expense components:				
Capital charge	1,070,344	1,090,258	1,096,164	1,095,558
Depreciation	629,598	648,143	666,393	670,020
Management of the school property portfolio	182,867	170,635	211,431	205,787
Funded by:				
<b>Revenue Crown</b>	<b>1,872,094</b>	<b>1,905,850</b>	<b>1,956,403</b>	<b>1,956,403</b>
<b>Other Revenue</b>	<b>41,574</b>	<b>3,186</b>	<b>83,256</b>	<b>94,477</b>

Actual expenditure is \$62.329 million (3%) higher than Budget mainly due to:

- » increased depreciation related to the upward revaluation of school property portfolio at 30 June 2019 (\$18 million)
- » increased provision for the management of the school property portfolio, offset by gains from the sale of surplus properties (\$11.785 million) and funding from successful legal claims associated with weather-tightness issues in schools (\$3.480 million)
- » capital to operating swaps to cover leasing of temporary accommodation to allow for the relocation of students during major capital works projects (\$7.760 million) and demolition costs for school development projects (\$4.850 million)
- » additional lease costs for school sites transferred to iwi as part of Treaty Settlements (\$5.556 million increase), and
- » transfers from 2018/19 for:
  - › the delay in the rationalisation of portfolio projects due to a contractor availability issue (\$4.041 million)
  - › closed schools maintenance (\$2.068 million).

## Ministry of Education – Capital Expenditure PLA

### About this appropriation

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

### What we intended to achieve

This appropriation is intended to provide assets that support the delivery of the Ministry of Education's services, and for schools to deliver their educational responsibilities, including new assets, and renewal and replacement of life-expired assets for the school sector property portfolio.

### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
71% of State Schools	Percentage of State schools where the number of entitled teaching spaces (based on their rolls) is between 75% and 105% of the number of physical teaching spaces (see Note 1).	67%	72%	Achieved
70%	Percentage of State school buildings with property-related elements of Innovative Learning Environment assessments showing a functionality score of '3' or better (see Note 2).	65%	71.10% <sup>7</sup>	Achieved
95%	Percentage of State school buildings with an assessed maintenance forecast for the next 10 years that is no more than 20% of their replacement value, as an indication of condition (see Note 3).	88%	96%	Achieved

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

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

<sup>7</sup> For 2019/20, the coverage of buildings by area for this measure was 80%.

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

## Financial performance

	2018/19 Actual	Budget	2019/20 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Capital expenditure</b>				
School property portfolio:				
Land	94,791	115,053	62,000	72,032
Buildings	904,730	970,918	880,365	998,435
Ministry-wide:				
Office furniture, fittings and equipment	4,633	13,774	11,916	9,960
Computer hardware	12,595	17,810	4,025	3,017
Intangibles – computer software	25,937	34,623	29,520	21,502
<b>Total capital expenditure</b>	<b>1,042,686</b>	<b>1,152,178</b>	<b>987,826</b>	<b>1,104,946</b>

The amount of appropriation is a forecast amount to be spent for the budget year rather than an approved amount as the appropriation is authorised by a permanent legislative authority (PLA). The Ministry uses depreciation funding held on its balance sheet, proceeds of sale and capital injections to purchase or develop assets. For details of departmental capital injections, refer to Note 18 in the Departmental Financial Statements (page 107).

Actual expenditure is \$47.232 million (4%) lower than Budget mainly due to a combination of:

- » realignment of settlement timeframes for some key acquisitions to keep up with demand for future New Schools projected in the National Education Growth Plan, which has pushed some land purchases into later financial years (\$43.021 million decrease)
- » revision of the ICT Investment Plan (\$27.914 million decrease)
- » a number of school redevelopment and roll growth construction projects have progressed faster than expected (\$27.517 million increase), and
- » the impact of COVID-19 on the school property capital expenditure programme was not as significant as expected in the Supplementary Estimates.

## 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 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	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. The service standards and measures are outlined in the Information Communications and Technology — Business Services Catalogue.

### Financial performance

	2018/19 Actual	2019/20 Budget	2019/20 Supplementary Estimates	2019/20 Actual
	\$000	\$000	\$000	\$000
Expenses	2,107	1,800	2,650	3,807
Funded by:				
Revenue from other government agencies	2,107	1,800	2,650	3,807

Under a Revenue Dependent Appropriation (RDA) output expenses may be incurred, without further appropriation, up to the amount of revenue earned. The RDA provides flexibility to respond to unanticipated changes in the level of demand. The 2019/20 outturn reflects the prevailing level of demand for services to other agencies on a cost recovery basis.

## Transfer of an Asset to the Teaching Council of Aotearoa New Zealand

### About this appropriation

This appropriation is limited to the expenses incurred in transferring the Teaching Council Online Services Application intangible asset from the Ministry of Education to the Teaching Council of Aotearoa New Zealand.

### What we intended to achieve

This appropriation is intended to enable the Teaching Council of Aotearoa New Zealand's core business functions to be done online.

### What was achieved

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2018/19		2019/20	2019/20	
New Measure	This asset will be transferred to the Teaching Council of Aotearoa New Zealand by 30 June 2020.	Achieved	This asset was transferred to the Teaching Council in May 2020.	Achieved

### Financial performance

	2018/19 Actual		2019/20 Budget	2019/20 Supplementary Estimates	2019/20 Actual
	\$000		\$000	\$000	\$000
Departmental other expense	-		-	2,935	2,906

This new appropriation was created to transfer the Education Workforce Shared Platform Asset to the Teaching Council of Aotearoa New Zealand. The Teaching Council is an independent statutory body and registered charity. The other expense appropriation met the write-off cost of removing the asset from the Ministry's balance sheet.



# Vote Tertiary Education

## Portfolio Minister – Minister of Education

### Stewardship of the Tertiary Education System

#### About this appropriation

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

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

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

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

#### What we intended to achieve

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

#### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
<b>Stewardship of the Tertiary Education System</b>				
7	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	8	<b>Achieved</b>

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

#### 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.

3.14	Internal quarterly assessment of the quality of the Ministry's policy advice (see Note 1).	Mean of 3.5 out of 5	3.3	<b>Not achieved</b>  Most papers scored 'adequate' or 'good', meeting most quality standards or most standards, with some elements missing. Continuous improvements processes and regular training in place to address gaps.
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Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
Revised Measure	Satisfaction of the portfolio Minister with the policy advice service (see Note 2).	Baseline year	5 out of 5	<b>Achieved</b>
<b>Research, Data Analysis and Monitoring</b>				
This category is intended to contribute to a shared strategic direction and alignment across the tertiary education system.				
Forecasts were accurate to within +0.5% 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	Forecasts were accurate within +3.3% of actual values.	<b>Not achieved</b> Changes were made to assist students to cope with COVID-19, which we did not know about in advance and therefore could not be forecast, causing the target to be missed by a small margin.
8	The satisfaction rating given by the Minister of Education on the quality of monitoring advice provided by the Ministry about Crown agencies (see Note 3).	7	8	<b>Achieved</b>
Good	The quality and range of the Ministry's analytical outputs is assessed through an independent expert review (see Note 4).	Quality is assessed as 'Good' or better	Good	<b>Achieved</b>
8	The satisfaction rating given by Ministers for the quality and timeliness of support for Ministerial delegations and visits (see Note 3).	7	8	<b>Achieved</b>
94%	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%	95%	<b>Achieved</b>

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
99.7%	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%	Achieved

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

**Note 2** - The Ministerial Policy Satisfaction Survey assesses Ministers' satisfaction with the services provided by the policy function on a scale from 1 to 5, where 1 means unsatisfied and 5 means extremely satisfied. The survey contains a common set of questions to be used by all policy agencies from 1 July 2019, with guidance available on the Department of Prime Minister and Cabinet Policy Project website.

**Note 3** - The rating measures Ministers' satisfaction on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

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

## Financial performance

	2018/19 Actual	Budget	2019/20 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>15,598</b>	<b>16,678</b>	<b>18,557</b>	<b>17,873</b>

This is made up of the following category information:

<b>Departmental Output Expenses</b>				
Policy Advice	9,904	6,821	8,321	11,104
Research, Data Analysis and Monitoring	5,694	9,857	10,236	6,769
<b>Funding for Departmental Output Expenses</b>				
<b>Revenue from the Crown</b>	<b>14,977</b>	<b>15,928</b>	<b>17,807</b>	<b>17,807</b>
Policy Advice	7,171	6,821	8,321	8,321
Research, Data Analysis and Monitoring	7,806	9,107	9,486	9,486
<b>Revenue from Others</b>	<b>786</b>	<b>750</b>	<b>750</b>	<b>1,020</b>
Policy Advice	55	-	-	78
Research, Data Analysis and Monitoring	731	750	750	942

Actual expenditure is \$1.195 million (7%) higher than Budget mainly due to provision in the Supplementary Estimates for the Reform of Vocational Education work programme.

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

## Establishing a Single National Vocational Education Institution

### About this appropriation

This appropriation is limited to expenses incurred in establishing a single national vocational education institution.

### What we intended to achieve

This appropriation is intended to achieve the establishment of a single national vocational education institution as part of the Government's Reform of Vocational Education.

### What was achieved

Performance 2018/19	Performance Measure	Budget Standard 2019/20	Actual Performance 2019/20	Comment
New Measure	A Ministerial Advisory Group to guide the establishment of a single national vocational institution is appointed by 1 September 2019.	Achieved	The First Establishment Board had their first board meeting on 6 September 2019.	<b>Achieved</b>
New Measure	An inaugural Council for a single national vocational education institution is appointed after the enactment of legislation establishing it as a Tertiary Education Institution.	Achieved	The Council was in place ready for the 1 April launch of the national vocational education institution.	<b>Achieved</b>

### Financial performance

	2018/19 Actual	2019/20		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	-	-	6,000	6,000
Funded by:				
Revenue Crown	-	-	6,000	6,000
Other revenue	-	-	-	-

This new appropriation of \$6 million funded a business unit within the Ministry of Education to lead the establishment of a single national vocational education institution.

## Asset measures

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

Asset Portfolio	Asset Purpose	Quantity as at 30 June 2020	Net Book Value as at 30 June 2020 (\$'000)	
School Property	To enable the delivery of education through provision of schools.	8,000 hectares of land	Land	5,925,400
		Around 2,100 state schools (over 15,000 buildings and over 35,500 learning spaces)	Buildings	13,677,323
			Total owned	19,602, 723
ICT	To enable core business function through provision of computer hardware and software.	12 critical systems	Hardware	12,704
		5,512 user devices	Software	64,560
			Total owned	77,264

Performance 2018/19	Performance Measure	Budget Standard or Target 2019/20	Actual Performance 2019/20	Comment
<b>ICT</b>				
100%	The percentage of time our critical systems are available (see Note 1).	99.85%	100%	Achieved
100%	The percentage of time our systems are available.	95%	100%	Achieved
14%	Peak usage of any one of the Ministry of Education's Wide Area Network bandwidth links.	80%	60.84%	Achieved
58% <sup>8</sup>	The Ministry of Education's disk storage capacity — allocated storage.	No more than 90%	72%	Achieved
100%	The percentage of computers/user devices aged < 5 years.	95%	100%	Achieved
80%	The percentage of critical systems requiring upgrade within the last 5 years, which have been upgraded (see Note 1).	70%	100%	Achieved

<sup>8</sup> The result reported was the result for the month of June 2018. Disk storage capacity is measured monthly; additional capacity is purchased as necessary across the year to stay under the target limit of no more than 90%.

