

THE MINISTRY OF EDUCATION

# Annual Report **2021**

*For the year ended 30 June 2021*



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THE MINISTRY OF EDUCATION

# Annual Report

2021 *For the year ended 30 June 2021*

**Hon Chris Hipkins**

Responsible Minister for the Ministry of Education  
Minister of Education

**Hon Kelvin Davis**

Associate Minister of Education (Māori Education)

**Hon Jan Tinetti**

Associate Minister of Education

**Hon Aupito William Sio**

Associate Minister of Education

**Report of the Ministry of Education**

For the year ended 30 June 2021

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 2021.



**Iona Holsted**

Secretary for Education

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# Introduction from the Secretary for Education



**2020/21 was an unprecedented year due to the impact of COVID-19. The disease has wreaked havoc all over the world and we are continuing to manage the ongoing impact, particularly with the emergence of the Delta variant.**

Our time spent as a nation at Alert Levels 3 and 4 in early 2020 showed how working together we can do things differently and better. This was put to the test again in Auckland during a regional outbreak of COVID-19 and more recently.

Funding received through Budget 2020 and 2021 provided specific support to respond to the impacts of COVID-19 including:

- » resources and targeted support for 300,000 learners at risk of dis-engagement and additional teacher aide hours for over 6,000 students with learning support needs
- » financial support for continuity of services from early learning to international education
- » support for over 4,000 apprentices in 2020/21 through delivery of a trades and apprenticeship package.

We have also progressed and adapted key initiatives to support the Government's objectives and deliver real benefits for learners:

- » developing and consulting on the Aotearoa New Zealand Histories curriculum, which will be progressively rolled out in all schools and kura from 2022
- » supporting the integration of te reo Māori in schools and early learning centres by providing kaiako | teachers and key support staff with Te Ahu o Te Reo Māori training
- » changes to National Certificate of Educational Achievement (NCEA) Level 1 announced in December 2020 and the development of options for greater specialisation and deeper learning at Levels 2 and 3, and a more foundational learning experience at NCEA Level 1, alongside a shift to Mana ōrite mō te mātauranga Māori (parity for Māori knowledge) in NCEA
- » progressing the reform of vocational education with Te Pūkenga, and the establishment of six Workforces Development Councils (WDCs), operational from 4 October 2021, to support learners to graduate with the right skills to address skill shortages
- » delivering improved facilities at 747 schools through the School Investment Package
- » over 197,000 students receiving a nutritious lunch due to the expansion of the school lunch programme
- » distributing 100,000 packs of free period products in schools.

We have also undertaken planning for the redesign of the Ministry in line with the Government's response to the review of Tomorrow's Schools. A foundation step for this is the establishment of Te Mahau, a separately branded business unit within Te Tāhuhu o te Mātauranga | the Ministry of Education from 4 October 2021. The focus of Te Mahau will be providing integrated and locally responsive support to early learning and school teachers, leaders and boards, to help them support learners, whānau and their communities to address persistent disparities and advance effective practice.

This change involves shifts in how we work – taking practical action to give effect to Te Tiriti o Waitangi, giving priority to regional and local voices, improving our feedback loops and information flows, and delivering more responsive, accessible and integrated services and support.

The Ministry has been managing significant change this year, progressing an ambitious work programme and planning for organisational change, while continuing to address the impact of COVID-19. I want to acknowledge the great work and support Ministry staff have provided throughout the year. I am proud of what has been achieved and optimistic about our ability to create a stronger, more inter-connected organisation that can work with the sector to achieve better results, especially for those who have not been served well by our system.

He waka eke noa.



**Iona Holsted**

Secretary for Education

# Purpose and expectations

## Our purpose

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

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

### Giving practical effect to Te Tiriti o Waitangi | the Treaty of Waitangi

The Ministry is committed to upholding and honouring Te Tiriti | the Treaty and giving expression and practical effect to all articles of Te Tiriti | the Treaty with Māori, both as tangata whenua and citizens. This means we will:

- » provide genuine opportunity and space for tino rangatiratanga to be exercised by and for Māori on those matters for which they should have agency and authority
- » support the education sector and others to create educational experiences and outcomes that reflect a meaningful expression of ōritetanga
- » exercise kāwanatanga to govern in good faith and actively protect Māori interests as citizens, and those of all citizens.

We will continue to engage with goodwill to build trust with tangata whenua. We are growing the cultural capabilities, connections and understanding needed to be a good kāwanatanga party to Te Tiriti | the Treaty.

### Expectations and context

Our delivery expectations are set out in the Ministry's *Statement of Intent 2018-2023* and the Government's Education Work Programme, which was updated in March 2021. We also contribute to the cross-agency Child and Youth Wellbeing Strategy.

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

“Whakamaaua 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.

Wahia 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 kaiako | teachers.
- » **‘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.



## Supporting resilience and recovery

While the vision and objectives for education are enduring, our experience with COVID-19 has put a sharper focus on actions that support learners to achieve these objectives and contribute to the economic recovery. In particular,

- » **equity and wellbeing** – working alongside education professionals so together we support students' voices and wellbeing, and 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** – supporting employers and industry connect with the school system to help learners towards further education, earn and learn pathways, or employment. Employers co-design work-integrated pathways with schools to provide a more intensive industry-relevant learning experience that addresses current and future skills demand.







## PART ONE

# Our key achievements

This section outlines what we set out to achieve during 2020/21 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 2020/21 for the Ministry in:

- » Building Ministry capability.

Throughout the section, we have provided progress reporting on the 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.

The following Parts Two and Three of the report provide more detailed information on the financial resources used by the Ministry to deliver goods and services and the 30 June 2021 year-end results.



## Learners at the centre

### Responding to the impact of COVID-19 to enhance hauora | wellbeing

COVID-19 continues to cause intense disruption around the world, especially to our ākonga | learners and our kaiako | teachers.

More than 2,000 kura | schools and early learning services me ngā kōhanga reo were able to help more than 300,000 New Zealand children and young people affected by the COVID-19 lockdowns, through the Government's Urgent Response Fund which we administered. Local school principals engaged with iwi and early learning representatives to decide how to best support learners. Support was provided through culturally inclusive approaches, aimed at supporting attendance, wellbeing and learning.

To help students manage ongoing stresses related to COVID-19, the tertiary sector built on the existing roll-out of free primary mental health and wellbeing services for 18- to 25-year-olds, with the Government announcing an expansion and acceleration of frontline mental health and wellbeing services at tertiary education institutions. In Auckland, counselling and support services were provided for during the 2020 Alert Level 3 Auckland COVID-19 resurgence.

We also addressed issues that can negatively impact hauora | wellbeing, attendance and engagement at school:

- » expanding the Ka Ora Ka Ako | Healthy School Lunch Programme, which is intended to provide free nutritious lunches for children and young people who experience socio-economic disadvantage. By 30 June 2021, lunches were being provided to over 197,000 students. Initial feedback is very positive, with attendance improving for some groups of students, and generally they are eating healthier food and less sweets/processed food. Teachers are also reporting greater levels of concentration in the classroom after eating

- » introducing an opt-in free period products initiative to kura | schools. By 30 June, over 100,000 packs of period products had been distributed to kura | schools and over 1,800 kura | schools have opted into the initiative. This enables students to feel comfortable at school so they can engage in their learning, and manage what should be a normal and healthy part of life.

### Refreshing the curriculum to improve wellbeing and engagement

The curriculum sets the direction for what and how ākonga | learners are taught.

Since the emergence of COVID-19, there has been an increase in wellbeing and health needs amongst learners. There is an urgent need to deliver high-quality local curriculum relating to mental health, healthy relationships and wellbeing within inclusive learning environments.

The current curriculum refresh aims to create a national curriculum that is bicultural, inclusive, clear and easy to use. It will support kura | schools to design a high-quality local curriculum that strikes a balance between the learning that is important nationally and learning that reflects the rohe | region.

We developed *Relationships and Sexuality Education: a guide for teachers, leaders and boards of trustees*, which was released in September 2020 and provides guidance to support *The New Zealand Curriculum*.

This reflects the impact of social media, shifting societal norms, and the availability of confronting and explicit online content. The guidelines strengthen Māori and Pacific views of sexuality, the importance of respecting cultural and family dynamics, and information for disabled learners.

Aotearoa New Zealand's Histories will be taught to all ākonga | learners in all kura | schools through the national curriculum from 2022. Over 2020, we worked with an expert writing group to develop draft curriculum content in collaboration with stakeholders, including history and curriculum experts, Māori, Pacific, migrant communities, disabled peoples, kaiako | teachers and curriculum leaders.

On the frontline we are creating 38 Kaihautū Marautanga | Curriculum Leads, a new curriculum support, to partner with teachers and kaiako to support all ākonga experience a rich and responsive curriculum.

### Bringing local history to life

In Tauranga Moana, three local iwi are working with the region's five Kāhui Ako to produce a new Te Ao Māori curriculum resource that can be used in all 67 schools and early learning centres.

The initiative is built on trust. "It's about Kāhui Ako working with iwi through a genuine, transparent process of developing something for everyone," Ōtūmoetai Intermediate School principal.

The resource will encompass foundational te reo Māori, tikanga Māori, stories and history.

"It's about every teacher having a resource they can go to that links them to the local history, to the national histories curriculum," Ōtūmoetai Intermediate School principal.

"The benefit is that regardless of the context for learning that a child is in, they will have a greater empathy and understanding of our local history, and they can also develop their own ability to live in Te Ao Māori," Ōtūmoetai Intermediate School principal.

### Creating a safe, inclusive learning environment

Learners' sense of belonging and experience of racism, discrimination and bullying can all impact on their attendance, engagement and achievement. New Zealand has one of the highest rates of bullying in the world and students' sense of belonging has been declining.

We are working on system level initiatives to improve wellbeing and create a more inclusive learning environment, through curriculum change (page 8), initiatives to support target groups (pages 11 to 14) and resources to support leaders and educators to address these issues (pages 16 to 17).

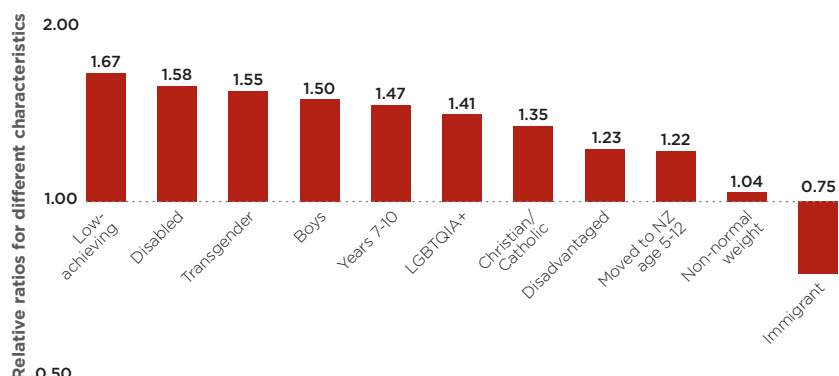
We have also undertaken key pieces of work to address inequities and structural racism in the education system, including Te Hurihanganui (page 13), the Unteach Racism campaign and our work with Ngāi Tahu to establish an anti-streaming alliance. We are also working with other education agencies to improve information on wellbeing.