Performance 2018/19	Performance Measure	Budget Standard or Target 2019/20	Actual Performance 2019/20	Comment
41	Number of critical (priority 1) faults per annum.	80	43	Achieved
Revised Measure (68 minutes)	Average time to resolve priority 1 faults.	120 minutes	107 minutes	Achieved
4	Annual network penetration test risk level assessment (5 – critical, 4 – high, 3 – medium, 2 – low, 1 – informational).	4	4	Achieved
<b>School ICT Network<sup>9</sup></b>				
Revised Measure (100%)	Percentage of eligible schools with ultra-fast broadband (UFB) connection available (see Note 2).	95%	100%	Achieved
99.5%	Percentage of eligible schools connected to the managed network (see Note 2).	99.55%	100%	Achieved
95%	Percentage of State schools' teaching spaces with an Innovative Learning Environment rating for ICT of 50% or better (see Note 3).	85%	95.7% <sup>10</sup>	Achieved
<b>School Property Portfolio</b>				
Refer to results on pages 60 to 63.				

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

**Note 2** – Eligible schools are defined as State schools, integrated schools and partnership schools. For the purposes of this measure, schools that are not open or do not have a UFB connection do not count as an eligible school. Connected means a school that is connected to the managed network provided by Network for Learning (N4L) directly, or via a shared connection with another eligible school, or through a third party internet connection with appropriate filtering that is fully funded by the Ministry via N4L.

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

<sup>9</sup> The only component of school ICT infrastructure that is on the Ministry's balance sheet is in-building infrastructure, such as cabling. Its net value is included within the Buildings class of the School Property asset portfolio.

<sup>10</sup> For 2019/20, the coverage of buildings by area for this measure was 78%.





# PART THREE

## Annual financial statements

The financial statements are presented in three parts – departmental (page 76), non-departmental (page 115) and appropriation statements (page 125).

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 2020. They also include forecast financial statements for the following financial year and comparative information for the previous financial year.

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

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

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# Ministry of Education

## Departmental Financial Statements

for the year ended 30 June 2020

### Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2020

2019 Actual			2020 Actual	2020 Budget	2021 Forecast
\$000	Notes		\$000	(unaudited) \$000	(unaudited) \$000
<b>Revenue</b>					
2,489,640	Revenue Crown	3	2,656,625	2,502,939	2,788,006
45,425	Other revenue	3	101,025	8,606	9,456
<b>2,535,065</b>	<b>Total operating revenue</b>		<b>2,757,650</b>	<b>2,511,545</b>	<b>2,797,462</b>
<b>Expenses</b>					
348,760	Personnel costs	4	381,327	365,107	399,365
658,709	Depreciation and amortisation	11,12	700,348	670,590	707,083
1,079,515	Capital charge	5	1,103,954	1,099,343	1,136,648
28,379	Finance costs	6	36,704	36,165	35,806
379,405	Other operating expenses	7	432,016	340,340	518,560
<b>2,494,768</b>	<b>Total operating expenses</b>		<b>2,654,349</b>	<b>2,511,545</b>	<b>2,797,462</b>
<b>40,297</b>	<b>Net operating surplus</b>		<b>103,301</b>	<b>-</b>	<b>-</b>
<b>Remeasurements <sup>1</sup></b>					
(70,621)	Net unrealised (loss)/gain in fair value of derivative financial instruments	19	(70,819)	718	(2,523)
(1,211)	Unrealised (loss) in fair value of retiring and long service leave	16	(948)	-	-
<b>(31,535)</b>	<b>Net surplus/(deficit)</b>		<b>31,534</b>	<b>718</b>	<b>(2,523)</b>
<b>Other comprehensive revenue</b>					
293,273	Gain on property revaluations	11	893,757	-	-
<b>261,738</b>	<b>Total comprehensive revenue and expense</b>		<b>925,291</b>	<b>718</b>	<b>(2,523)</b>

Explanations of major variances against the original 2020 budget are provided in Note 22.

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

<sup>1</sup> 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 2020

2019 Actual			2020 Actual	2020 Budget	2021 Forecast
\$000		Notes	\$000	(unaudited) \$000	(unaudited) \$000
<b>Assets</b>					
<b>Current assets</b>					
78,848	Cash and cash equivalents		57,412	70,000	95,000
535,141	Debtors and other receivables	8	616,864	558,050	665,004
38,563	Prepayments	9	55,769	33,000	41,000
18,701	Non-current assets held for sale	10	132,404	32,693	25,000
<b>671,253</b>	<b>Total current assets</b>		<b>862,449</b>	<b>693,743</b>	<b>826,004</b>
<b>Non-current assets</b>					
18,535,916	Property, plant and equipment	11	19,652,200	18,621,724	20,099,857
83,057	Intangible assets	12	83,429	108,261	88,451
<b>18,618,973</b>	<b>Total non-current assets</b>		<b>19,735,629</b>	<b>18,729,985</b>	<b>20,188,308</b>
<b>19,290,226</b>	<b>Total assets</b>		<b>20,598,078</b>	<b>19,423,728</b>	<b>21,014,312</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
169,844	Creditors and other payables	13	215,702	165,360	170,600
33,966	Return of operating surplus to Crown	14	90,241	-	-
624	Provisions	15	2,228	-	-
23,208	Employee entitlements	16	30,631	20,000	25,000
6,983	Service concession liabilities	17	7,869	7,854	8,555
<b>234,625</b>	<b>Total current liabilities</b>		<b>346,671</b>	<b>193,214</b>	<b>204,155</b>
<b>Non-current liabilities</b>					
2,837	Provisions	15	1,593	2,300	1,600
11,054	Employee entitlements	16	13,699	9,200	13,000
504,350	Service concession liabilities	17	502,303	494,593	487,979
112,164	Derivative financial instruments (net)	19	182,983	66,319	174,416
<b>630,405</b>	<b>Total non-current liabilities</b>		<b>700,578</b>	<b>572,412</b>	<b>676,995</b>
<b>865,030</b>	<b>Total liabilities</b>		<b>1,047,249</b>	<b>765,626</b>	<b>881,150</b>
<b>18,425,196</b>	<b>Net assets</b>		<b>19,550,829</b>	<b>18,658,102</b>	<b>20,133,162</b>
<b>Taxpayers' equity</b>					
5,379,026	General funds	18	5,660,152	5,896,008	6,254,615
13,046,170	Property revaluation reserves	18	13,890,677	12,762,094	13,878,547
<b>18,425,196</b>	<b>Total taxpayers' equity</b>		<b>19,550,829</b>	<b>18,658,102</b>	<b>20,133,162</b>

Explanations of major variances against the original 2020 budget are provided in Note 22.

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



## Statement of Changes in Taxpayers' Equity

for the year ended 30 June 2020

2019 Actual			2020 Actual	2020 Budget	2021 Forecast
				(unaudited)	(unaudited)
\$000		Notes	\$000	\$000	\$000
18,016,213	Balance at 1 July		18,425,196	18,168,209	19,538,699
261,738	Total comprehensive revenue and expense		925,291	718	(2,523)
Owner transactions					
216,995	Capital injections		389,969	499,041	600,150
(35,784)	Capital withdrawals		(99,386)	(9,866)	(3,164)
(33,966)	Return of operating surplus to Crown	14	(90,241)	-	-
18,425,196	Balance at 30 June	18	19,550,829	18,658,102	20,133,162

Explanations of major variances against the original 2020 budget are provided in Note 22.

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

## Statement of Cash Flows

for the year ended 30 June 2020

2019 Actual		2020 Actual	2020 Budget (unaudited)	2021 Forecast (unaudited)
\$000		\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
2,601,235	Receipts from Revenue Crown	2,569,568	2,510,950	2,739,555
28,040	Receipts from other revenue	34,222	8,606	9,767
(364,761)	Payments to suppliers	(420,420)	(341,087)	(525,647)
(345,273)	Payments to employees	(371,853)	(364,360)	(405,708)
(1,079,515)	Payments for capital charge	(1,103,954)	(1,099,343)	(1,136,648)
(1,380)	Goods and services tax (net)	1,218	-	(690)
<b>838,346</b>	<b>Net cash flow from operating activities</b>	<b>708,781</b>	<b>714,766</b>	<b>680,629</b>
<b>Cash flows from investing activities</b>				
37,954	Receipts from sale of property, plant and equipment	133,368	-	107,404
(931,406)	Purchase of property, plant and equipment	(1,053,901)	(1,117,555)	(1,181,274)
(25,937)	Purchase of intangible assets	(21,502)	(34,623)	(22,000)
<b>(919,389)</b>	<b>Net cash flow from investing activities</b>	<b>(942,035)</b>	<b>(1,152,178)</b>	<b>(1,095,870)</b>
<b>Cash flows from financing activities</b>				
216,995	Capital injections	377,522	499,041	600,150
(35,784)	Capital withdrawals	(99,386)	(9,866)	(3,164)
(44,399)	Return of operating surplus to Crown	(21,519)	(6,392)	(90,241)
(24,519)	Payment of finance charges on service concession arrangements	(37,734)	(38,088)	(46,047)
(4,241)	Repayment of service concession liability	(7,065)	(7,283)	(7,869)
<b>108,052</b>	<b>Net cash flow from financing activities</b>	<b>211,818</b>	<b>437,412</b>	<b>452,829</b>
<b>27,009</b>	<b>Net (decrease)/increase in cash</b>	<b>(21,436)</b>	<b>-</b>	<b>37,588</b>
51,839	Cash at the beginning of the year	78,848	70,000	57,412
<b>78,848</b>	<b>Cash at the end of the year</b>	<b>57,412</b>	<b>70,000</b>	<b>95,000</b>

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.

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

2019		2020
Actual		Actual
\$000		\$000
<b>(31,535)</b>	<b>Net surplus</b>	<b>31,534</b>
	<b>Add/(less) non-cash items</b>	
653,185	Depreciation, impairment and write-off on property, plant and equipment	685,253
17,414	Amortisation, impairment and write-off on intangible assets	21,178
-	Impairment of non-current assets held for sale	120
70,621	Net unrealised loss on derivative financial instruments	70,819
1,881	Increase in non-current employee entitlements	2,645
606	Increase/(decrease) in non-current provisions	(1,244)
<b>743,707</b>	<b>Total non-cash items</b>	<b>778,771</b>
	<b>Add/(less) items classified as investing or financing activities</b>	
(15,236)	Net (gain) on sale of property, plant and equipment	(71,575)
28,379	Finance charges on service concession arrangements	36,704
<b>13,143</b>	<b>Total investing or financing activities</b>	<b>(34,871)</b>
	<b>Add/(less) movements in working capital items</b>	
109,877	Decrease/(increase) in debtors and other receivables	(81,723)
(519)	(Increase) in prepayments	(1,768)
1,542	Increase in creditors and other payables	7,811
2,876	Increase in current employee entitlements	7,423
(745)	(Decrease)/increase in current provisions	1,604
<b>113,031</b>	<b>Total net movement in working capital items</b>	<b>(66,653)</b>
<b>838,346</b>	<b>Net cash flow from operating activities</b>	<b>708,781</b>

## Statement of Commitments

as at 30 June 2020

2019 Actual \$000		2020 Actual \$000
<b>Capital commitments</b>		
The future aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability at balance date are as follows:		
<b>School property capital works programme</b>		
673,948	• Not later than one year	931,422
1,419,372	• Later than one year and not later than five years	1,854,845
343,335	• Later than five years	376,193
<b>2,436,655</b>	<b>Total school property capital commitments</b>	<b>3,162,460</b>
<b>Development of Education Resourcing System</b>		
4,160	• Not later than one year	632
-	• Later than one year and not later than five years	-
-	• Later than five years	-
<b>Data for Wellbeing programme</b>		
436	• Not later than one year	88
-	• Later than one year and not later than five years	-
-	• Later than five years	-
<b>2,441,251</b>	<b>Total capital commitments</b>	<b>3,163,180</b>
<b>Non-cancellable operating leases</b>		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
<b>Ministry office premises</b>		
22,558	• Not later than one year	21,045
66,152	• Later than one year and not later than five years	70,208
92,517	• Later than five years	65,560
<b>School property</b>		
12,337	• Not later than one year	24,567
36,377	• Later than one year and not later than five years	76,638
79,873	• Later than five years	210,080
<b>Motor vehicles</b>		
1,668	• Not later than one year	1,796
1,397	• Later than one year and not later than five years	2,981
-	• Later than five years	-
<b>312,879</b>	<b>Total non-cancellable operating lease commitments</b>	<b>472,875</b>
<b>2,754,130</b>	<b>Total commitments</b>	<b>3,636,055</b>

## School property capital works programme

The school property capital works programme commitments are for the acquisition or construction of buildings.

The \$725.805 million increase in school property capital works programme commitments is due to a combination of.

- » significant increases in Redevelopment, New School and Roll Growth funded commitments this year (collectively a \$676.729 million increase)
- » a relatively small increase in Five-Year Agreement funding for schools in line with the completion of the School 10-Year Property Plan (\$57.267 million increase), and
- » reduced Public Private Partnership (PPP) capital commitments due to the revision of the PPP2 financial model which lowered the future life-cycle costs (\$8.191 million decrease).

## Education Resourcing System

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

## Data for Wellbeing programme

The Data for Wellbeing 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 commitments are for the Ministry's national office premises at 33 Bowen Street and 1 The Terrace, Wellington. These leases expire in December 2030 and December 2032, respectively.

The reduced office lease commitments this year are mainly due to the passage of time, partially offset by the establishment of a new long-term lease in Whangarei from July 2020 through to August 2032.

The total of minimum future office accommodation payments expected to be received under co-location agreements with other government departments at balance date is \$6.001 million (2019: \$6.538 million). This revenue is accounted for against appropriation Services to Other Agencies RDA.

The majority of school property leases are for Treaty of Waitangi settlement redress over some school land. Under these leases, the Crown can keep leasing the land from iwi for as long as it is needed for education purposes. The increase this year is mainly due to the establishment of leases over a number of school sites in Auckland and Wellington for an initial term of 21 years.

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 2020

### Quantifiable contingent liabilities

2019		2020
Actual		Actual
\$000		\$000
<b>Legal proceedings and disputes</b>		
17,450	Contractual disputes	17,733
5,720	Historical personal grievance claims in government institutions such as special schools	8,095
<b>23,170</b>	<b>Total quantifiable contingent liabilities</b>	<b>25,828</b>

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, although they have implications for changes to policy and operations if successful (2019: Nil).

### Unquantifiable contingent assets

The Ministry has no unquantifiable contingent assets (2019: The Ministry disclosed an unquantifiable contingent asset related to a claim for weather-tightness against a cladding manufacturer).

### Quantifiable contingent assets

The Ministry has no quantifiable contingent assets (2019: \$Nil).



# Notes to the Departmental Financial Statements

for the year ended 30 June 2020

## 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 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 (PBE) for financial reporting purposes.

The financial statements of the Ministry are for the year ended 30 June 2020, and were authorised for issue by the Secretary for Education on 30 September 2020.

## 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 practices (NZ GAAP) and Treasury Instructions.

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

### Measurement base

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

### Functional and presentation currency

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

### Changes in accounting policies

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

### *Impairment of revalued assets*

The scope of PBE IPSAS 21 Impairment of Non-Cash-Generating Assets was amended to include assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 Property, Plant and Equipment. Following the amendment, revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model. Also, a revalued asset can be impaired without having to revalue the entire class-of-assets to which the asset belongs. In addition, the amendment clarifies that for revalued assets, impairment losses and reversals thereof are accounted for in the same way as revaluation decreases and increases. There is no financial impact arising from this change for the year.

### **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:

#### *Cash flow statements – changes in liabilities arising from financial activities*

An amendment to PBE IPSAS 2 Cash Flow Statements, included in the 2018 Omnibus Amendments to the PBE Standards, requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021. There is no requirement to provide comparative information for preceding periods. The Ministry will adopt this amendment for the financial year ending 30 June 2021. The Ministry is currently assessing the impact of the revised PBE Standard.

### **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, 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 salary 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:

*COVID-19*

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 pandemic, and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March to 27 April, and then remained in lockdown at Alert Level 3 until 13 May.

The effect on our operations is reflected in these financial statements, based on the information available at 30 June. At this time, it is difficult to determine the full ongoing effect of COVID-19 and therefore some uncertainties remain. There could also be other matters that affect the Ministry in the future, of which we are not yet aware. To the extent possible we have considered the likely impact of COVID-19 on areas such as: accrued operating expenses; work-in-progress; provisioning for doubtful debts; and the revaluation of assets at year end.

The impact on the financial statements is reflected in the variance analysis against budget in Note 22 and the changes to the budget and forecast figures in the next section.

*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 2020 and a salary inflation factor of 2.5% (2019: 2.5%). The discount rates used are based on the yields on Government Bonds and range from 0.22% to 4.30% (2019: 1.26% to 4.30%).

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

#### *Land valuation*

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

#### *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 May 2020. The Ministry has applied an uplift factor based on the Capital Goods Pricing Index when establishing the inputs used in the 30 June 2020 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.

2019 unit rate	Component	2020 unit rate
\$874 m <sup>2</sup>	Classroom – fit out	\$924 m <sup>2</sup>
\$1,010 m <sup>2</sup>	Classroom – services	\$1,069 m <sup>2</sup>
\$413 m <sup>2</sup>	Classroom – roof	\$438 m <sup>2</sup>
\$1,484 m <sup>2</sup>	Classroom building structures – single storey	\$1,571 m <sup>2</sup>
\$451 m <sup>2</sup>	Classroom building structures – per storey	\$474 m <sup>2</sup>
\$832 m <sup>2</sup>	Ancillary buildings	\$844 m <sup>2</sup>
\$447 m <sup>2</sup>	Covered way	\$462 m <sup>2</sup>
\$3,570 m <sup>2</sup>	Swimming pools	\$3,644 m <sup>2</sup>
\$63,238 each	Boilers	\$63,326 each
\$120,453 each	Lifts – standard (3 floors)	\$120,620 each
\$6,525 each	Lifts – additional floor	\$6,634 each
\$3,660 each	Transportables	\$3,777 each
\$13,300 each	Hoists	\$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.

### **Critical judgements in applying accounting policies**

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

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

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

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

None of the Ministry's leasing arrangements are classified as finance leases.

## Budget and forecast figures

The budget figures in the financial statements are for the year ended 30 June 2020 and were published in the 2019 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the 2019 Budget Economic and Fiscal Update (BEFU) for the 2019/20 year. The BEFU figures do not provide for the annual revaluation of school property (land and buildings) assets as it is Crown policy not to budget for annual revaluation movements.

The forecast financial statement figures are for the year ending 30 June 2021, and are consistent with the best estimate financial forecast information submitted to Treasury for the 2020 Pre-Election Economic and Fiscal Update (PREFU) for the 2020/21 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 forecast figures provide for the 30 June 2020 annual revaluation of school property assets. This resulted in a revaluation increase of approximately 5%. Adjustments for capital charge and depreciation will be included in the Supplementary Estimates of Appropriations for 2020/21.

The forecast figures include the carry forward of \$30.575 million from 2019/20 to complete work programmes delayed mainly due to the COVID-19 lockdown. They also include additional funding of \$129.957 million to implement initiatives through the COVID-19 Response and Recovery Fund, notably for:

- » supporting Māori learners and Te Reo Māori post-COVID-19 (\$58.822 million)
- » increasing Ongoing Resourcing Scheme teacher aide hours (\$21.221 million)
- » targeted support for Pacific learners and families to engage in education (\$15.585 million), and
- » increasing wellbeing and mental health support to learners and education workforce (\$13.919 million).

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The forecast financial statements were approved for issue by the Secretary for Education on 22 July 2020. 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 2021 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 2020/21 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 and that the operations of the Ministry will not be adversely affected by any further COVID-19 lockdowns
- » 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 2019/20 was used as the opening position for the 2020/21 forecasts.

Factors that could lead to material differences between the forecast and the actual results include changes to the baseline budget through new initiatives and the transfer of funding across financial years or technical adjustments, such as remeasurement of derivative financial instruments, impairment of school property assets, revaluation of school property assets at 30 June 2021 and change in capital charge rate (currently 6%).

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2021 will not be published.

## Note 3 – Revenue

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

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

A breakdown of revenue from other sources is as follows:

2019 Actual \$000		2020 Actual \$000
	<i>Non-exchange</i>	
15,505	Third party contributions to development of school building assets	15,316
2,915	Weather-tightness settlements	1,889
786	Export Education Levy	983
-	Compensation from Auckland Council for stormwater works at Kauri Flats school site	650
372	ECE Licensing Application Fees	333
3,273	Gain from insurance claims	-
	<i>Exchange</i>	
15,859	Gain on sale of property, plant and equipment	72,117
4,081	School house rentals	4,921
2,107	Support services to other public entities	3,807
527	Miscellaneous revenue	1,009
<b>45,425</b>	<b>Total other revenue</b>	<b>101,025</b>



## Note 4 – Personnel Costs

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

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

Termination benefits are recognised in the surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to 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:

2019 Actual \$000	2020 Actual \$000
327,500 Salaries and wages	354,870
4,757 Increase in employee entitlements	10,068
8,585 Superannuation contributions to defined contribution plans	9,605
4,942 Training and development	3,812
493 Increase in payroll remediation provision	843
(347) (Decrease) in restructuring provision	(580)
(388) (Decrease) in pay equity provision	-
3,218 Other personnel costs	2,709
<b>348,760 Total personnel costs</b>	<b>381,327</b>

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

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

## Note 5 – Capital Charge

The Ministry pays a capital charge to the Treasury on its taxpayers' equity as at 30 June and 31 December each year. The rate used for calculation of capital charge is the public sector discount rate. The capital charge rate for the six months to 31 December 2019 was 6% and the rate for the six months to 30 June 2020 was 6% (2019: 6% and 6%, respectively).