## Learners at the centre – key metrics

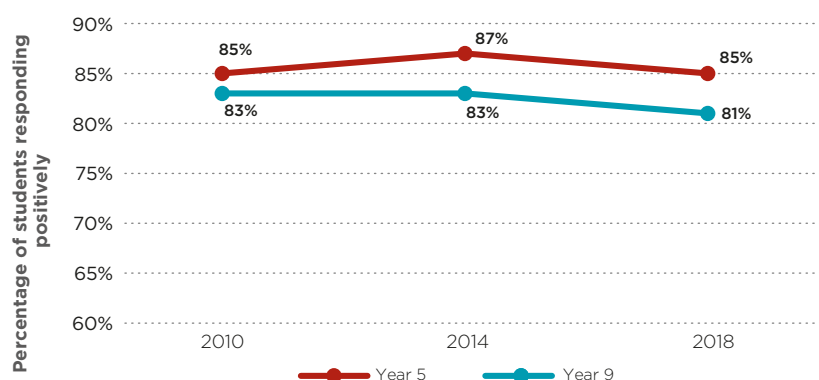
The characteristics of students who are likely to be bullied.

**Sources:** M. Mhuru, Ministry of Education (2021)  
[www.educationcounts.govt.nz/\\_data/assets/pdf\\_file/0004/203575/He-Whakaaro-What-do-we-know-about-bullying-behaviours-in-NZ.pdf](http://www.educationcounts.govt.nz/_data/assets/pdf_file/0004/203575/He-Whakaaro-What-do-we-know-about-bullying-behaviours-in-NZ.pdf)



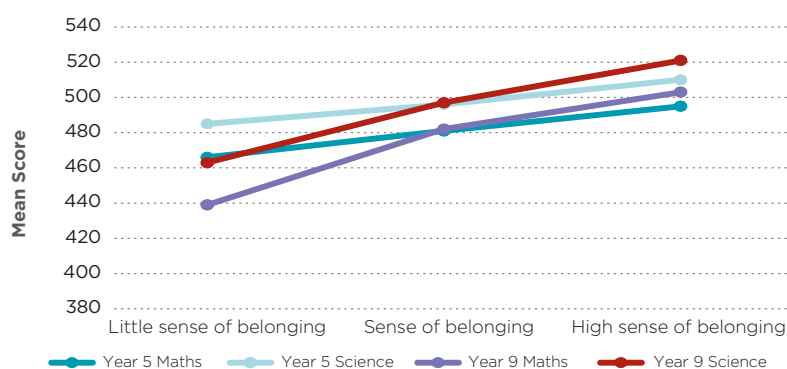
The sense of belonging is falling across year group - percentage of students who report: 'I feel like I belong at school'.

**Source:** TIMSS infographic:  
[www.educationcounts.govt.nz/\\_data/assets/pdf\\_file/0016/205711/TIMSS-2018-19-Infographic.pdf](http://www.educationcounts.govt.nz/_data/assets/pdf_file/0016/205711/TIMSS-2018-19-Infographic.pdf)



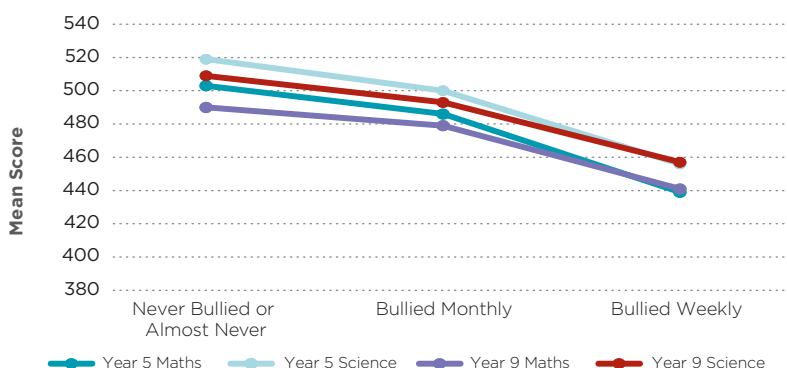
A higher sense of belonging is associated with a higher level of achievement.

**Source:** TIMSS (2019):  
[www.educationcounts.govt.nz/\\_data/assets/pdf\\_file/0016/205711/TIMSS-2018-19-Infographic.pdf](http://www.educationcounts.govt.nz/_data/assets/pdf_file/0016/205711/TIMSS-2018-19-Infographic.pdf)



Students who were bullied more often were more likely to have lower academic achievement than those bullied less often.

**Source:** TIMSS (2019):  
[www.educationcounts.govt.nz/\\_data/assets/pdf\\_file/0016/205711/TIMSS-2018-19-Infographic.pdf](http://www.educationcounts.govt.nz/_data/assets/pdf_file/0016/205711/TIMSS-2018-19-Infographic.pdf)



## Barrier-free access

### Supporting learners to overcome obstacles to attending

Attendance is an ongoing challenge as it is so closely linked with progress and achievement. The most recent Term 2, 2020 data (see page 15) is unlike previous years as it is based on the final seven weeks post-lockdown (18 May to 3 July 2020). While the percentage of students attending regularly recovered after a drop in 2019, we need to respond to the pre-existing, and continuing, downward trend in regular attendance.

Response rates for providing attendance data have improved and we have also started publishing attendance data by school term. From this we are now seeing the medium-term impacts of COVID-19, with Term 4, 2020 and Term 1, 2021 attendance data showing a decrease in regular attendance. The change appears to be largely driven by increases in justified medical absences in line with public health messaging.

Non-attendance has disproportionately harmful impacts on the outcomes of those groups we know are already underserved by the education system – ākonga Māori, Pacific learners, disabled learners and those from socio-economically disadvantaged backgrounds. Many of the impacts of COVID-19 are exacerbating issues for those already disadvantaged by inequity in the education system, particularly in Auckland where a large proportion of these groups live.

Ensuring students are enrolled in and attending school is a shared responsibility and non-attendance can be the symptom of underlying social and economic issues, which schools and the Ministry cannot address on their own. We have been working to provide a more coherent, connected approach to addressing attendance and participation.

An action plan has been developed to improve student attendance and engagement. It involves a change in approach that emphasises:

- » building on the experience from managing the impact of COVID-19 on attendance and engagement

- » schools, parents, the community and Ministry regional staff working together to develop local solutions
- » central support with improved information and national initiatives that address engagement.

We have also started redesigning attendance service contracts to locate services closer to the schools and communities they serve. A survey of the South Auckland pilot scheme showed that 94 percent of schools found the service responsive to their needs, and 78 percent agreed it met the needs of priority groups, including Māori and Pacific learners.

### Maintaining access to learning opportunities with COVID-19

While kura | schools and early learning services me ngā kōhanga reo were closed under COVID-19 Alert Levels 3 and 4, we provided \$87.8 million in support for learners which was distributed by 31 December 2020. This funding provided 36,700 devices (meeting all demand for Years 9 and above), Papa Kāinga TV | Home Learning TV, which received 3.7 million views, and provided 45,000 internet connections for learner households. We are also working with the Department of Internal Affairs and other agencies to develop a sustainable long-term solution to aid digital inclusion in Aotearoa New Zealand, which includes considering the needs of students.

As part of the COVID-19 Response and Recovery Fund, we developed a range of time-limited initiatives providing additional resources to support community programmes and ākonga at-risk. These include those who are turning 16 and can continue attending Alternative Education.

We also distributed the Enhanced Wellbeing Fund to Alternative Education, Teen Parent Units, Activity Centre providers and Te Kura Gateway, to support at-risk ākonga to re-engage and attend school during the COVID-19 recovery. Additional funding also supported the immediate supply of early learning, keeping the network in a position to respond to an improving labour market next year, and maintaining equitable provision.

School-aged children from overseas, who were unable to leave Aotearoa due to COVID-19, were able to attend local schools as temporary domestic students and get their studies and development back on track. We also worked with the New Zealand Qualifications Authority (NZQA) to implement temporary arrangements to allow schools to provide education and the National Certificate of Educational Achievement (NCEA) to their international students who are now outside New Zealand due to the pandemic.

### Improving access to help for those with learning support needs

Learning Community Hubs have been established with parent and community input to deliver parent and learner workshops. Support programmes run through the Learning Community Hubs, includes the Reading Together programme, to support children improve their literacy skills; provide academic mentoring for students and information around internet safety; and have parent education workshops to give an overview of the New Zealand education system and to help to understand career pathways for their children.

From an initial 10-week pilot programme, there are now seven Learning Community Hubs in Christchurch, which support 158 families across 18 ethnicities, including 270 early childhood and school-aged children across the city. The model will be rolled out in Auckland and Wellington later this year.

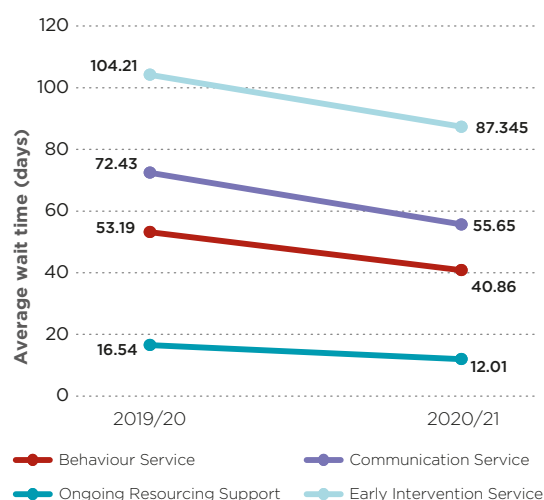
We continue to implement the **Learning Support Action Plan 2019-2025** to strengthen support for disabled learners and those with additional learning needs. Through this plan, the new role of Learning Support Coordinator (LSC) has added capacity and capability to the provision of learning support in schools, with 598 roles funded by 30 June 2021. Evaluation of the LSC role has shown positive benefits for teachers, who value the immediate support and credible advice provided by LSCs. Whānau also reported that they are finding it easier to communicate with, and feel supported by, their child's school.

We launched an online Learning Support Network of Expertise to support LSCs and Special Education Needs Coordinators working in English and Māori Medium settings.

We worked with relevant schools to co-construct their Ongoing Resourcing Scheme (ORS) plans to enable the attendance, participation, engagement and transitions of students with the highest ongoing need for specialist support. Funding for ORS students has increased by an average of three hours, with High Needs students receiving an average of 13 hours and Very High Needs receiving 20 hours of support.

Enrolments in the Learning Support Network (including LSCs, Social Needs Education Coordinators, principals/deputy principals, ORS teachers, teacher aides and others) have increased from 1,800 in December 2020 to 2,062 in June this year. We are also making it easier to identify and plan how to meet students' learning support needs by trialling a new Standardised Learning Support Register.

By changing our own practices, we were able to reduce the time eligible children and young people wait for support.



To improve reading ability in learners in Years 1 to 13, we introduced an early literacy approach which included releasing the first set of *Ready to Read Phonics Plus* books, as well as funding early literacy professional support and the enhanced Reading Recovery programme. We also launched hard copy resources for an oral language tool, *Te Kōrerorero / Talking Together*. This is used to foster language skills and to support teachers to understand bilingual and multilingual pathways, which were distributed to early learning services, playgroups and primary schools in March 2021.

## Supporting Māori to succeed as Māori

We are continuing to implement our contribution to **Ka Hikitia** | The Māori Education Strategy and **Tau Mai Te Reo** | The Māori Language in Education Strategy.

To improve performance for Māori learners and whānau and give practical effect to Te Tiriti | The Treaty we use regulatory and policy levers to set requirements for early learning services, schools and tertiary providers. This includes the provisions in the Education and Training Act 2020 (as set out in section 9), and clear direction in the Statement of National Education and Learning Priorities and the Tertiary Education Strategy that are closely aligned with **Ka Hikitia**.

Over \$1 billion of new investment over the last three budgets has enabled a focus on: strengthening Kōhanga Reo; increasing the use of te reo Māori; supporting whānau and iwi to engage with education services; meeting the material needs of Māori learners (eg, Ka Ora, Ka Ako | Healthy School Lunch Programme and free period products); providing capital investment in Kura Kaupapa Māori and Kura-ā-Iwi; and investing in wānanga.

We have been testing Te Hurihanganui in five different communities, with a sixth and final community due to be confirmed later in 2021. Te Hurihanganui supports communities to test different ways to address racism and inequity, so that we can accelerate the educational achievement and wellbeing of ākonga Māori and their whānau in the education system.

The kaupapa acknowledges that parents, whānau, hapū, iwi and communities are critical in supporting Māori learner success as Māori. As such, Te Hurihanganui will build the sector's and communities' capability in critical consciousness and kaupapa Māori to change educational practices and behaviours. This will include building whanaungatanga across communities, and the development of professional and community learning opportunities, tools and resources.

We have developed specific legislative and governance arrangements to support the implementation of **Ka Hikitia** through Te Pūkenga and the WDCs (see page 19 for more information). We have given clear directions to Education New Zealand, the NZQA and the Tertiary Education Commission (TEC) about delivering for Māori learners and whānau and giving practical effect to Te Tiriti o Waitangi. We also developed current state information about the Māori Medium Education network to inform ongoing network planning.

In the sector, we have strengthened and supported relationships with iwi, the Mātauranga Iwi Chairs Group and Māori Education Peak Bodies. Taumata Aronui, a group established in 2019/20 to work with the Government on tertiary education policy incorporating Māori community and employer perspectives, provides guidance about issues and opportunities for Māori learners and whānau in tertiary education.

### A local response tailored to local needs

Faced with challenging behaviours and a dramatic dip in attendance levels after COVID-19, Tāneatua School, in the foothills of Te Urewera, tried something a bit different. The school's attendance after COVID-19 lockdown hovered between 40% and 60%. The school successfully applied for funding from the Urgent Response Fund to support a jiu jitsu programme which has improved behaviour, engagement and dramatically improved attendance levels.

In Term 4, 2020, the jiu jitsu programme was held twice a week and the children earned their spot on the mat by being present at school the day before.

"My goal was to turn those kids into leaders. Rather than kicking them out of the classroom, why don't I make them ref a game, give them a little bit of responsibility and see how they take it? And from there, we started to see progress." Jiu jitsu coach.

"Now, I think we wouldn't have more than 18 kids away at any one time, even though we've dropped back to only Tuesday mornings. At the very most, we have about a 10 per cent absenteeism rate, the majority of which is justified or explained." Principal of Tāneatua School.

## Supporting Pacific learners and their families

We launched the **Action Plan for Pacific Education 2020-2030** in July 2020, with an aim of transforming outcomes for Pacific learners and families by driving systemic change and supporting the education and wellbeing of our Pacific children and young people.

Following the COVID-19 lockdowns, the Pacific Education Support Fund is supporting the education needs of Pacific learners and families in the regions hardest hit. Auckland received an immediate boost, which will provide Pacific learners improved access to culturally appropriate services to encourage attendance and active engagement.

We have developed Tautai o le Moana, an initiative developed in partnership with the New Zealand Pasifika Principals Association and the New Zealand Principals' Federation, to support this systemic change. Tautai aims to strengthen the capabilities of those in leadership roles, with facilitators working alongside principals across Tautai clusters to challenge unconscious bias, seeking a shift in behaviour and beliefs, and promote culturally and linguistically sustainable practices.

The Pacific Early Literacy Project and Realm Languages published electronic dual language picture books, audio files and family support materials for early learning on Te Whāriki Online. The Pacific dual language resources are a set of online resources to support the early language and literacy learning of Pacific children based on the principle that utilising a child's heritage language(s) helps strengthen literacy.

The Talanoa Ako programme is a 10-session education programme for Parents of Pacific learners that aims to equip and empower parents, families and communities with the skills, knowledge and confidence they need to champion their children's education. We engaged over 120,000 listeners via the Talanoa Ako on Air radio programme and produced the Talanoa Ako app, which is available to download. The Talanoa Ako guided resources are being developed, with the first set of resources to be launched in December 2021. These resources systematise the key learnings of the Pacific PowerUP to Talanoa Ako evaluations (2016-19). They include over 1,800 in-depth talanoa with Pacific parents, families, learners and communities, and complement the key findings from the Pacific Education fono series.

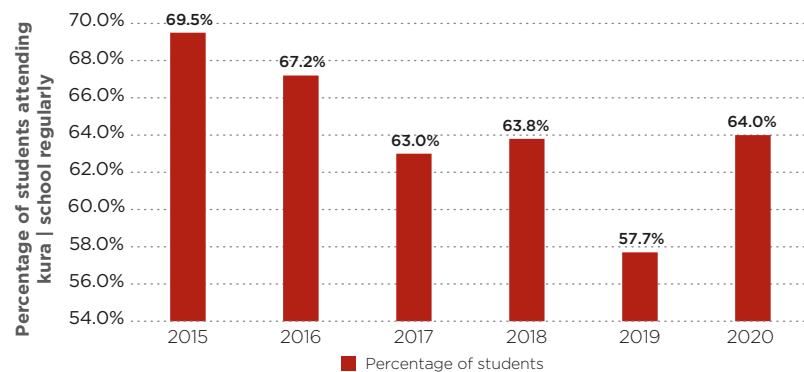
We are working to support new and creative Pacific education practices that respond to the curriculum and wellbeing needs of Pacific learners. The new Pacific Education Innovation Fund will work to support these new practices.





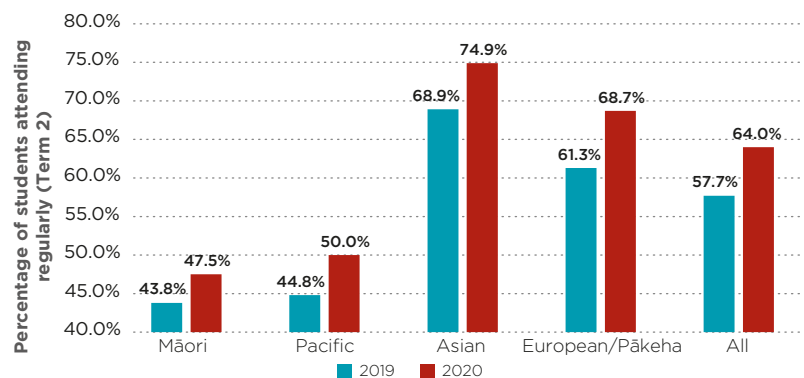
## Barrier free access – key metrics

While regular attendance for Term 2 recovered after a drop in 2019, this data is unlike previous years because of COVID-19, with a downward trend since 2015.<sup>1</sup>



Source: Ministry of Education (2021)

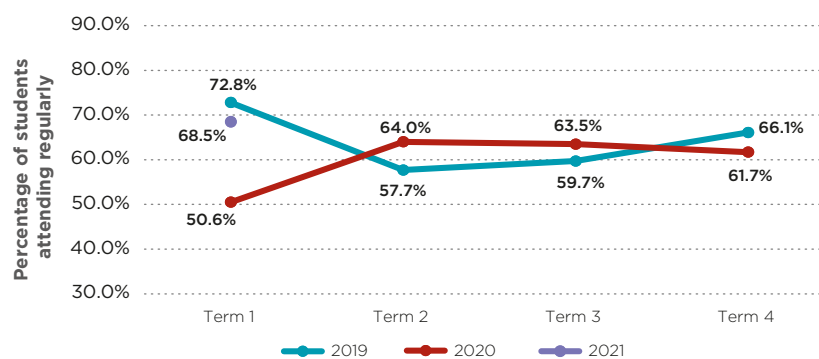
[www.educationcounts.govt.nz/statistics/attendance](http://www.educationcounts.govt.nz/statistics/attendance)



We have also started publishing more timely attendance data by school term, with regular attendance of Term 1, 2021 3% lower than in 2019.

Source: Ministry of Education (2021)

[www.educationcounts.govt.nz/\\_data/assets/pdf\\_file/0003/208245/Comparing-Term-1-2021-vs-Term-1-2019.pdf](http://www.educationcounts.govt.nz/_data/assets/pdf_file/0003/208245/Comparing-Term-1-2021-vs-Term-1-2019.pdf)

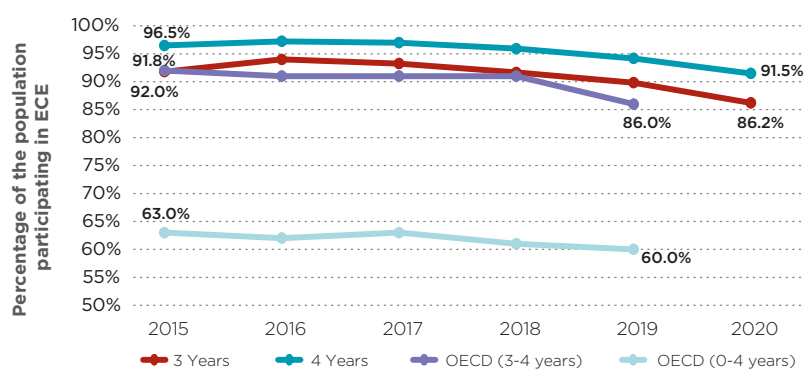


Participation in early childhood education (ECE) is falling but remains above the Organisation for Economic Cooperation and Development (OECD) average.

Source: Ministry of Education (2021)

Total population of children by age taken from Stats NZ's Estimated Resident Population by Age and Sex (1991+) (Annual-Jun).

Attendances at licensed services taken from the Ministry of Education's annual Early Childhood Education Census.



<sup>1</sup> Term 2, 2020 data is unlike previous years as it is based on the final seven weeks post-lockdown (18 May to 3 July 2020).

## Quality teaching and leadership

The Ministry of Education has a key role to play in increasing the quality of teaching and leadership across early learning and schooling to deliver more equitable outcomes. Our role is part of a larger system response where schools, kura and early learning services, agencies such as the Teaching Council and the Education Review Office (ERO), as well as providers of Initial Teacher Education (ITE), all have roles to play in ensuring all ākonga | learners have access to quality, curriculum-oriented learning experiences.

### Working to address teacher supply

With COVID-19, we have had to be agile in our approach to address new challenges for teacher supply.

Many students undertaking their ITE had their practical experience placements disrupted by the pandemic. Working with the Teaching Council, we arranged for an enhanced induction and mentoring programme to be available to students who graduated with reduced practical experience.

As COVID-19 border restrictions continue, we have changed our approach to teacher recruitment by boosting initiatives to get more New Zealanders into teaching in as little as 12 months. This includes fast-tracking the process for qualified teachers who have left the profession to return to teaching and encouraging those seeking a career change to join the profession.