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

## Note 6 – Finance Costs

Finance costs are recognised in relation to the repayment of the liability associated with 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:

2019 Actual \$000	2020 Actual \$000
527 Fees to auditors for audit of the financial statements	555
135,919 • Contracts for services	141,148
82,268 • Specialist learning support service costs	93,073
41,475 Maintenance of school property	58,529
19,892 Operating lease costs – School property	24,619
18,954 Operating lease costs – Office accommodation	21,319
1,435 Operating lease costs – Motor vehicles	1,832
191 Operating lease costs – Office equipment	585
21,377 ICT costs	24,334
12,370 Travel, meetings and conference costs	11,049
11,793 Legal fees and litigation costs	10,471
7,995 Insurance	8,941
6,221 Consultants	8,120
37 Risk and Assurance Board fees	44
10,752 Write-off and impairment of property, plant and equipment	2,767
623 Loss on sale of property, plant and equipment	542
- Impairment of non-current assets held for sale	120
1,138 Write-off and impairment of intangible assets	3,316
103 Increase in lease reinstatement provision	97
(230) Increase/(decrease) in provision for impairment of trade debtors	14
6,565 Other	20,541
<b>379,405 Total other operating expenses</b>	<b>432,016</b>

There is \$1.280 million fees included in the Schedule of Non-departmental Expenses to the auditors for other assurance services in relation to centrally provided audit work to support school auditors (\$496,000) and for consultancy fees for delivering digital technology programmes (\$784,000).

## 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.

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

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

2019 Actual \$000		2020 Actual \$000
	<i>Non-exchange</i>	
527,496	Debtor Crown	614,553
161	Accrued revenue – Export Education Levy	-
	<i>Exchange</i>	
2,909	Trade Debtors (net)	1,276
4,575	Other receivables (including accrued revenue)	1,035
<b>535,141</b>	<b>Total debtors and other receivables</b>	<b>616,864</b>

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

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

2019				2020		
Gross \$000	Impairment \$000	Net \$000		Gross \$000	Impairment \$000	Net \$000
1,133	-	1,133	Not past due	747	-	747
511	-	511	Past due 31 - 60 days	359	-	359
543	-	543	Past due 61 - 90 days	13	-	13
1,271	(549)	722	Past due > 91 days	359	(202)	157
<b>3,458</b>	<b>(549)</b>	<b>2,909</b>	<b>Total</b>	<b>1,478</b>	<b>(202)</b>	<b>1,276</b>

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

2019 Actual \$000		2020 Actual \$000
808	Balance at 1 July	549
(230)	Increase/(decrease) in provisions made during the year	14
(29)	Debtors written off during period	(361)
<b>549</b>	<b>Balance at 30 June</b>	<b>202</b>

## Note 9 – Prepayments

Prepayments are comprised of:

2019 Actual \$000	2020 Actual \$000
23,744 School property capital expenditure programme	39,182
14,819 Operating expenses	16,587
<b>38,563 Total prepayments</b>	<b>55,769</b>

## Note 10 – Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and the sale is highly probable. Assets are initially recorded as held for sale when:

- » identified as surplus to requirements and the property is actively marketed for sale at a price that is reasonable in relation to its current fair value, or
- » a deed is signed with a claimant group under a Treaty Settlement over school sites to be sold and leased back by the Ministry.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in net surplus or deficit. Any increases in fair value (less costs to sell) are recognised in net surplus or deficit up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Non-current assets held for sale comprise:

2019			2020		
Land \$000	Buildings \$000	Total \$000	Land \$000	Buildings \$000	Total \$000
27,156	5,537	32,693	13,851	4,850	18,701
-	-	-	(68)	(52)	(120)
(16,405)	(2,311)	(18,716)	(2,886)	(1,045)	(3,931)
3,100	1,624	4,724	116,791	963	117,754
<b>13,851</b>	<b>4,850</b>	<b>18,701</b>	<b>127,688</b>	<b>4,716</b>	<b>132,404</b>

The accumulated revaluation reserve balance associated with non-current assets held for sale at 30 June 2020 is \$92.591 million comprising of land \$88.457 million and buildings \$4.134 million (2019: \$13.395 million comprising of land \$9.465 million and buildings \$3.930 million).

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 Treaty settlement claims may take longer than 12 months due to legal and procedural matters beyond the Ministry's control.

## 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 or groups of property assets are capitalised if their cost is greater than \$5,000. Individual or groups of assets in other asset classes are capitalised if their cost is greater than \$2,500.

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

The initial cost of property, plant and equipment is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use. Where an asset is acquired at no cost, or for a nominal cost through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

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

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

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

### *Revaluations*

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

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

Early childhood education service buildings (playcentres and kindergartens) are valued by an independent registered valuer based on depreciated replacement cost.

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

The results of revaluing are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in taxpayers' equity for that class. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in net surplus or deficit. Any subsequent increase on revaluation, that offsets a previous decrease in value recognised in net surplus or deficit, will be recognised first in net surplus or deficit up to the amount previously expensed and then credited to the revaluation reserve for that class of asset.

### *School demolition costs*

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

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

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

### *Disposals*

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

### *Depreciation*

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

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

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

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

### *Impairment*

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

Property, plant and equipment carried at cost or revalued amount are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

For assets carried at cost an impairment loss or a reversal an impairment loss is recognised in the surplus or deficit.

For a revalued asset an impairment loss is recognised in other comprehensive revenue and expense to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets. Such an impairment loss on a revalued asset reduces the revaluation reserve for that class of assets. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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
<b>Cost or valuation</b>						
Balance at 1 July 2018	5,595,235	12,246,735	53,082	33,026	6,839	17,934,917
Additions	94,791	904,730	4,633	12,595	-	1,016,749
Revaluations	(30,955)	324,228	-	-	-	293,273
Reversal of accumulated depreciation on revaluation	-	(628,845)	-	-	-	(628,845)
Reclassified to assets held for sale	(3,100)	(1,624)	-	-	-	(4,724)
Reclassified between classes and from intangible assets	-	-	(5)	42	-	37
Disposals and write-offs	(4,574)	(10,063)	(74)	(3,967)	(3,502)	(22,180)
<b>Balance at 30 June 2019</b>	<b>5,651,397</b>	<b>12,835,161</b>	<b>57,636</b>	<b>41,696</b>	<b>3,337</b>	<b>18,589,227</b>
Additions	72,032	998,435	9,960	3,017	-	1,083,444
Revaluations	376,684	517,073	-	-	-	893,757
Reversal of accumulated depreciation on revaluation	-	(669,797)	-	-	-	(669,797)
Reclassified to assets held for sale	(116,791)	(963)	-	-	-	(117,754)
Reclassified between classes and from intangible assets	(398)	398	(53)	5	-	(48)
Disposals and write-offs	(57,524)	(2,984)	(791)	(3,886)	(1,204)	(66,389)
<b>Balance at 30 June 2020</b>	<b>5,925,400</b>	<b>13,677,323</b>	<b>66,752</b>	<b>40,832</b>	<b>2,133</b>	<b>19,712,440</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance at 1 July 2018	-	-	24,517	17,350	5,282	47,149
Depreciation expense	-	629,598	3,980	8,855	-	642,433
Eliminate on disposal or write-off	-	(753)	(74)	(3,817)	(2,782)	(7,426)
Eliminate on revaluation	-	(628,845)	-	-	-	(628,845)
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>28,423</b>	<b>22,388</b>	<b>2,500</b>	<b>53,311</b>
Depreciation expense	-	670,020	4,161	8,305	-	682,486
Eliminate on disposal or write-off	-	(223)	(791)	(3,844)	(902)	(5,760)
Eliminate on revaluation	-	(669,797)	-	-	-	(669,797)
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>31,793</b>	<b>26,849</b>	<b>1,598</b>	<b>60,240</b>
<b>Carrying amounts</b>						
At 1 July 2018	5,595,235	12,246,735	28,565	15,676	1,557	17,887,768
<b>At 30 June 2019</b>	<b>5,651,397</b>	<b>12,835,161</b>	<b>29,213</b>	<b>19,308</b>	<b>837</b>	<b>18,535,916</b>
<b>At 30 June 2020</b>	<b>5,925,400</b>	<b>13,677,323</b>	<b>34,959</b>	<b>13,983</b>	<b>535</b>	<b>19,652,200</b>



### 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:

2019 Actual \$000	2020 Actual \$000
741,120 Buildings including those financed under a service concession arrangement	1,082,720
2,100 Office furniture, fittings (leasehold improvements), and equipment	2,237
1,592 Computer hardware	1,279
<b>744,812 Total work-in-progress</b>	<b>1,086,236</b>

### 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 (PPP) agreements as detailed below. These are treated as service concession arrangements and accounted for in accordance with PBE IPSAS 32 – Service Concession Arrangement: Grantor.

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.

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

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 (capital) – these costs are not repriced
- » finance costs – these costs are repriced at least every five years following operational completion and the amount the Ministry pays to the contractor is adjusted
- » service costs – these costs cover the 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

- » life-cycle 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 of the quarterly unitary charge 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 Ministry of Education has entered into interest rate swaps with the New Zealand Debt Management Office to mitigate exposure to interest rate risk for the three service concession arrangements (refer Note 19). These interest rate swaps go out to the end of the service concession agreements.

The agreements provide for cancellation under certain circumstances, including for specified non-performance. There is no right of renewal at the end of the contracted agreements.

There are four service concession schools which are being expanded through the consortia. These schools are Hobsonville Point Primary School (under PPP1), Rolleston College (under PPP2), Wakatipu High School (under PPP2) and Te Ao Mārama (under PPP3).

#### *PPP1*

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

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

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

Carrying value of assets by source:

2019 Actual \$000	2020 Actual \$000
85,850 Learning Infrastructure Partners LP – Buildings	85,441
23,617 Ministry – Land	24,390
<b>109,467 Total carrying value</b>	<b>109,831</b>

During the financial year, Learning Infrastructure Partners LP re-financed their debt component to ensure improved debt terms and reduced base interest rates. This was performed approximately six months earlier than expected.

#### *PPP2*

The Ministry entered into a PPP agreement with Future Schools Partners LP 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 LP to use for the construction of the schools.

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

Carrying value of assets by source:

2019 Actual \$000	2020 Actual \$000
210,642 Future Schools Partners LP – Buildings	214,314
31,728 Ministry – Land	31,863
<b>242,370 Total carrying value</b>	<b>246,177</b>

During the financial year, Future Schools Partners LP re-financed their debt component to ensure improved debt terms and reduced base interest rates. This was performed approximately six months earlier than expected.

### PPP3

The Ministry entered into a PPP agreement with ShapEd NZ LP in April 2017 to provide the following five schools:

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

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

Carrying value of assets by source:

2019 Actual \$000	2020 Actual \$000
225,819 ShapEd NZ LP – Buildings	199,406
21,121 Ministry – Land	22,332
<b>246,940 Total carrying value</b>	<b>221,738</b>

### 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 2020. 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.

There is no evidence that the valuations were significantly impacted by COVID-19.

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
<b>2019</b>			
Quotable Value Limited	5,651,397	457,890	6,109,287
Internal assessment by experienced Ministry staff	-	12,377,271	12,377,271
<b>Total valuation as at 30 June 2019</b>	<b>5,651,397</b>	<b>12,835,161</b>	<b>18,486,558</b>
<b>2020</b>			
Quotable Value Limited	5,925,400	659,385	6,584,785
Internal assessment by experienced Ministry staff	-	13,017,938	13,017,938
<b>Total valuation as at 30 June 2020</b>	<b>5,925,400</b>	<b>13,677,323</b>	<b>19,602,723</b>

## 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 \$12.500 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:
  - › \$285 million for any one loss and in the aggregate
  - › one automatic reinstatement to \$570 million in the annual aggregate
  - › fire limit of \$60 million for any one loss and in the aggregate
  - › the deductible amount for non-catastrophic losses is \$12.500 million in the aggregate and then \$25,000 for each and every subsequent loss, and
  - › the deductible amount for catastrophic losses due to natural disasters is \$12.500 million for each and every loss.