Scholarship and incentive schemes also encourage an interest in the teaching profession. The final application round for the 2021 TeachNZ Scholarships received a record number of applications. Out of a total 465 scholarships, 257 have been offered to applicants, of which 162 (63 percent) awardees identified as Māori and a further 51 (20 percent) as Pacific.

We are accountable for providing the schools payroll service, which is outsourced to Education Payroll Limited (EPL). Over the past year, EPL has continued to deliver the pay, including additional COVID-19 support payments and implementation of the Teacher Aide Pay Equity Claim. This landmark claim was implemented in November 2020, resulting in pay increases to almost 18,000 teacher aides. EPL also progressed the Education Payroll Development Programme, which aims to ensure the ongoing stability and sustainability of the schools payroll system by managing technology risks and increasing efficiency. EdPay, the new digital service, is a key part of this Programme. EdPay is close to achieving full functionality and achieving its aim of making it easier for schools to fulfil their payroll responsibilities.

We have also started investigating a pay equity claim for Kāiārahi | te reo | Assistant to teachers of students with severe disabilities in schools. In partnership with NZEI Te Riu Roa, we have adapted materials and processes to be able to undertake this investigation in te reo Māori and within a kaiako Māori context.

A new class of border exemption has been announced that will enable 300 overseas qualified teachers to come to New Zealand, which will give principals and services additional support, especially for 2022 recruitment, and complement existing teacher supply initiatives.

### Improving sector workforce cultural competence and awareness

The Ministry is responsible for the provision of curriculum supports and resources for teachers and leaders, helping them to develop throughout their professional lives. We invest in the provision of Professional Learning Development (PLD), spending \$104 million in 2020/21, and set priorities for investment to continue to strengthen the capabilities of the education workforce in response to the evolving needs of our stakeholders, particularly those of ākonga Māori.

A focus on cultural capability encourages teachers and kaiako to recognise diversity of identities – including culture, gender, sexuality and ability – and to take action to ensure that all learners feel valued and have equitable opportunities to learn within an environment that is responsive and inclusive of their culture.

To improve attendance and engagement we need a learning environment where students' identity, language and culture is respected and valued. As a result, we have made Cultural Capability a national PLD priority, seeking PLD providers to deliver training grounded in Te Tiriti o Waitangi, critical consciousness, kaupapa Māori and inclusive practices. This system shift is aligned with Te Hurihanganui expectations, which seek to address inequity, racism and bias for ākonga Māori by:

- » strengthening the place of Māori knowledge, culture and language in education
- » improving Māori engagement, leadership and design in early learning and school settings
- » developing critical consciousness about racism and equity.

Te Ahu o te reo Māori and other te reo Māori initiatives focused on lifting the Māori language capability across the early learning, kōhanga reo, kura | schools workforce. We have realigned our PLD priorities to focus on strengthening the cultural capability of the education workforce in early learning and schooling. Continuing the national delivery of Te Ahu o te reo Māori will support the integration of te reo Māori in schools and early learning centres by providing kaiako and key support staff with bespoke te reo Māori training contextualised to learning environments.

We are working to replace Te Kete Ipurangi and enhance Kauwhata Reo to create a new Online Curriculum Hub that will enable us to make all national curricula available in one place. The new hub and resources will help boards, teachers and kaiako make sense of the curriculum, what's important to learn, and how to teach it. It will also provide teaching and learning resources and materials for educators, kaiako and leaders to use in partnership with ākonga, their whānau and mana whenua.

## Building capability within the sector to improve teacher and learner experience

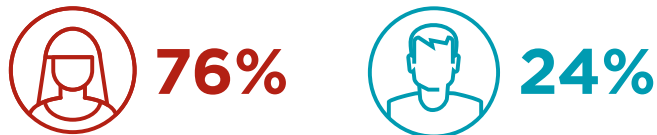
We have engaged stakeholders, including Te Kōhanga Reo National Trust, Māori medium early learning services and Sosaiete Aoga Amata Sāmoa i Aotearoa, to develop a sustained and planned approach to professional learning and development for early learning.

At the same time, kaupapa | principles have been developed to build professional capability. We have provided opportunities for the education workforce to support each other through Kahu Pūtoi | Community Hubs, strengthened teaching practice knowledge and understanding of both te reo Māori and mātauranga Māori within central professional learning, and addressed workload issues through specific Ako Panuku | national priority focus areas.

Evaluation saw that 84 percent of teachers surveyed believed that participation in Ako Panuku had helped them influence Māori student achievement. Also, 89 percent said that it had had a positive impact on their teaching.

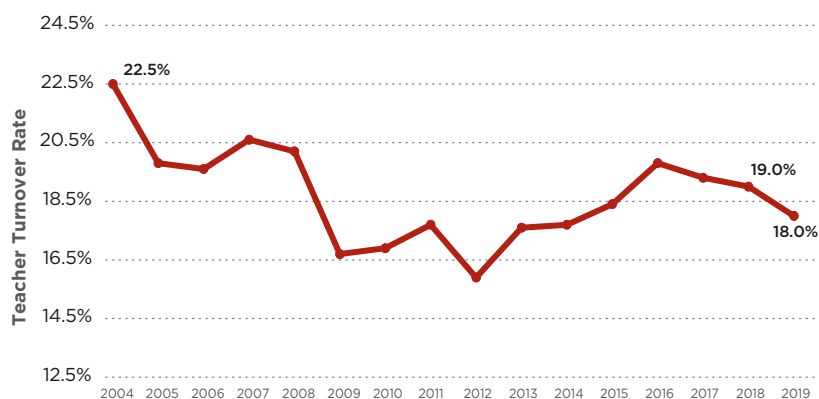
## Quality teaching and leadership – key metrics

The number of female teachers continues to outnumber the number of male teachers.



Source: [www.educationcounts.govt.nz/statistics/teacher-numbers#1](http://www.educationcounts.govt.nz/statistics/teacher-numbers#1)

The teacher turnover rate decreased during 2019.

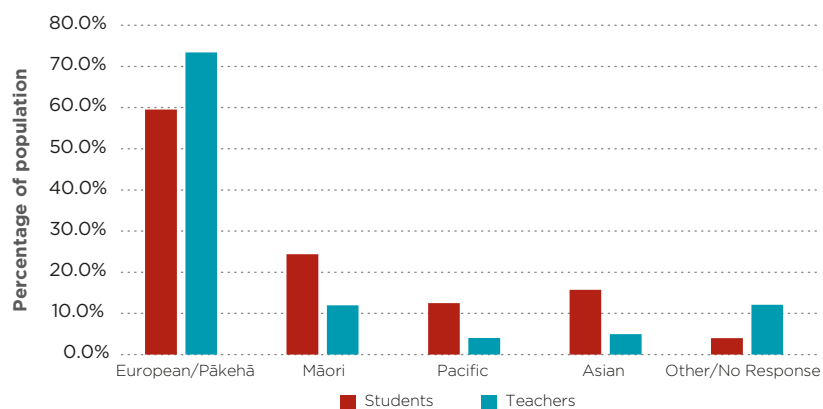


Source: [www.educationcounts.govt.nz/statistics/teacher-turnover](http://www.educationcounts.govt.nz/statistics/teacher-turnover)

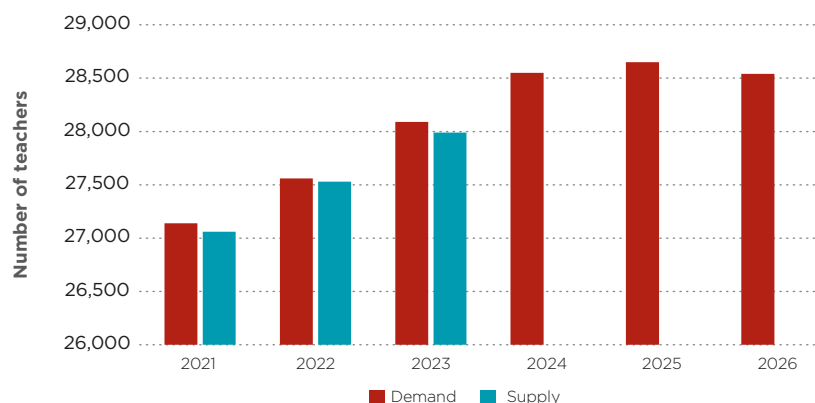
The ethnic diversity of the teaching workforce does not reflect the student population.

Source: Ministry of Education (2021).

**Note:** Teacher 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%.



Teacher demand is forecast to continue to increase through to 2025.



Source: [www.educationcounts.govt.nz/data/assets/pdf\\_file/0005/203675/Summary-report-TDS-November-2020.pdf](http://www.educationcounts.govt.nz/data/assets/pdf_file/0005/203675/Summary-report-TDS-November-2020.pdf)

## Future of learning and work

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

Tertiary participation and attainment rates have been largely stable over recent years and we continue to make system changes to improve equity, and support learners in response to COVID-19 (see page 21).

Following a wide-scale review of NCEA, the key qualification for secondary school leavers, the Ministry is now implementing changes to the subjects that will be offered for assessment. This included the announcement of NCEA Level 1 changes in December 2020, with the number of subjects offered for assessment to be reduced by 10 to 32. These subject changes are designed to give students a broader foundation at the start of NCEA and more pathways for their learning, as well as reducing the workload for teachers and students.

We also made changes to the NCEA to better respond to learners' identity, language and culture by releasing draft achievement standards for a new subject, Māori Performing Arts. Pilots of Te Ao Haka | Māori Performing Arts, the new Te Reo Matatini me te Pāngarau | Literacy and Numeracy standards; and of NCEA Level 1 English, Science, Religious Studies and Visual Arts will be rolled out by the end of 2022. NCEA subjects for New Zealand Curriculum (Levels 2 and 3) and Te Mātauranga o Aotearoa (Levels 1 to 3) were announced in September 2021.

We have been working closely with the TEC to deliver the key changes for the Reform of Vocational Education in our tertiary system. A key change is that six WDCs, on track to become operational on 4 October 2021, will take over the arrangement of training functions from Industry Training Organisations (ITOs) by the end of 2022. WDCs aim to support learners to graduate with the right skills at the right time to address skill shortages.

### Improving NCEA to meet the needs of 21st century ākonga | learners

The NCEA Change Programme is a package of seven changes aimed at strengthening NCEA:

1. Make NCEA more accessible
2. Equal status for mātauranga Māori in NCEA
3. Strengthen literacy and numeracy requirements and assessments
4. Fewer, larger standards
5. Simplify NCEA's structure
6. Clearer pathways to further education or work
7. Keep NCEA Level 1 optional.

Centres of Vocational Excellence in construction and primary sectors were established to keep New Zealand at the forefront of innovation and attract more people to vocational education. The Centres are geographically distributed and establish a new type of partnership between the vocational education system and the two sectors. They aim to bring together industry, researchers, tertiary providers, iwi and other groups from across the country to work on sector-specific issues and develop solutions for training and education.

### COVID-19 response and workplace transitions

We are looking to strengthen vocational education training in secondary schools and, as part of the Reform of Vocational Education, we funded a series of events that connect schools, communities and employers. The events, despite various disruptions from COVID-19 alert level changes, were attended by 56,186 students and 3,575 employers. We saw consistent and positive outcomes, with good engagement from both employers and schools. Over 90 percent of students who attended organisation events felt they were better prepared and had the skills to be successful in their future education and employment.