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

## Note 12 – Intangible Assets

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

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

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

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

Costs that are directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the costs of materials and services, employee costs, and any directly attributable overheads.

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

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

### Amortisation

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

The useful lives of intangible assets have been estimated as follows:

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

### Impairment

The policy for impairment of property, plant and equipment in Note 11 also 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
<b>Cost</b>			
Balance at 1 July 2018	18,549	163,846	182,395
Additions	198	25,739	25,937
Disposals and write-offs	(2,810)	(5,702)	(8,512)
Reclassified between classes and to property, plant and equipment	(3,142)	3,105	(37)
<b>Balance at 30 June 2019</b>	<b>12,795</b>	<b>186,988</b>	<b>199,783</b>
Additions	46	21,456	21,502
Disposals and write-offs	(1,577)	(9,782)	(11,359)
Reclassified between classes and to property, plant and equipment	(1,397)	1,445	48
<b>Balance at 30 June 2020</b>	<b>9,867</b>	<b>200,107</b>	<b>209,974</b>
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July 2018	10,733	97,091	107,824
Amortisation expense	602	15,674	16,276
Disposals and write-offs	(1,730)	(5,644)	(7,374)
<b>Balance at 30 June 2019</b>	<b>9,605</b>	<b>107,121</b>	<b>116,726</b>
Amortisation expense	732	17,130	17,862
Disposals and write-offs	(1,577)	(6,466)	(8,043)
Reclassified between classes	(75)	75	-
<b>Balance at 30 June 2020</b>	<b>8,685</b>	<b>117,860</b>	<b>126,545</b>
<b>Carrying amounts</b>			
At 1 July 2018	7,816	66,755	74,571
<b>Balance at 30 June 2019</b>	<b>3,190</b>	<b>79,867</b>	<b>83,057</b>
<b>Balance at 30 June 2020</b>	<b>1,182</b>	<b>82,247</b>	<b>83,429</b>

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

There are software assets at a cost of \$85.944 million that are fully amortised but that are still in use (2019: \$72.825 million).

The total amount of software assets in the course of development is \$18,869 million (2019: \$21.944 million). This work-in-progress is included in the above figures at cost, less impairment, and is not amortised.

## Note 13 – Creditors and Other Payables

Creditors and other payables is comprised of:

2019 Actual \$000	2020 Actual \$000
<i>Exchange</i>	
12,569 Creditors	9,060
46,303 Accrued operating expenses	56,393
60,112 Accrued capital expenditure	102,715
25,606 Construction contract retentions	22,080
<i>Non-exchange</i>	
16,073 Taxes payable	17,303
9,181 Accrued finance costs	8,151
<b>169,844 Total creditors and other payables</b>	<b>215,702</b>

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

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

## Note 14 – Return of Operating Surplus to Crown

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

2019 Actual \$000	2020 Actual \$000
(31,535) Net surplus/(deficit)	31,534
70,621 Add net unrealised loss in fair value of derivative financial instruments	70,819
- Add 'other expense' – write-off	2,906
1,211 Add unrealised loss in fair value in discount rates for retiring and long service leave	948
(6,331) Less retained earnings for the school property capital works programme (including insurance proceeds in 2018/19 and compensation from Auckland City Council in 2019/20)	(15,966)
<b>33,966 Total return of operating surplus to Crown</b>	<b>90,241</b>

The other expense adjustment is for a non-output related activity, the write-off expense incurred in transferring the Teaching Council Online Services Application intangible asset to the Teaching Council of Aotearoa New Zealand.

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

## Note 15 – Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

- » there is a present obligation (either legal or constructive) as a result of a past event
- » it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- » a reliable estimate can be made of the amount of the obligation.

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

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

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

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

Presentation of provisions:

2019 Actual \$000	2020 Actual \$000
<b>Current portion</b>	
624 Restructuring	44
- Reinstatement of leased premises	134
- Payroll remediation	2,050
<b>624 Total current portion</b>	<b>2,228</b>
<b>Non-current portion</b>	
1,630 Reinstatement of leased premises	1,593
1,207 Payroll remediation	-
<b>2,837 Total non-current portion</b>	<b>1,593</b>
<b>3,461 Total provisions</b>	<b>3,821</b>



Movements for each class of provision are as follows:

	Lease reinstatement	Payroll remediation	Restructuring
	\$000	\$000	\$000
Balance at 1 July 2018	1,527	714	971
Additional provisions made	119	493	644
Amounts used	-	-	(894)
Unused amounts reversed	(16)	-	(97)
<b>Balance at 30 June 2019</b>	<b>1,630</b>	<b>1,207</b>	<b>624</b>
Additional provisions made	216	843	53
Amounts used	-	-	(574)
Unused amounts reversed	(119)	-	(59)
<b>Balance at 30 June 2020</b>	<b>1,727</b>	<b>2,050</b>	<b>44</b>

## 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.

2019 Actual \$000	2020 Actual \$000
<b>Current portion</b>	
16,706 Annual leave	22,196
2,009 Retirement gratuities	2,298
645 Long service leave	725
3,848 Other short-term employee entitlements	5,412
<b>23,208 Total current portion</b>	<b>30,631</b>
<b>Non-current portion</b>	
8,352 Retirement gratuities	10,312
2,702 Long service leave	3,387
<b>11,054 Total non-current portion</b>	<b>13,699</b>
<b>34,262 Total employee entitlements</b>	<b>44,330</b>

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, the salary inflation factor and resignation rates. Further information is provided in Note 2 under Critical Accounting Estimates and Assumptions.

The actuary who provided the valuation for long service leave and retiring gratuities as at 30 June 2020 and 30 June 2019 was Jonathan Eriksen, Fellow of the New Zealand Society of Actuaries.

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

- » If the salary inflation factor were to differ by 1.5% from the estimate, with all other factors held constant, the carrying amount of the combined liability for long service leave and retirement gratuities and the surplus/deficit would be estimated \$1.413 million higher/lower.
- » If the resignation rates were to differ by 50% from the estimate, with all other factors held constant, the carrying amount of the combined liability for long service leave and retirement gratuities and the surplus/deficit would be estimated \$17,000 higher/lower.
- » The increase in liability valuation from 30 June 2019 to 30 June 2020 due to the change in discount rates was \$948,000.

## Note 17 – Service Concession Liabilities

2019 Actual \$000	2020 Actual \$000
425,353 Balance at 1 July	511,333
90,221 Additions	5,904
(4,241) Repayments	(7,065)
<b>511,333 Balance at 30 June</b>	<b>510,172</b>
6,983 Current portion	7,869
504,350 Non-current portion	502,303
<b>511,333 Balance at 30 June</b>	<b>510,172</b>

The Ministry's service concession liabilities are interest bearing at the effective interest rate of 1.93% per quarter, 7.71% per annum (2019: 1.94% and 7.75%, respectively) for PPP1, 1.94% per quarter, 7.76% per annum (2019: 1.91% and 7.66%, respectively) for PPP2 and 1.60% per quarter, 6.40% per annum for PPP3 (2019: 1.64% and 6.58%, respectively). 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.

2019				2020		
General funds	Revaluation reserves	Total taxpayers' equity		General funds	Revaluation reserves	Total taxpayers' equity
\$000	\$000	\$000		\$000	\$000	\$000
5,271,387	12,744,826	18,016,213	Balance at 1 July	5,379,026	13,046,170	18,425,196
(31,535)	-	(31,535)	Net surplus/(deficit)	31,534	-	31,534
-	293,273	293,273	Gain on property revaluations	-	893,757	893,757
(8,071)	8,071	-	Transfers on disposal of property	49,250	(49,250)	-
216,995	-	216,995	Capital injections	389,969	-	389,969
(35,784)	-	(35,784)	Capital withdrawals	(99,386)	-	(99,386)
(33,966)	-	(33,966)	Return of operating surplus to the Crown	(90,241)	-	(90,241)
<b>5,379,026</b>	<b>13,046,170</b>	<b>18,425,196</b>	<b>Balance at 30 June</b>	<b>5,660,152</b>	<b>13,890,677</b>	<b>19,550,829</b>
Property revaluation reserves consist of:						
Land	4,952,154				5,282,349	
Buildings	8,094,016				8,608,328	

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

Capital injections were for the following:

2019 Actual \$000		2020 Actual \$000
215,370	Construction of new schools and roll growth classrooms, Christchurch Schools Rebuild Programme, purchase of land, additional non-teaching space and repayment of service concession liabilities	358,347
-	- Five-Year Agreement capital funding for school property for all state schools	15,000
-	- Third party contributions to development of school building assets	12,447
-	- Expansion of education facilities at the Mangere Refugee Resettlement Centre	3,542
-	- School property energy efficiency improvements	500
121	Expansion of Learning Support services	133
1,504	Development of an Integrated Education Data Programme	-
<b>216,995</b>	<b>Total capital injections</b>	<b>389,969</b>

Capital withdrawals were for the following:

2019 Actual \$000		2020 Actual \$000
	Transfer to departmental operating expenditure appropriation School Property Portfolio Management to lease back school sites sold to iwi as part of the Treaty Settlements process	(53,520)
	Transfer to departmental operating expenditure appropriations Support and Resources for Education Providers and Support and Resources for Teachers to lease motor vehicles	(15,000)
	Transfer to departmental operating expenditure appropriation Support and Resources for Teachers to meet cost pressures	(10,000)
(9,692)	Transfer to departmental operating expenditure appropriation School Property Portfolio Management to lease school buildings	(9,722)
(16,652)	Decisions to procure new schools under Public Private Partnership contracts rather than through traditional procurement process	(6,144)
	Transfer to departmental operating expenditure appropriation School Property Portfolio Management for school development project demolition costs	(5,000)
(4,000)	Transfer to non-departmental operating expenditure appropriation International Education Programmes for the Export Education Levy Fund	-
(2,400)	Transfer to non-departmental capital expenditure appropriation Schools Furniture and Equipment for the Wireless School Network Upgrade project	-
(1,850)	Transfer to departmental operating expenditure appropriation Support and Resources to Education Providers for the Education Sector Technology Infrastructure project	-
(1,190)	Transfer to non-departmental operating expenditure appropriation Contribution to the Teaching Council Aotearoa New Zealand for the Education Council Online Services project	-
<b>(35,784)</b>	<b>Total capital withdrawals</b>	<b>(99,386)</b>

## Note 19 – Financial Instruments

### Categories

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

2019 Actual \$000		2020 Actual \$000
	<b>Cash and receivables</b>	
78,848	Cash and cash equivalents	57,412
7,645	Trade debtors and other receivables	2,311
<b>86,493</b>	<b>Total cash and receivables</b>	<b>59,723</b>
	<b>Fair value through surplus and deficit</b>	
112,164	Derivative financial instrument (net)	182,983
<b>112,164</b>	<b>Net liability for derivative financial instruments</b>	<b>182,983</b>
	<b>Financial liabilities measured at amortised cost</b>	
12,569	Creditors	9,060
511,333	Service concession liabilities	510,172
<b>523,902</b>	<b>Total financial liabilities measured at amortised cost</b>	<b>519,232</b>

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

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

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

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

The Ministry's derivative financial instruments are interest rate swaps entered into with the 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 2020, the total notional principal of derivatives outstanding was \$446.819 million (2019: \$447.557 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 2020 derivatives in loss (liabilities) exceed derivatives in gain (assets) by \$182.983 million. The \$70.819 million net unrealised movement in the fair value of the derivative financial instruments from 30 June 2019 to 30 June 2020 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
<b>2019</b>				
<b>Financial liabilities</b>				
Long-term interest rate swaps (net)	-	112,164	-	112,164
<b>2020</b>				
<b>Financial liabilities</b>				
Long-term interest rate swaps (net)	-	182,983	-	182,983

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, which are 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 7.71% per annum for PPP1 (2019: 7.75%), 7.76% for PPP2 (2019: 7.66%) and 6.40% for PPP3 (2019: 6.58%). 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 surplus/(deficit) 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.