We gave *Apprenticeships a Boost*, with nearly 2,000 employers receiving support for 4,145 apprentices. Semester Two enrolments for trades and engineering courses at the Manukau Institute of Technology alone increased by 59 percent compared with the previous year, as workers displaced from the economy upskilled and retrained.

Since the Targeted Training and Apprenticeship Fund was introduced from 1 July 2020, 80 percent of industry training provision undertaken has been fees-free, benefiting over 140,000 learners. Within provider-based study, the Fund covered around 14 percent of provision at sub-degree level in the 2020 calendar year.

The new government careers system Connected.govt.nz online, phone and on-site portal was launched in August 2020 in cooperation with the Ministry of Social Development.

Forty leaders from across the Ministry went the extra mile to mentor 600 Year 11 to 13 students participating in the GirlBoss Government, Policy and Law programme, which helps young women to be inspired, feel empowered, build confidence and find out about careers in government and policy roles. The rangatahi commented on how connecting with mentors helped them open doors, see the possibilities and follow their dreams.

## Supporting international students and providers

With travel restrictions impacting international students, this had a flow-on effect for state and state-integrated schools with lost student revenue. To mitigate the challenges faced by these schools, we distributed transitional funding contributing towards staff costs to help provide continuity of education and pastoral care for international students still in New Zealand.

In July 2020, the Government released a strategic international education recovery plan to help stabilise New Zealand's international education sector. This will help the sector recover while also transforming it into a more diversified, resilient and higher-value sector, and accelerating the transformation signalled in the *International Education Strategy*. The Plan aims to allow international students back as soon as it is safe to do so.

Through our ongoing response to COVID-19, we allocated funds to support stability for the Private Training Establishments (PTEs) that contribute to regional skills development and assist with increasing demand for English language training.

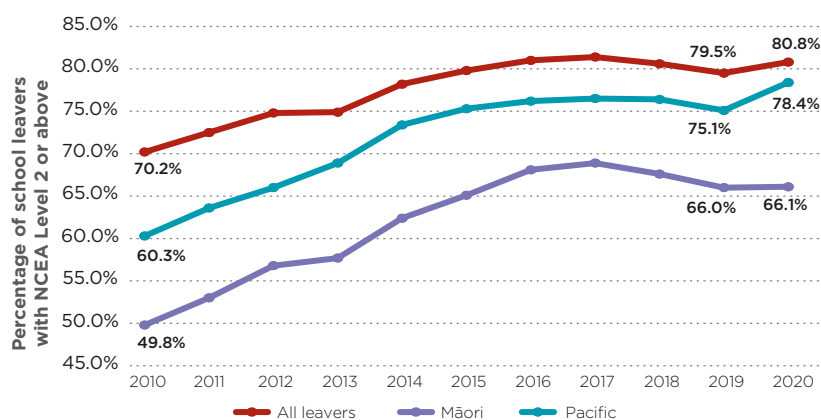
A new category of border exemption was created that allowed 250 international PhD and postgraduate students to enter New Zealand and continue their studies. From November 2020, this enabled us to welcome back a good portion of those PhD and Masters students who were caught off-shore, and who needed to be in New Zealand to complete their work. A second category was later established for degree-level and above students, enabling 1,000 international students to return to New Zealand in stages from April 2021 as Managed Isolation and Quarantine (MIQ) availability allowed. The annual economic value of this group of 1,000 degree-level international students is estimated to be roughly \$49 million in wider economic contribution, including approximately \$27 million in tuition fees.

## Future of learning and work – key metrics

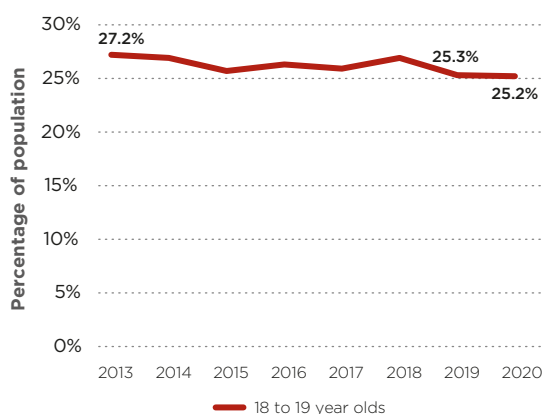
Achievement of NCEA Level 2 or higher increased last year reflected changes to minimise the disruptions from COVID-19 lockdowns.<sup>2</sup>

Source: [www.educationcounts.govt.nz/statistics/school-leavers](http://www.educationcounts.govt.nz/statistics/school-leavers)

Time Series Data: School Leavers with NCEA Level 2 or Above (2010-2020)

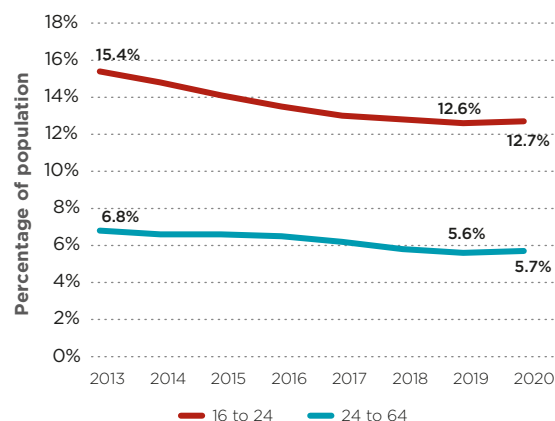


The first time participation rate in Level 3 to 7 tertiary education and training has been slowly decreasing since 2013.



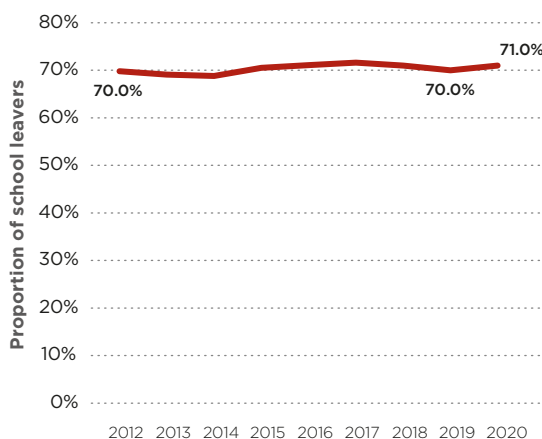
Source: Ministry of Education (2021)

The participation rate in vocational education and training has been decreasing since 2013, but it has increased slightly in 2020.



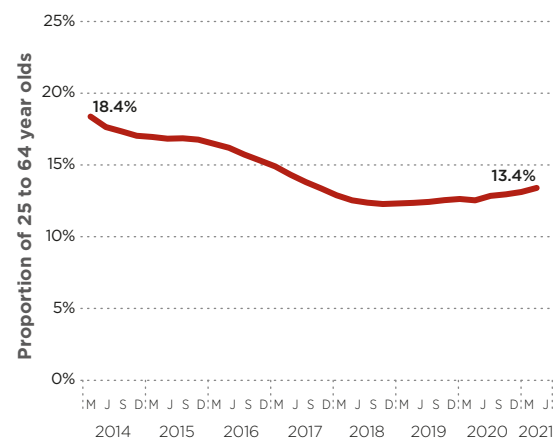
Source: Ministry of Education (2021)

The proportion of school leavers enrolled in Level 3 or higher education or training within 3 years of leaving school has been steady since 2012.



Source: Ministry of Education (2021)

The proportion of 25 to 64 year olds with no formal qualifications has been decreasing since 2014, however there was a slight (0.7%) increase in 2020.



Source: Statistics New Zealand, Household Labour Force Survey (2021)

<sup>2</sup> In response to disruption due to COVID-19, changes were made to NCEA and University Entrance (UE) for 2020. Senior secondary school students were able to earn Learning Recognition Credits as they attained credits through 2020, and the requirements for UE and course and certificate endorsements were reduced. Without the COVID-19 modifications to the NCEA qualification and UE, attainment would have fallen well below 2019 levels across all demographics.

## World class inclusive public education

### Supporting and engaging with Te Tiriti o Waitangi | the Treaty of Waitangi

The Education and Training Act, which modernises and strengthens the education system, came into effect on 1 August 2020. The progressive Act is the result of two years of intensive consultation about what education should look like in the 21st century and brings all key legislation on early learning, schooling and tertiary education into a single statute. The Act represents a significant change in seeking gains on equity and provides a foundation for giving effect to Te Tiriti | the Treaty.

As part of its focus on building closer partnerships with Māori and enhancing the quality of, and access to, Māori medium education, the Government has announced that \$8 million will be paid to Te Wānanga o Raukawa in partial recognition of its Waitangi Tribunal claim (WAI 2698). The new funding, announced in September 2020, reflects the importance placed on the wānanga sector in general and the ability of Te Wānanga o Raukawa to continue delivering on its mission for Māori learners. We have begun an open dialogue with the three wānanga to develop reform proposals that would rebalance kāwanatanga and rangatiratanga in the Crown-wānanga relationship.

### Progressing system improvements to achieve better outcomes for learners

The National Education and Learning Priorities | Tertiary Education Strategy was published in November 2020. This is the first time that a joint set of education priorities has been developed to apply across early learning, schooling and tertiary education. As well as being focused on the whole-of-education-system, they are much more learner-centred, have a stronger emphasis on equity and reflect the voices of people rather than providers. We are working with the sector to give effect to these priorities.

We are also progressing regulatory and policy improvements to enable more equitable outcomes for learners by:

- » undertaking an early learning regulatory system review, which includes a proposal to create a cancellation pathway based on a service's provisional licence history, and a more consistent and rigorous programme of monitoring and licensing

- » completing changes to school enrolment schemes and communicating those changes directly with the sector with consultation a standard part of the process
- » undertaking work to develop and implement the equity index for schools in the 2023 school year. Transitional arrangements are being made for the schooling equity index. There is ongoing research into the effects of disadvantage and the role of equity-focused funding in supporting disadvantaged children to participate in quality early childhood education.

### Managing the school property portfolio and bettering outcomes for schools and learners

We have spent \$1.45 billion this year (2020: \$1.06 billion) on capital investment projects, through multiple programmes of work, which have also supported the economic recovery from COVID-19. The significant increase in capital spending reflects an increase in our delivery of growth projects nationally, completing 113 growth projects (2020: 53) and 26 short term roll growth projects (2020: 17) this year. This has added 10,946 student places to the school portfolio.

This year, through our capital works delivery, we completed 30 redevelopments, three new schools and 14 projects, which were part of the Christchurch Schools Rebuild. As at 30 June 2021, there were 271 investment projects in the design or construction phase. These works are supporting economic stimulus across the regions.

We have seen increased activity from schools through our annual expenditure on 5 Year Agreement projects where we invested over \$250 million this financial year. We have also spent over \$9 million on our Coal Boiler Replacement Programme, the new cross-agency programme with the Energy Efficiency & Conservation Authority, since its start.

So far, we have spent \$202 million (2020: \$19 million) for delivering the one-off \$396 million School Investment Package which significantly contributed to our capital spend this year. This year, 747 schools had their facilities improved through this programme, with a total of 811 schools benefiting since it was initiated in December 2019.



To achieve better outcomes for learners, we are embarking on an ambitious national school redevelopment programme. The first wave includes around 40 schools and has a budget of up to \$1.3 billion over 10 years. Ten projects have been announced as part of the national school redevelopment programme, with approximately \$200 million planned to be invested in these schools.

As part of the COVID-19 response and recovery, we supported schools and construction firms facing additional costs due to the pandemic. Although evidence indicates that the construction industry has handled the COVID-19 disruption and impacts much better than many economic specialists initially predicted, we are continuing to work to address emerging capital cost increases and delays in the delivery of materials as a result of COVID-19. We have continued to maintain our Asset Management Maturity levels this year, remaining steady at an Asset Management Maturity Index of 77 percent since 2018/19 and further improvement initiatives are planned and underway.

In this financial year, we have completed 369 ICT network equipment installations through the Te Mana Tūhono | Network-as-a-Service and Cybersecurity for Schools. This programme supports schools in managing, monitoring and maintaining their ICT networks. Schools can opt-in to have their ICT network equipment replaced when it reaches the end of its life. They can access support to manage cybersecurity and The Network for Learning (N4L) helpdesk. N4L also provides the managed internet service for kura | schools.

### Building a better-connected education system

The formal establishment of Te Mahau | Education Service Agency and subsequent changes to Te Tāhuhu o te Mātauranga | Ministry of Education, includes the establishment of Te Poutāhū (previously the Curriculum Centre).

Te Poutāhū will provide strengthened and inclusive curriculum leadership, expertise and partnering for *the New Zealand Curriculum*, Te Mātauranga o Aotearoa and Te Whāriki, as well as providing expertise and resources for quality teaching. It will have strengths across te reo Māori, mātauranga Māori, disability, inclusive learning support and culturally relevant content to support integrated frontline teams.

In connecting kura | schools, the Urgent Response Fund has approved 257 cluster applications, many of which are for Kāhui Ako | Communities of Learning. These applications support 161,656 learners, with \$8 million in funding across kura | schools and early learning services me ngā kōhanga reo.

In progressing agency connectivity, the Secretary for Education and the Chief Executive Officer of Philanthropy NZ signed a Memorandum of Understanding to set out our relationship and create a framework where the parties can work on innovative initiatives to improve education outcomes and equity gains.

In connecting New Zealand with other countries, the Secretary of Education led New Zealand's online delegation to the ninth New Zealand – China Joint Working Group on Education and Training, an important mechanism for enabling and guiding our education relationship with China. We also hosted two virtual meetings of the Asia-Pacific Education Cooperation (APEC) Education Network, which sought to outline our priority focus areas and demonstrate that New Zealand is leading improvements and enhancing the effectiveness of the APEC network.

## World class inclusive public education - key metrics<sup>3</sup>

### Ministerial satisfaction survey results

	2019/20 rating	2020/21 rating
Overall performance of the Ministry	8	8
Quality of monitoring advice about Crown entity agencies	8	8
Quality and timelines of support for Ministerial delegations and visits	8	8
Quality, timelines and value for money of our policy advice	5 out of 5*	4.2

**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 is measured on a scale of 1 to 5, where 1 means unsatisfactory and 5 means extremely satisfied.

<sup>3</sup> Changes in methodology mean results are no longer available for Kiwis Count Service Quality or the Work Economic Forum Global Competitiveness Index assessment for Quality of the Education System. With COVID-19 some international comparison data is not available.



## Building Ministry capability

### Establishing Te Mahau | Education Service Agency within a redesigned Ministry

On 12 March 2021, the Secretary for Education formally released a proposal to establish Te Mahau within a redesigned Ministry of Education, with feedback incorporated into a final design document released in June 2021. The organisational redesign and new leadership structure in place from 4 October is intended to provide a more locally responsive, integrated and accessible education system for ākonga and whānau.

As the new organisational structure is implemented, we will be seeking to build on the gains made with how we work with the sector and others to grow trust and jointly resolve long-standing issues. The design is intended to support us to change how the Ministry works – taking action to give effect to Te Tiriti o Waitangi, giving priority to regional and local voices, improving our feedback loops and information flows, and delivering more responsive, accessible and integrated services and support.

### Building a culture of diversity, inclusion, and engagement

To make a real difference for Māori in our education system we need to genuinely understand the barriers to 'Māori achieving success as Māori' before we can address them. As part of 'walking the talk' we are investing in our staff. By the end of 2020/21, 2,725 staff members have completed Beyond Diversity training and 2,021 Te Tiriti | the Treaty training. 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.

To guide staff on the rights of disabled learners and their whānau in education the Ministry has developed a Disability Strategic Framework, which provides principles and key questions to consider in their work.

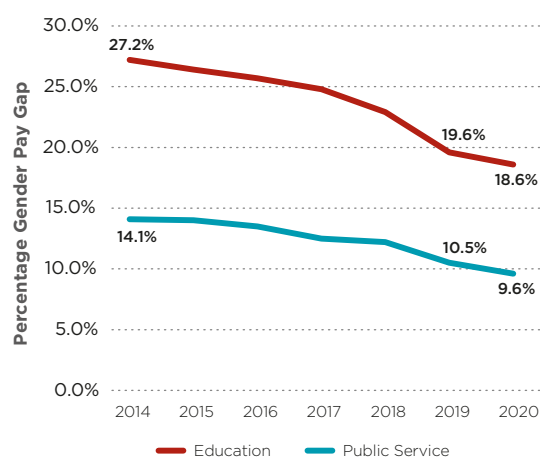


76%



24%

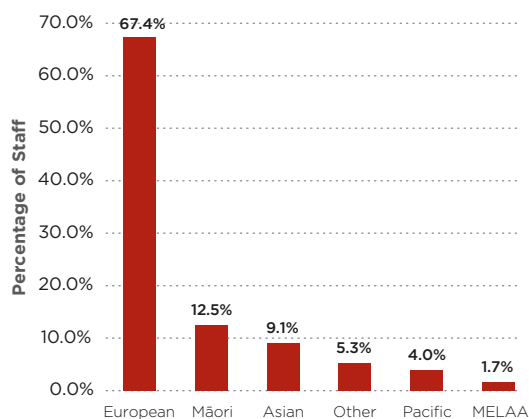
Our staff are over three-quarters female (reflective of the teaching workforce ratio) and we have a higher percentage of women in senior management (64 percent) than the public service average (53.2 percent). While we have a higher gender pay gap than the public service average we have been closing the gap faster.



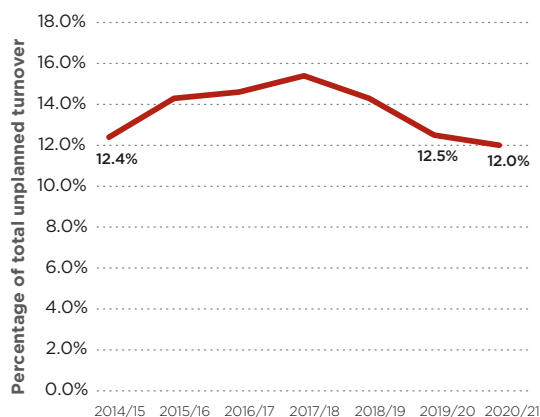
We also host employee-led networks such as the Māori Staff Network, Pacific Staff Network, Education Rainbow Network, Women's Network, Asian Networking Group, Disability Working Group and Young Professionals Network. Each of the networks has representation on our Diversity and Inclusion committee. Highlights for the year have included:

- » a two-day Pacific Fono run for all Pacific staff across the Ministry with a focus on Pacific education outcomes
- » being selected as a finalist in the 2021 Diversity Awards for our Early in Career programme.

We continue to promote diversity in our workforce and increased our number of Māori staff (19 percent higher than last year) and Pacific staff.



During 2020, our staff turnover rate decreased slightly.



Our cross-Ministry capability investments have been focused on strengthening the leadership talent pipeline, management capability, financial capability and cultural capability. We have strengthened the capability and engagement of the workforce through new initiatives alongside our existing work, all relating to our people strategy, He Huarahi Pai.

Our employee pulse survey in December 2020 showed a positive shift in responses from when we ran the survey in February 2020. We have also introduced a framework and practice to enable our staff to Speakup, supporting and encouraging anyone who experiences or witnesses unacceptable behaviour in the workplace.

## Health and Safety

We have raised staff awareness of the importance of Health and Safety in the workplace, including raising incidents and near misses when they happen. There has been a 21 percent increase in reported Health and Safety incidents between 2018 and 2021. This increase in reporting is a positive trend, as it allows us to identify the root causes of potential issues.

## 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, and collaborative relationships with the sector, whānau and communities. Throughout 2020/21 we have focused on building educationally powerful partnerships, using our experience with COVID-19. The 2021 Colmar Brunton Public Sector Reputation Index poll results inform us that trust in the Ministry has continued to increase.

The Colmar Brunton results also show an improvement in working with Māori and Pacific peoples.

## Building ongoing system improvement

In our finance and planning areas, we maintained a 'Good' rating in the 2020 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 have also met all of our IT asset measures and delivered support for key initiatives across the Ministry. During 2020/21 we have also updated our risk management approach and are now embedding it across the Ministry.

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 735 reports and responses proactively released in 2020/21.

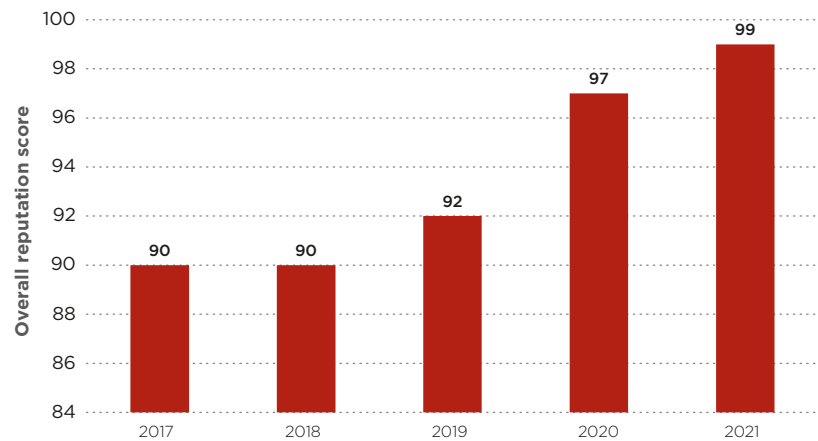
In line with the expectations of the Carbon Neutral Government Programme, we are measuring our carbon emissions and have had our first carbon footprint for the Ministry for the 2019/20 financial year verified and working on the 2020/21 financial year carbon footprint. We are also planning for our carbon emissions trajectory through to 2050. We are currently ranked 14th lowest for carbon emissions among government agencies on our vehicle fleet, and have begun our transition to electric vehicles.

## Building Ministry Capability – key metrics

Our overall reputation has improved nine points since 2017.