2019 Impact on net surplus/ (deficit)		Change in interest rate	2020 Impact on net surplus/ (deficit)
\$000		\$000	\$000
53,957	Long-term interest rate swaps	+1.00%	62,670
(60,854)	Long-term interest rate swaps	-1.00%	(70,011)

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 it 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 its liquidity requirements, the Ministry closely monitors 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
<b>2019</b>					
Creditors	12,569	-	-	-	12,569
Service concession liabilities	3,266	3,717	36,286	468,064	511,333
Derivative financial instruments	-	-	-	112,164	112,164
<b>Total financial liabilities</b>	<b>15,835</b>	<b>3,717</b>	<b>36,286</b>	<b>580,228</b>	<b>636,066</b>
<b>2020</b>					
Creditors	9,060	-	-	-	9,060
Service concession liabilities	3,865	4,004	39,542	462,761	510,172
Derivative financial instruments	-	-	-	182,983	182,983
<b>Total financial liabilities</b>	<b>12,925</b>	<b>4,004</b>	<b>39,542</b>	<b>645,744</b>	<b>702,215</b>



## 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 (eg, 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 (2019: \$Nil).

### Key management personnel compensation disclosure

2019 Actual	2020 Actual
\$4,217,000 Remuneration and other benefits	\$4,395,000
12 Full-time equivalent staff	12

Key management personnel compensation includes the remuneration for the senior management team which consists of the Secretary for Education, 10 Deputy Secretaries and the Head of Education Infrastructure Service. The Secretary is an employee of the Public Service Commission (PSC) but the Ministry pays the PSC.

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 PLA, not by the Ministry.

## Note 22 – Explanation of Major Variances against Budget

Explanations for major variances from the Ministry's 2020 budget figures are as set out below:

### Statement of Comprehensive Revenue and Expenses

Actual expenses were \$142.804 million (6%) greater than Budget mainly due to a combination of:

- » COVID-19 additional funding to enable students to access online teaching and learning during the temporary close down of early learning services and schools as part of the emergency response to COVID-19 (\$44.939 million increase)
- » increased depreciation (\$18 million increase) and capital charge (\$17.596 million increase) resulting from the upward revaluation of the school property portfolio at 30 June 2019
- » confirmed in-principle expense transfers from 2018/19 (\$22.230 million increase)
- » reprioritisation of resources, through a capital to operating swap and transfer from non-department output expense Primary Education to output expense Support and Resources for Teachers, to address demand driven cost pressures and support work programmes for Curriculum Teaching and Learning (\$17.700 million increase)
- » capital to operating swaps to cover leasing of temporary accommodation to allow for the relocation of students during major capital works projects (\$7.760 million increase) and demolition costs for school development projects (\$4.850 million increase)
- » gains achieved from the sale of surplus property assets being used to offset the cost of rationalising school sector property (\$9.633 million increase)
- » funding for the Reform of Vocational Education work programme, including the initial establishment costs of the New Zealand Institute of Skills and Technology (\$7.500 million increase)
- » additional lease costs for school sites transferred to iwi as part of Treaty Settlements process (\$5.556 million increase)
- » funding to progress the introduction of the first tranche of around 600 new Learning Support Coordinator roles to ensure children and young people with disabilities and learning support needs have access to the services they need (\$4.561 million increase)
- » implementation costs of the Teacher Aide Pay Equity Claim (\$3.167 million increase)
- » implementing a Free and Healthy School Lunch Prototype for Year 1-8 Students (\$3.156 million increase)
- » underspends to be carried forward to 2020/21 in the 2020 October Baseline Update to complete work programmes delayed mainly due to the COVID-19 lockdown (\$30.575 million decrease)
- » saving in capital charge on remeasurement of derivative financial instruments and long service and retiring leave, and deferral of capital injection drawdowns (\$11.209 million decrease), and
- » expense transfers to 2020/21 in the Supplementary Estimates of Appropriations 2019/20 (\$4.850 million decrease).

The financial performance for each departmental output expense appropriation is provided in Part 2.

A detailed explanation for all new departmental output expense appropriations and changes to departmental output expense appropriations since the Budget was approved by Parliament and can be found in the Supplementary Estimates of Appropriations 2019/20 and Addition to the Supplementary Estimates of Appropriations 2019/20 for Vote Education and Vote Tertiary Education.

The \$103.301 million operating surplus is mainly due to:

- » gain on sale of school sites in Auckland and Wellington to iwi as part of the Treaty Settlements process (\$54.402 million)
- » underspends to be carried forward to 2020/21 in the 2020 October Baseline Update to complete work programmes delayed mainly due to the COVID-19 lockdown (\$30.575 million), and
- » third party contributions to the development of school building assets (\$15.316 million).

### Statement of Financial Position

#### *Property, plant and equipment and property revaluation reserves (category of taxpayers' equity)*

The carrying value of property, plant and equipment is higher than budgeted by \$1,030.476 million mainly due to a combination of:

- » the Budget figures do not provide for the gain on property revaluations at 30 June 2019 (in Supplementary Estimates) and 30 June 2020, as it is Crown forecasting policy not to budget for annual revaluation movements (totalling \$1,187.030 million increase), and
- » the transfer of property to held for sale at 30 June 2020 (\$117.754 million decrease).

#### *Creditors and other payables*

Creditors and payables were \$50.342 million higher than Budget, mainly due to the timing of the settlement of capital expenditure for the school property capital works programme, in that accrued capital expenditure was \$41.335 million greater than forecast.

#### *Derivative financial instruments*

The Ministry uses derivative financial instruments, in the form of interest rate swaps with the New Zealand Debt Management Office, to manage its exposure to fluctuating market interest rates as a result of its PPP 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 2020 derivatives in loss (liabilities) exceeded derivatives in gain (assets) by \$182.983 million. The \$70.819 million net unrealised movement in the fair value of the derivative financial instruments from 30 June 2019 to 30 June 2020 is recognised in the net surplus or deficit in the *Statement of Comprehensive Revenue and Expenses*.

#### *Debtors and other receivables*

Debtors and other receivables are higher than Budget by \$58.814 million, mainly due to the drawdown of Debtor Crown from NZDMO required for the school property capital expenditure replacement and because the redevelopment programme was lower than forecast.

#### *General funds (category of taxpayers' equity)*

General funds were \$235.856 million lower than Budget mainly due to:

- » deferral of drawdown of capital injections for the school property capital expenditure expansion programme for new schools and roll growth class rooms to future years (\$121.519 million), and
- » capital to operating swap for the lease back of school sites in Auckland and Wellington that were sold to iwi as part of the Treaty Settlements process (\$107.922 million).

## Note 23 – Events after the Balance Date

No events have occurred between the balance date and the date of signing these financial statements that materially affect the actual results within these financial statements.

# Ministry of Education Non-Departmental Schedules

for the year ended 30 June 2020

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 2020

2019 Actual		2020 Actual	2020 Budget (unaudited)
\$000		\$000	\$000
20,499	Tertiary recoveries	867	-
3,989	Export education levies	3,934	4,841
3,752	Overseas student fees	3,463	3,757
807	Tertiary investments – interest	-	122
684	Miscellaneous revenue	99	485
<b>29,731</b>	<b>Total non-departmental revenue</b>	<b>8,363</b>	<b>9,205</b>

## Schedule of Non-Departmental Capital Receipts

for the year ended 30 June 2020

2019 Actual		2020 Actual	2020 Budget (unaudited)
\$000		\$000	\$000
2,278	Proceeds from the sale of teacher and caretaker housing	2,377	-
<b>2,278</b>	<b>Total non-departmental capital receipts</b>	<b>2,377</b>	<b>-</b>

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

## Schedule of Non-Departmental Expenses

for the year ended 30 June 2020

2019 Actual		Notes	2020 Actual	2020 Budget (unaudited)
\$000			\$000	\$000
<b>Grant expenditure</b>				
1,879,000	Early childhood education services		1,990,223	2,016,459
165,814	Other		132,193	196,727
<b>Personnel related expenses</b>				
150,869	Superannuation contributions		164,562	155,043
11,077	ACC levies		13,827	13,315
58,482	<b>Social assistance benefits</b>		59,705	68,183
868	<b>Debt impairment/(release of impairment)</b>	<b>3</b>	592	-
<b>Fees to auditors</b>				
1,027	Fee for audit of schools' financial statements (Office of the Auditor General appointed auditors)		2,310	889
762	Other assurance services (Ernst & Young)		1,280	500
113	<b>School Contents Risk Management Scheme underwriting result</b>	<b>4</b>	(700)	5,000
<b>Other operating expenses</b>				
5,889,682	Operations funding to schools		6,375,363	6,030,298
-	New Zealand Institute of Skills and Technology		11,100	-
3,109,087	Services from Tertiary Education Commission		4,486,344	3,362,764
34,564	Services from Education New Zealand		30,814	30,797
50,639	Services from New Zealand Qualifications Authority		77,805	76,836
401,016	Services from third parties		403,971	394,442
1,755,195	<b>GST input expense</b>		1,861,980	1,829,726
<b>13,508,195</b>	<b>Total non-departmental expenses</b>		<b>15,611,369</b>	<b>14,180,979</b>

The fee for audit of schools' financial statements includes an additional accrual of \$1.500 million due to the impact of COVID-19.

The fees for other assurance services from the auditor were for an assurance engagement in relation to centrally provided audit work to support school auditors (\$496,000; 2019: \$528,000) and for consultancy fees for delivering digital technology programmes (\$784,000; 2019: \$234,000).

Further details of non-departmental expenditure and appropriations by Vote are provided in the *Appropriations Statements* on pages 125 to 130. The *Appropriation Statements* cover both operating (above) and capital expenditure.

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

## Schedule of Non-Departmental Assets

as at 30 June 2020

2019 Actual	Notes	2020 Actual	2020 Budget (unaudited)
\$000		\$000	\$000
<b>Current assets</b>			
210,653	Cash and cash equivalents	175,003	248,957
23,814	Debtors and other receivables	23,601	55,452
10,517	Prepayments	43,027	9,860
847	School Contents Risk Management Scheme recoveries	1,200	3,803
<b>Non-current assets</b>			
1,131	Debtors and other receivables	1,131	1,131
<b>246,962</b>	<b>Total non-departmental assets</b>	<b>243,962</b>	<b>319,203</b>

The Ministry monitors several Crown entities: the New Zealand Qualifications Authority, the Tertiary Education Commission, Education New Zealand, and the New Zealand Institute of Skills & Technology. These Crown entities have their own annual reporting obligations. The investment in these 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 and Education Payroll Ltd. 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 2020

2019 Actual	Notes	2020 Actual	2020 Budget (unaudited)
\$000		\$000	\$000
<b>Current liabilities</b>			
1,087,092	Creditors and other payables	2,251,695	1,052,554
2,508	School Risk Management Scheme claims liability	3,286	1,459
268,074	Teacher and support staff entitlements	216,253	214,365
<b>1,357,674</b>	<b>Total non-departmental liabilities</b>	<b>2,471,234</b>	<b>1,268,378</b>

The Ministry has recognised a provision of \$87.5 million (2019: \$84 million) included in the \$216,253,000 of Teacher and Support Staff Entitlements. The amount provides for corrective payments to current and former individuals paid through the Schools Payroll where they have not been paid in accordance with the requirements of the Holidays Act 2003. The provision is an estimate based on analysis of sample data, which may not be wholly representative of the total dataset. Some known areas of non-compliance are not included because analysis has not yet progressed to the point where a calculated estimate of corrective payments is possible. A more accurate estimate will be possible after solutions designed to resolve the matter have been completed. This work is ongoing. Final calculations and potential impact on any specific individual will not be known until further detailed analysis has been completed.