**Source:** Colmar Brunton (2021).  
Public Sector Reputation Index 2021.

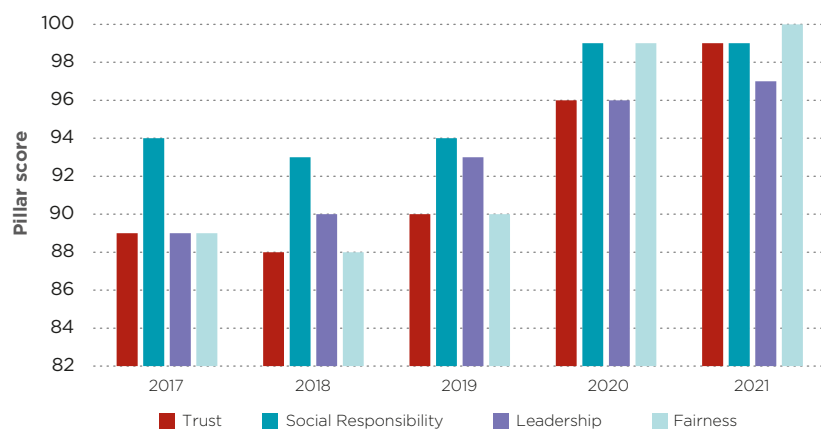
**Ministry's overall reputation score**



Our score in all four pillars has increased significantly from 2017, none more so than our fairness score.

**Source:** Colmar Brunton (2021).  
Public Sector Reputation Index 2021.

**Ministry's pillar score across the four categories**



Our score for fairness has improved, particularly with Māori and Pacific peoples.

**Source:** Colmar Brunton (2021).  
Public Sector Reputation Index 2021.

**Fairness attributes**

	2020	2021
Works positively with Māori	44%	48%
Deals fairly with people regardless of background or role	37%	47%
Works positively with Pacific peoples	35%	46%
Treats their employees well	35%	37%

# Nature and scope of functions

## Our purpose

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

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

## What we do

The education system touches every person, whānau and community in New Zealand and is a major contributor to improving our society and economy. 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 and the workforce to improve progress and achievement where needed.

Our key responsibilities and functions are listed below. They enable us to provide advice and services to achieve our purpose and deliver on the vision and objectives and outcomes set out in pages 4 to 27.

- » Administering Vote Education and Vote Tertiary Education.
- » Providing advice on education, from early learning through schooling to tertiary education.
- » 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 schools and intervene 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 to support teaching, learning and assessment, professional development, and scholarships and awards for teachers.

- » Administering learning support, to provide a wide range of supports to learners, including targeted interventions, specialist support services, funding and supports to enable education for learners with additional needs.
- » Providing support and resources to the community. This includes empowering parents and whānau to engage with their learner's education, and working with whānau, iwi, employers and community groups to strengthen 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 are also responsible for the education-related aspects of New Zealand's international reporting obligations (eg, United Nations (UN) agreements such as the Sustainable Development Goals, Conventions and Recommendations).
- » Providing advice on and support for workforce negotiations, bargaining and pay equity.
- » Setting school payroll strategy and monitoring the operational performance of EPL, which administers the largest payroll system in New Zealand, making payments to around 96,000 school staff each fortnight.
- » Overseeing all education property owned by the Crown, supporting Integrated school property, and managing the continued performance of school property, school transport and school ICT network infrastructure.
- » Managing appointments to education entities' boards, supporting the setting of Crown entity performance expectations and monitoring the operational performance of Crown entities.
- » Undertaking research and analysis and monitoring the overall performance of the education system.

# Our governance

## Our Ministers as at 30 June 2021

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 Jan Tinetti</b> Associate Minister of Education  <b>Hon Aupito William Sio</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 300 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. ENZ works to build awareness of this country as a study destination and to pave the way for exporting education institutions and businesses.

### Education Payroll Limited (EPL)

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

### 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.

### 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 regarded 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

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

### The Network for Learning Limited (N4L)

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

## Our organisation as at 30 June 2021

The **Secretary for Education (Iona Holsted)**, with the support of those heading the following business groups, leads the organisation which 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)** focuses on raising the quality of teaching and 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 (Helen Hurst)** 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 (Alex Brunt)** 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, risk and assurance, legal services, communications, Ministerial services and supporting the Ministry's work with the Royal Commission on Abuse in Care.

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

The **Office of the Secretary Group (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 annual report fairly reflects the operations, progress and the organisational health and capability of the Ministry
- » the financial statements fairly reflect the financial position of the Ministry as at 30 June 2021 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 2022 and its operations for the year ending on that date.



**Iona Holsted**

Secretary for Education  
30 September 2021



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF MINISTRY OF EDUCATION'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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 78 to 117, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2021, 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 2021 on pages 39 to 73;
- 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 2021 on pages 127 to 133; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 118 to 126 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2021;
  - the schedules of revenue; capital receipts and expenses for the year ended 30 June 2021; 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 78 to 117:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021;
    - 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 Standards.
- the performance information of the Ministry on pages 39 to 73:
  - presents fairly, in all material respects, for the year ended 30 June 2021:
    - 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

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- 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 127 to 133 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 118 to 126 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 2021; and
  - the revenues; capital receipts and expenses for the year ended 30 June 2021.

Our audit was completed on 30 September 2021. 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 matter – Holidays Act non-compliance liability**

Without modifying our opinion, we draw attention to the Schedule of Non-Departmental Liabilities on page 121 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.

#### **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.



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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.

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- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

#### **Other information**

The Secretary for Education is responsible for the other information. The other information comprises the information included on pages 2 to 38, but does not include the information we audited, and our auditor's report thereon.

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

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

#### **Independence**

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *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, quality assurance over calculations within the new education resourcing system 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 the specific good and services we were funded to deliver in 2020/21 to be able to progress the longer-term objectives and priorities reported on in Part One of the Report. Monitoring this information helps us to review if we are achieving the results intended and make any necessary changes.

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 2020/21 Supplementary Estimates. The information provided on pages 38 to 71 in this section is audited.

A number of our measures relate to the 2020 school year. COVID-19 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. In a number of instances COVID-19 has also impacted on the results achieved.

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 72 and 73. 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 education institutions and independent research on education issues, policies and practices.

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

#### What we intended to achieve

This category is intended to provide, independent of the Ministry of Education, advice to support decision-making by Ministers on government priority areas.

## What was achieved

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Stewardship and Oversight of the Education System</b>				
8	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.				
97%	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%	98%	Achieved
99%	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%	99.8%	Achieved

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	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.				
Overall, actual expenditure in these areas was 1.1% lower than forecast – accurate within 1.9% of actual values.	Forecasts of enrolment numbers, and expenditure for early learning and primary and secondary schooling, are accurate.	Accurate within $\pm 3\%$ of actual values	0.8%	<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.				
3.3	Internal assessment of the quality of the Ministry's policy advice (see Note 2).	Mean of 3.5 out of 5	3.5	<b>Achieved</b>
5	Satisfaction of the portfolio Minister with the policy advice service (see Note 3).	Maintain or improve	4.2	<b>Not achieved</b> The Minister noted that most advice is brief and well presented. However, some advice could be more succinct or benefit from earlier engagement on expectations. This impacted the overall result and will be addressed through our ongoing policy improvement work.

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2019/20		2020/21	2020/21	
<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.				
	For newly-released research and/or evaluation reports on the Education Counts website, the minimum number of:			
Page visits 10,572	• page visits per annum	Page visits 7,000	19,696 page visits	<b>Achieved</b>
Downloads 5,516	• downloads per annum	Downloads 4,000	9,172 downloads	<b>Achieved</b>
New measure	The quality and range of the Ministry's outputs is assessed through an independent expert review (see Note 4).	Quality is assessed as 'Good' or better	Good (4.9)	<b>Achieved</b>
	Provision and servicing of information requests:			
New measure	• Minimum number of issues closed per year	1,600	2,547	<b>Achieved</b>
New measure	• Median time to turnover information requests (see Note 5).	Less than 10 working days	1 day	<b>Achieved</b>

#### Education Research Initiative

An exemption was granted under section 15D(2)(b)(iii) of the Public Finance Act 1989, as the amount of this annual appropriation for non-departmental output expenses is less than \$5 million.

#### Independent Advice on Government Policy Area

An exemption was granted under section 15D(2)(b)(iii) of the Public Finance Act 1989, as the amount of this annual appropriation for non-departmental output expenses is less than \$5 million.

**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. All agencies are required to use the refreshed Policy Quality Framework to assess the quality of their policy papers.<sup>4</sup>

**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.

**Note 4** - Based on reviews of a sample of analytical and research outputs, independently assessed on a five-point scale (1 = Very poor, 2 = Poor, 3 = Acceptable, 4 = Good, 5 = Very good). The annual result would be an average of the five reviews.

**Note 5** - "Information requests" can vary from same day provision to up to two months for some complex Official Information Act requests.

<sup>4</sup> On the updated Policy Quality Framework scale this translates to: 1 = Unacceptable; 2 = Poor; 3 = Acceptable; 4 = Good; 5 = Outstanding.



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

Performance 2019/20	Activity Information	Budget Standard 2020/21	Actual Performance 2020/21
52	Number of newly-released research and/or evaluation reports on the Education Counts website.	40	44

## Financial performance

	2019/20 Actual	2020/21		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>65,126</b>	<b>62,778</b>	<b>69,977</b>	<b>68,208</b>
This is made up of the following category information:				
<b>Departmental Output Expenses</b>				
Stewardship and Oversight of the Education System	62,115	59,270	66,969	65,200
<b>Non-Departmental Output Expenses</b>				
Education Research Initiatives	3,008	3,008	3,008	3,008
Independent Advice on Government Priority Areas	3	500	-	-
<b>Funding for Departmental Output Expenses</b>				
<b>Revenue from the Crown</b>				
Stewardship and Oversight of the Education System	64,246	59,260	66,959	66,959
<b>Revenue from Others</b>				
Stewardship and Oversight of the Education System	-	10	10	-

Actual expenditure is \$5.430 million (9%) higher than Budget mainly due to:

- » a transfer from non-departmental output expense Primary Education under Primary and Secondary Education MCA for the Te Rito project, a core system that provides technological solutions in addressing learners' needs by improving data quality, availability, timeliness and capability, managed by the Ministry (\$3.104 million increase), and
- » funding to reform the Tomorrow's Schools system (\$2.500 million increase).

## Improved Quality Teaching and Learning

### About this appropriation

The overarching purpose of this appropriation is to improve the quality of teaching and learning for children and young people aged 0 to 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 capability of teachers, kaiako and leaders to improve outcomes for students.

*Curriculum Support (Non-Departmental Output Expense)* – This category is limited to funding educational programmes for teachers, kaiako and leaders, students with their families, and the community that expand learning opportunities.

*Professional Development and Support (Non-Departmental Output Expense)* – This category is limited to building the capability of teachers, kaiako and leaders, through the delivery of learning and development opportunities.