## **Schedule of Non-Departmental Commitments**

as at 30 June 2020

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2019: \$Nil).

## **Schedule of Non-Departmental Contingent Liabilities and Assets**

as at 30 June 2020

### **Quantifiable contingent liabilities**

The Ministry, on behalf of the Crown, has no quantifiable contingent liabilities (2019: \$Nil).

### **Unquantifiable contingent liabilities**

The Ministry, on behalf of the Crown, has no unquantifiable contingent liabilities as at 30 June 2020 (2019: Nil).

### **Contingent assets**

The Ministry, on behalf of the Crown, has no contingent assets (2019: \$Nil).



## Statement of Funds Held

for the year ended 30 June 2020

	Export Education Levy Fund	Ngārimu VC and 28th (Māori) Battalion Memorial Fund	Pacific Education Foundation (PEF) Fund
	\$000	\$000	\$000
<b>Balance at 1 July 2018 or 1 January 2017 for PEF</b>	<b>2,648</b>	<b>1,211</b>	<b>60</b>
Contributions	9,096	217	124
Distributions	(6,404)	(193)	-
Revenue	68	27	-
Expenses	(199)	(141)	(11)
<b>Balance at 30 June 2019 or 31 December 2018 for PEF</b>	<b>5,209</b>	<b>1,121</b>	<b>173</b>
Contributions	4,892	268	75
Distributions	(5,517)	(135)	(187)
Revenue	32	33	-
Expenses	(1,206)	(75)	(28)
<b>Balance at 30 June 2020 or 31 December 2019 for PEF</b>	<b>3,410</b>	<b>1,212</b>	<b>33</b>

The Export Education Levy (the EEL Fund) is governed by an Act of Parliament (Education Act 1989) and regulations prescribing EEL first came into force on 10 January 2003. The EEL is collected from providers that enrol international students for the purpose of the development, promotion and quality assurance of the export education sector, including the administration of the Code of Practice for Pastoral Care of International Students. The EEL also funds reimbursements for international students affected by the closure of Private Training Establishments (PTEs) or PTE programmes. The EEL Fund also derives income from interest on investments. An annual report, including audited financial statements, is presented to Parliament.

The Ngārimu VC and 28th (Māori) Battalion Memorial Scholarship Fund (the Ngārimu Fund) was established in 1945 under an Act of Parliament to commemorate the service of Māori and, in particular, of the 28th (Māori) Battalion in the war against Germany, and the award of the Victoria Cross to Second Lieutenant Te Moananui ā Kiwa Ngārimu. The principal purpose for the Ngārimu Fund is to assist Māori education in New Zealand through the provision of scholarships and grants for the education of Māori students, and to encourage the maintenance of the Māori language and of Māori history, tradition and culture through the Ngārimu Video Competition, the Manakura Award and the provision of scholarships. Revenue received from investments and annual government grants are the two primary sources of revenue for the Ngārimu Fund. An annual report, including audited financial statements, is presented to Parliament.

The movements the EEL Fund and the Ngārimu Fund are reported in the Statement of Trust Money in the financial statements of the Government.

The Pacific Education Foundation (PEF) is governed by an Act of Parliament and was established in 1972. The PEF provides scholarships for Pacific Island students undertaking a course of study at any New Zealand tertiary institution, either undergraduate or post-graduate. The scholarships aim to promote better education for Pacific people in New Zealand. The PEF receives funding from an annual grant given by the Ministry of Education and interest on investments. An annual report, including audited financial statements, is presented to Parliament.

# Notes to the Non-Departmental Schedules

for the year ended 30 June 2020

## Note 1 – Reporting Entity

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

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

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

### Basis of preparation

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

Measurement and recognition rules applied in the preparation of these non-departmental schedules are consistent with New Zealand generally accepted accounting practice (PBE Accounting Standards) as appropriate for PBEs.

### 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.

#### *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.

#### *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 (GST)*

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 2020 budget figures are for the year ending 30 June 2020, which are consistent with the best estimate financial information submitted to Treasury for the 2019 Budget Economic and Fiscal Update (BEFU) for the 2019/20 year.

## **Note 3 – 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 on 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).

<b>2019</b>		<b>2020</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
17,219	Debtors	7,995
(3,623)	Less provision for impairment	(3,753)
11,349	Accrued revenue and other receivables	20,490
<b>24,945</b>	<b>Total debtors and other receivables</b>	<b>24,732</b>
<b>Represented by:</b>		
23,814	Current	23,601
1,131	Non-current	1,131

The aging profile of debtors and impairment at 30 June is detailed below:

	2019			2020		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Past due 1 - 90 days	12,580	(37)	12,543	3,190	(23)	3,167
Past due 90 - 180 days	395	(193)	202	421	(125)	296
Past due 180 - 360 days	1,208	(1,145)	63	641	(465)	176
Past due > 360 days	3,036	(2,248)	788	3,743	(3,140)	603
<b>Total</b>	<b>17,219</b>	<b>(3,623)</b>	<b>13,596</b>	<b>7,995</b>	<b>(3,753)</b>	<b>4,242</b>

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:

2019 Actual \$000	2020 Actual \$000
2,886 Balance at 1 July	3,623
868 Increase/(release) of impairment during the year	592
(131) Debts written-off during the year	(462)
<b>3,623 Balance at 30 June</b>	<b>3,753</b>

## Note 4 – School Risk Management Scheme

The School Risk Management Scheme (the scheme) provides protection both for school contents (Board of Trustees property) and for legal liability issues (including public liability) for state and state-integrated schools. School Boards of Trustees can choose to join the scheme or insure with a private insurance company. All school assets, other than land and buildings owned by the Crown, must be insured.

The Ministry acts as insurer for contents insurance in schools, and contracts the services of Crawford & Company New Zealand for loss adjustment of contents claims. Cover is described by a 'Deed' for school contents and the Education (Risk Management Scheme) Regulations 2003 and includes the replacement value of contents, refrigerated property, earthquake, subsidence, self-ignition, works of art and money. The excess deductible is \$500 per claim.

Liability insurance is provided by Lumley General Insurance (NZ) Limited through the scheme's contracted insurance broker, Marsh & McLennan Companies, Inc., 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 (2019: \$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 2020 is \$3.286 million (2019: \$2.508 million). The valuation was undertaken at 30 June 2020, 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 \$493,332 (2019: \$465,030) and was calculated as the claim rate (1.14 claims per day) times the average delay (54 days) times the average claims cost (\$7,957).

The insurance underwriting result is as follows:

2019 Actual \$000	2020 Actual \$000
3,322 Insurance premium revenue	3,429
682 Re-insurance revenue	459
(1,345) Outwards re-insurance premium expense	(758)
(1,427) Claims expense	(1,418)
(1,049) Claims liability adjustment from valuation	(778)
(296) Administration costs	(234)
<b>(113) Insurance underwriting result</b>	<b>700</b>

## Note 5 – Creditors and Other Payables

Creditors and other payables is comprised of:

2019 Actual \$000	2020 Actual \$000
38,504 Creditors	39,881
55,325 Taxes payable	114,413
491,184 Grants funding payable to the Tertiary Education Commission (net)	1,657,583
502,079 Accrued expenses	439,818
<b>1,087,092 Total creditors and other payables</b>	<b>2,251,695</b>

Creditors and other payables are non-interest bearing and are normally settled within 30 days. Therefore, due to their short-term nature creditors and other payables are not discounted and their carrying value approximates their fair value and so are classified as current liabilities.

## Note 6 - Explanation of Major Variances against Budget

Explanations for major variances from the Ministry's non-departmental Budget figures are as follows:

### Schedule of expenses

Crown expenditure in Vote Education was \$288 million (3%) greater than Budget, mainly due to the cost of settlements of the Primary and Secondary Teachers' and Principals' collective agreements and the cost of settlement and implementation of the Teacher Aide Pay Equity Claim.

Crown expenditure in Vote Tertiary Education was \$1,079.960 million (31%) greater than Budget, mainly due to the Government's commitment to give tertiary education organisations funding certainty in 2020, regardless of any impact on domestic student numbers resulting from COVID-19. This initiative, in the COVID-19 Response and Recovery Foundation Package, brings forward by six months funding that would have fallen in 2020/21. It has no impact on the funding paid to providers or that available to allocate to providers in 2021. This also reflects a high level of grants funding payable to the Tertiary Education Commission at 30 June 2020 (in Note 5).

# Appropriation Statements

for the year ended 30 June 2020

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 2020, in compliance with section 45A of the Public Finance Act 1989.

Total departmental output expenses and appropriations equal total operating expenses in the *Statement of Comprehensive Revenue and Expenses* on page 76. 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 2020

### Annual and permanent appropriations for Vote Education

Expenditure actual 2019 as restated <sup>2</sup> \$000	Appropriation title	Expenditure actual 2020 \$000	Approved appropriation <sup>3</sup> 2020 \$000	Location of end-of-year performance information <sup>4</sup>
<b>Departmental output expenses</b>				
758	Place-Based Initiative - Te Tai Tokerau, Northland	-	-	
1,882,809	School Property Portfolio Management	1,971,365	1,973,988	1
2,107	Services to Other Agencies RDA	3,807	2,650	1
114,622	Support and Resources for Education Providers	118,693	128,357	1
11,657	Support and Resources for Parents and the Community	12,210	13,498	1
<b>2,011,953</b>	<b>Total departmental output expenses</b>	<b>2,106,075</b>	<b>2,118,493</b>	
<b>Departmental other expense</b>				
-	<b>Transfer of an Asset to the Teaching Council of Aotearoa New Zealand</b>	<b>2,906</b>	<b>2,935</b>	1
<b>Departmental capital expenditure</b>				
<b>1,042,686</b>	<b>Ministry of Education - Capital Expenditure PLA</b>	<b>1,104,946</b>	<b>987,826</b>	1
<b>Non-departmental output expenses</b>				
12,778	Contribution to the Teaching Council of Aotearoa New Zealand	10,616	10,757	2
1,879,000	Early Childhood Education	1,990,223	2,034,613	2
3,278,086	Primary Education	3,538,306	3,561,887	2
28,750	School Managed Network Funding	28,750	30,250	5
4,117	School Risk Management Scheme	3,188	5,000	2
205,947	School Transport	207,561	220,950	2
7,872	Schooling Improvement	6,929	9,475	2
2,276,427	Secondary Education	2,409,679	2,438,237	2
78,565	Secondary-Tertiary Interface	111,656	114,675	2
8,742	Support for Early Childhood Education Providers	6,672	11,226	2
8,058	Supporting Parenting	10,158	29,669	2
1,912	UNESCO	2,054	2,083	3
<b>7,790,254</b>	<b>Total non-departmental output expenses</b>	<b>8,325,792</b>	<b>8,468,822</b>	

<sup>2</sup> The 2019 Actuals have been re-classified in the 2019 Appropriation Structure for comparative purposes.

<sup>3</sup> These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

<sup>4</sup> The key for the numbers in this column is located at the end of the tables.

Expenditure actual 2019 as restated <sup>2</sup> \$000	Appropriation title	Expenditure actual 2020 \$000	Approved appropriation <sup>3</sup> 2020 \$000	Location of end-of-year performance information <sup>4</sup>
<b>Benefits or related expenses</b>				
4,876	Home Schooling Allowances	5,714	5,721	3
13,909	Scholarships and Awards for Students	14,904	16,564	3
19,098	Scholarships and Awards for Teachers and Trainees	22,016	26,187	3
<b>37,883</b>	<b>Total benefits or related expenses</b>	<b>42,634</b>	<b>48,472</b>	
<b>Non-departmental other expenses</b>				
-	Education Providers with COVID-19-Related Losses of Income	5,613	18,638	2
868	Impairment of Debts and Assets and Debt Write-Offs	592	3,700	3
76,603	Integrated Schools Property	70,963	76,190	2
<b>77,471</b>	<b>Total non-departmental other expenses</b>	<b>77,168</b>	<b>98,528</b>	
<b>Non-departmental capital expenditure</b>				
998	School Support Project	102	1,880	2
30,015	Schools Furniture and Equipment	34,255	58,751	2
<b>31,013</b>	<b>Total non-departmental capital expenditure</b>	<b>34,357</b>	<b>60,631</b>	
<b>Multi-category expenses and capital expenditure (MCAs)<sup>5</sup></b>				
263,091	Improved Quality Teaching and Learning MCA	283,972	311,102	1
	Departmental output expense			
105,782	<i>Support and Resources for Teachers</i>	133,646	144,385	
	Non-departmental output expenses			
52,945	<i>Curriculum Support</i>	59,462	65,413	
104,364	<i>Professional Development and Support</i>	90,864	101,304	
759,604	Outcomes for Target Student Groups MCA	858,963	868,663	1
	Departmental output expense			
299,354	<i>Interventions for Target Student Groups</i>	325,734	329,389	
	Non-departmental output expenses			
447,144	<i>Learning Support</i>	515,227	519,054	
-	<i>School Lunch Programme</i>	4,170	6,125	
3,505	<i>Service Academies</i>	3,550	3,785	
9,601	<i>Students Attendance and Engagement</i>	10,282	10,310	
50,639	Oversight and Administration of the Qualifications System MCA	77,805	77,805	4 <sup>6</sup>
	Non-departmental output expenses			
3,448	<i>Provision of Communication and Advice</i>	3,448	3,448	
6,049	<i>Qualifications Support Structures</i>	6,331	6,331	
5,094	<i>Quality Assurance</i>	6,281	6,281	
36,048	Secondary School Assessments	55,327	55,327	
	Non-departmental capital expenditure			
	<i>Developing Online Assessment Systems</i>	6,418	6,418	
65,275	Oversight of the Education System MCA	65,126	67,284	1
	Departmental output expenses			
5,146	<i>Ministerial Services</i>	5,550	4,408	

5 An 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.

6 A change to section 15C(2)(a)(i) of the Public Finance Act 1989 means the information no longer needs to also be included in a ministerial section 19B report.



Expenditure actual 2019 as restated <sup>2</sup> \$000	Appropriation title	Expenditure actual 2020 \$000	Approved appropriation <sup>3</sup> 2020 \$000	Location of end-of-year performance information <sup>4</sup>
14,556	Monitoring the Education System	12,564	14,661	
21,173	Policy Advice	16,507	20,924	
21,206	Research and Analysis	27,494	24,263	
	Non-departmental output expenses			
3,008	Education Research Initiatives	3,008	3,008	
186	Independent Advice on Government Priority Areas	3	20	
<b>1,138,609</b>	<b>Total multi-category expenses and capital expenditure</b>	<b>1,285,866</b>	<b>1,324,854</b>	
<b>12,129,869</b>	<b>Total annual and permanent appropriations for Vote Education</b>	<b>12,979,744</b>	<b>13,110,561</b>	

### Multi-year appropriations for Vote Education

A multi-year appropriation allows 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 2019 \$000	Appropriation title	Expenditure actual 2020 \$000	Approved appropriation 2020 \$000	Location of end-of-year performance information
	<b>Appropriation for non-departmental output expense: Teacher-Led Innovation Fund</b>			
	This appropriation started on 1 July 2015 and expires on 30 June 2020			
	Appropriations, Adjustments and Use			
	Original appropriation		10,000	
	Adjustments to 2018/19		(545)	
	Adjustments for 2019/20		-	
	Adjusted appropriation		<b>9,455</b>	
	Cumulative expenses to 1 July		9,247	
1,902	Current year expenses	-	208	2
	Cumulative expenses to 30 June		<b>9,455</b>	
	Remaining appropriation		-	
	<b>Appropriation for non-departmental capital expenditure: Schools Payroll Sustainability Loan</b>			13
	This appropriation started on 1 October 2017 and expires on 30 September 2020			
	Appropriations, Adjustments and Use			
	Original appropriation		13,225	
	Adjustments to 2018/19		-	
	Adjustments to 2019/20		-	
	Adjusted appropriation		13,225	
	Cumulative expenses to 1 July		4,000	
4,000	Current year expenses	6,225	6,225	
	Cumulative expenses to 30 June		<b>10,225</b>	
	Remaining appropriation		<b>3,000</b>	

## Annual and permanent appropriations for Vote Tertiary Education

Expenditure actual 2019	Appropriation title	Expenditure actual 2020	Approved appropriation <sup>3</sup> 2020	Location of end-of-year performance information <sup>4</sup>
\$000		\$000	\$000	
	<b>Departmental output expense</b>			
-	<b>Establishing a Single National Vocational Education Institution</b>	<b>6,000</b>	<b>6,000</b>	1
	<b>Non-departmental output expenses</b>			
23,646	Access to Tertiary Education	53,276	56,814	6
69,199	Administration of and Support for the Tertiary Education and Careers Systems	69,991	72,268	6
49,800	Centres of Research Excellence	49,800	49,800	6
-	Establishment of a Single National Vocational Education Institution	11,100	11,100	7
34,564	International Education Programmes	31,768	34,014	8
316,500	Tertiary Education Research and Research-Based Teaching	331,000	331,000	6
23,086	Tertiary Sector / Industry Collaboration Projects	26,098	36,332	6
4,022	University-led Innovation	7,526	9,979	6
<b>520,817</b>	<b>Total non-departmental output expenses</b>	<b>580,559</b>	<b>601,307</b>	
	<b>Benefits or related expenses</b>			
4,503	Awards for Outbound New Zealand Students	1,417	3,984	3
800	Scholarships for Inbound International Students	600	600	3
108	Support to Apprentices	-	-	
15,187	Tertiary Scholarships and Awards	15,054	16,035	3
<b>20,598</b>	<b>Total benefits or related expenses</b>	<b>17,071</b>	<b>20,619</b>	
	<b>Non-departmental other expenses</b>			
<b>35,000</b>	<b>Impairment of Loans to Tertiary Education Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Non-departmental capital expenditure</b>			
-	Establishing a Single National Vocational Education Institution	10,000	10,000	7
-	Support for Lincoln University	5,000	5,000	9
2,050	Support for Tai Poutini Polytechnic	7,250	7,250	10
50,000	Support for the University of Canterbury	-	-	
35,000	Support for Unitec Institute of Technology	15,000	15,000	11
15,000	Support for Whitireia New Zealand	5,000	5,000	12
<b>102,050</b>	<b>Total non-departmental capital expenditure</b>	<b>42,250</b>	<b>42,250</b>	
	<b>Multi-category expenses and capital expenditure (MCAs)<sup>5</sup></b>			
15,598	Stewardship of the Tertiary Education System MCA	17,873	18,557	1
	<b>Departmental output expenses</b>			
9,904	Policy Advice	11,104	8,321	
5,694	Research, Data Analysis and Monitoring	6,769	10,236	
2,605,672	Tertiary Tuition and Training MCA	3,911,322	4,007,398	6 <sup>6</sup>

Expenditure actual 2019	Appropriation title	Expenditure actual 2020	Approved appropriation <sup>2</sup> 2020	Location of end-of-year performance information <sup>4</sup>
\$000		\$000	\$000	
	Non-departmental output expenses			
70,958	Community Education	106,772	118,338	
1,981,558	Tertiary Education: Student Achievement Component	3,007,384	3,020,215	
269,617	Training for Designated Groups	427,079	437,035	
	Non-departmental other expense			
283,539	Fees-free Payments	370,087	431,810	
<b>2,621,270</b>	<b>Total multi-category expenses and capital expenditure</b>	<b>3,929,195</b>	<b>4,025,955</b>	
<b>3,299,735</b>	<b>Total annual and permanent appropriations for Vote Tertiary Education</b>	<b>4,575,075</b>	<b>4,696,131</b>	

The numbers in the last column represent where end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below.

1. The Ministry's Annual Report in Part 2
2. In the Ministerial Vote Education report in relation to Non-Departmental Appropriations for the year ending 30 June 2020, appended to the Ministry's Annual Report
3. No reporting due to an exemption obtained under section 15D of the Public Finance Act 1989
4. The New Zealand Qualifications Authority Annual Report
5. The Network for Learning Limited Annual Report
6. The Tertiary Education Commission Annual Report
7. The New Zealand Institute of Skills and Technology Annual Report
8. The Education New Zealand Annual Report
9. The Lincoln University Annual Report
10. The Tai Poutini Polytechnic Annual Report
11. The Unitec Institute of Technology Annual Report
12. The Whitireia New Zealand Annual Report
13. The Education Payroll Ltd Annual Report.

## Statement of Departmental Capital Injections

for the year ended 30 June 2020

Actual capital injections		Actual capital injections	Authorised in appropriation
2019		2020	2020
\$000		\$000	\$000
	Vote Education		
<b>216,995</b>	<b>Ministry of Education - Capital Injection</b>	<b>389,969</b>	<b>436,356</b>

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

## Statement of Unappropriated Expenditure

for the year ended 30 June 2020

The Ministry was appropriated to support the long-term development of the export education industry. The EEL related expenses were paid by the Ministry's departmental and non-departmental baselines, which were then reimbursed from the EEL Fund each month. From 1 July 2015, a change was made to pay directly from the EEL Fund the payments for international students following the collapse of PTEs. Other payment processes remained unchanged. The 2015 change failed to correctly consider appropriation requirements. The EEL legislation, whilst stating its purpose, is not sufficient approval of the expenditure alone. Once the payments were made direct from the EEL Fund they were no longer appropriated. The issue was resolved for the 2019/20 financial year and future years. Cabinet has approved in Budget 2020 funding to support international tertiary students affected by the failure of PTEs and have claims against the EEL in 2019/20 and outyears.

Vote and appropriation title	Financial year	Unappropriated expenditure
		\$000
<b>Vote Tertiary Education</b>		
<b>Departmental output expense</b>		
Stewardship of the Tertiary Education System		
MCA: Research, Data Analysis and Monitoring	2015/16	9
	2016/17	908
	2017/18	3,214
	2018/19	816

The unappropriated expenditure will be included in the Appropriation (Confirmation and Validation) Act for validation in compliance with section 26C of the Public Finance Act 1989.