### 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 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Improved Quality Teaching and Learning</b>				
Not measured	Total number of schools, kura and kāhui ako receiving centrally-funded locally-focused allocations of professional learning and development.	Maintain or improve	1,320	<b>Baseline established</b>
<b>Support and Resources for Teachers</b>				
This category is intended to enable a highly effective workforce that can address the personalised needs of all learners.				
	Usage of the Te Kete Ipurangi portal:			
29.8 million	• overall number of page views	Maintain or improve	26.55 million views	<b>Not achieved</b> During COVID-19 lockdowns in 2019/20, several Te Kete Ipurangi (TKI) sites had significantly higher levels of usage than usual as more teachers, learners and their whānau sought online learning resources that could be used at home. As such, data for the 2019/20 baseline period was likely higher than it would have otherwise been.
4.2 million	• total number of unique users.	Maintain or improve	4.16 million users	

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2019/20		2020/21	2020/21	
New measure	Usage of the Kauwhata Reo portal:			
	• overall number of page views	Baseline year	229,669	Baseline established
	• total number of unique users.	Baseline year	45,231	Baseline established
<b>Curriculum Support</b>				
This category is intended to achieve wider access to opportunities within schools.				
72.85%	Percentage of children exited from Reading Recovery who are able to read at cohort expectation.	80%	Data from 2020 could not be entered by teachers into a centralised data store and results are therefore not available.	<b>Not available</b> The externally hosted Reading Recovery database was closed in early 2020 as it did not comply with the Ministry's security settings. A new database is under development and we expect to be able to report for 2021/22. <sup>5</sup>
Not available	Percentage of ākonga who have exited Mauri Tū Mauri Ora initiatives are achieving at expected levels of Te Marautanga o Aotearoa.	Maintain or improve	52% of those reported on.	Baseline established
	Percentage of schools and kura engaged in curriculum supports for:			
Baseline year (45%)	• Digital Technology curriculum content (see Note 1).	Maintain or improve	By end of Term 4, 2020, 100% of New Zealand schools and kura were contacted by the Kia Takatū ā-Matihiko PLD team.	Achieved
Baseline year (45%)	• Hangarau Matihiko curriculum content.	Maintain or improve	Over the 2.5 years of delivery, Kia Takatū ā-Matihiko team engaged 85% of schools and kura and supported them to implement the revised Technology curriculum (Digital Technology and Hangarau Matihiko).	Achieved
Not available	Number of teachers accessing the Digital Technology and Hangarau Matihiko Readiness Programme	Maintain or improve		<b>Not available</b> Data for this programme was collected at school level. Information about the number of teachers accessing this PLD is not available.

<sup>5</sup> The Reading Recover funding covers teacher salaries, and training and support provided by Reading Recovery tutors, from the Universities of Auckland, Waikato and Otago. The funding was similar to that for 2019 and we would expect similar results. An evaluation of the services and findings showed that Reading Recovery has a positive effect for most children involved.

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2019/20		2020/21	2020/21	
<b>Professional Development and Support</b>				
This category is intended to support teachers, kaiako and leaders to develop their capability to deliver authentic, relevant, and culturally responsive learning aligned to the needs of their learners.				
79.04%	Percentage of early learning services participating in the Strengthening Early Learning Opportunities (SELO) programmes that demonstrate positive shifts in practice (see Note 2).	80%	92.41%	<b>Achieved</b>
92%	Percentage of Beginning Principals who report positive feedback about the support they have received from their Leadership Advisors.	Maintain	94% of those who completed the Beginning Principals survey were positive about the support received. 91% (240/263) returned the Beginning Principals survey.	<b>Achieved</b>
New measure	Number of people who participated in the Te Ahu o Te Reo Māori programme.	Baseline year	1,054 teachers, support staff and leaders in the early learning and schooling sectors participated in Te Ahu o Te Reo Māori testing from May to December 2019 and March to July 2020.	<b>Baseline established</b> Evaluation findings, along with participant feedback, found that the kaupapa: <ul style="list-style-type: none"> <li>increased ability to use te reo Māori correctly and confidently in the classroom</li> <li>nurtured opportunities to create meaningful relationships with ākonga, parents and whānau</li> <li>increased understanding of the communities they are a part of, especially the stories, language features and dialects unique to the region.</li> </ul>

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2019/20		2020/21	2020/21	
New measure	Number of teacher development courses provided from the peak bodies (Te Rūnanga Nui o Ngā Kura Kaupapa Māori o Aotearoa and Ngā Kura A Iwi O Aotearoa).	Baseline year	27 <sup>6</sup>	Baseline established

**Note 1** – This measure excludes Digital Readiness programmes, which have had positive results. This programme will be closed in December 2020, and data will not be available beyond that date.

**Note 2** – It is expected that SELO programmes are delivered to between 1,200 and 1,500 early learning services

## Financial performance

	2019/20	2020/21		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total Expenses for MCA as a Whole</b>	<b>283,972</b>	<b>251,416</b>	<b>302,981</b>	<b>287,418</b>
This is made up of the following category information:				
<b>Departmental Output Expense</b>				
Support and Resources for Teachers	133,646	73,238	109,725	108,051
<b>Non-Departmental Output Expenses</b>				
Curriculum Support	59,462	76,766	75,316	75,408
Professional Development and Support	90,864	101,412	117,940	103,959
<b>Funding for Departmental Output Expense</b>				
<b>Revenue from the Crown</b>				
Support and Resources for Teachers	144,375	73,228	109,715	109,715
<b>Revenue from Others</b>				
Support and Resources for Teachers	-	10	10	-

Actual expenditure is \$36.002 million (14%) higher than Budget mainly due to a combination of:

- » funding to support Māori Learners and Te Reo Māori post-COVID-19 (\$39.225 million increase) reduced by transfer to 2021/22 in the 2021 October Baseline Update (\$13.889 million decrease)
- » increased provision of wellbeing and mental health support to learners and the education workforce in response to COVID-19 (\$8.474 million increase), and
- » provision for remediation payments associated with historic non-compliance of the Ministry's payroll system with the Holidays Act 2003 (\$2.038 million increase).

<sup>6</sup> This information has been extracted from the most recent milestone reports received from both Te Runanga Nui o Ngā Kura Kaupapa Māori o Aotearoa and Ngā Kura A Iwi O Aotearoa.



## Outcomes for Target Student Groups

### About this appropriation

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

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

*Interventions for Target Student Groups (Departmental Output Expense)* – This category is limited to expenditure on policies and services focused on targeted student groups.

*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 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Outcomes for Target Student Groups</b>				
58%	Participation in primary and secondary education: The percentage of students attending school regularly (see Note 1).	70%	64% <sup>7</sup>	<b>Not achieved</b> As noted on page 11 attendance is an ongoing challenge, with various initiatives underway to improve attendance and engagement. Ensuring students are enrolled in and attending school is a shared responsibility which schools and the Ministry cannot address on their own.

**Note 1** - Attending regularly is defined for statistical purposes as attending at least 90% of half days. This is measured through a Term 2 survey that approximately 80% of schools complete.

<sup>7</sup> Term 2, 2020 data is unlike previous years as it is based on the final seven weeks post-lockdown (18 May to 3 July 2020).

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Interventions for Target Student Groups</b>				
This category is intended to achieve equitable participation and outcomes in education for targeted student groups.				
	Average number of days eligible children and young people wait to receive support after the request for support:			
53.19 calendar days	• Behaviour Service	50 calendar days	40.86 calendar days	<b>Achieved</b>
72.43 calendar days	• Communication Service	75 calendar days	55.65 calendar days	<b>Achieved</b>
16.54 calendar days	• Ongoing Resourcing Support	22 calendar days	12.01 calendar days	<b>Achieved</b>
104.21 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	87.34 calendar days	<b>Achieved</b>
22.07%	• percentage within 45 calendar days	25%	29.49%	<b>Achieved</b>
28.70%	• percentage within 60 calendar days	40%	37.17%	<b>Not achieved</b> Despite an increase in children receiving an early intervention service (16,215 children at 30 June 2021, compared to 15,956 the previous year) we increased the percentage within 60 days, while also focusing resource on reducing the number of children waiting the longest for support.

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
	People are more confident in knowing how to support their child after Ministry learning support involvement (see Note 1):			COVID-19 lockdown may have impacted parent and educators satisfaction with the support they received.
71	• parents	72	68 <sup>8</sup>	<b>Not achieved</b>
66	• educators	72	66 <sup>8</sup>	<b>Not achieved</b>
	Children and young people made progress in their learning and achievement as a result of specialist learning support, as reported by (see Note 1):			COVID-19 lockdown may have impacted parent and educators satisfaction with the support they received.
75	• parents	70	71 <sup>8</sup>	<b>Achieved</b>
68	• educators	70	68 <sup>8</sup>	<b>Not achieved</b>
82	Parents/whānau were listened to and involved in the decisions about the child's specialist learning support (see Note 1)	Service quality score of 83	80 <sup>8</sup>	<b>Not achieved</b> COVID-19 lockdown may have impacted parent/whānau satisfaction with the support they received.
81%	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>

8 The results are from the last two quarters surveys of 2020/21. The first and second quarterly surveys were not carried out due to COVID-19.

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Learning Support</b>				
This category is intended to achieve equitable participation and education outcomes for targeted student groups.				
Revised measure	Schools and early intervention specialist providers delivering specialist learning support services who have requirements upon review, have implemented an action plan and demonstrate in both their provider Annual Assurance Statement and at review that they are progressing towards achieving agreed goals.	90%	90%	<b>Achieved</b>
<b>Service Academies</b>				
This category is intended to achieve re-engagement of senior students in secondary schools.				
84.50%	Percentage of retained students in Service Academies who are retained in education or transitioned to further education, training or employment.	80%	91.9%	<b>Achieved</b>
78%	Percentage of students retained in Service Academies who achieve NCEA Level 2 or higher.	75%	79.4%	<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.				
	Percentage of students who have been returned to schooling following an exclusion:			
45.48%	• within 40 days	55%	62.98%	<b>Achieved</b>
79.27%	• within 75 days	85%	86.80%	<b>Achieved</b>

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	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.				
Revised measure	Number of students provided free and healthy lunches.	211,000	197,029 <sup>9</sup>	<b>Not achieved</b> There were 18 schools/ kura where it has taken longer to finalise supply arrangements than expected. The Ministry continues to provide support and advice for all of these schools and kura.

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

**Note 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.

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

Performance 2019/20	Activity Information	Budget Standard 2020/21	Actual Performance 2020/21
<b>Interventions for Target Student Groups</b>			
42,695	Number of children receiving a specialist learning support	34,225-41,755	47,128
<b>Learning Support</b>			
2,310	Number of young people enrolled in the Alternative Education programme.	2,500	2,318
15,265	Number of individual students supported through the Resource Teacher: Learning and Behaviour service.	15,000 - 17,000	15,047

<sup>9</sup> Participating schools and kura are eligible for funding for the programme based on their full school roll. This is to ensure that the programme can be offered on a universal basis, and that every student who wants a lunch can have one. As schools will regularly have absences, ordering for their whole roll may mean they will be left with large amounts of surplus lunches (where a surplus lunch is defined as an untouched, uneaten lunch). Additionally, students may choose to opt out. Schools should therefore order lunches based on their maximum attendance for that time of year subtracting any planned absences and student who have opted out. Schools should not aim for zero surplus lunches. Schools and kura must have a plan in place to redistribute surplus lunches after all students who want a lunch have eaten.



## Financial performance

	2019/20	2020/21		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>858,963</b>	<b>946,795</b>	<b>1,166,221</b>	<b>1,136,781</b>
This is made up of the following category information:				
<b>Departmental Output Expense</b>				
Interventions for Target Student Groups	325,734	333,169	401,267	385,081
<b>Non-Departmental Output Expenses</b>				
Learning Support	515,227	594,352	657,813	641,369
School Lunch Programme	4,170	5,263	90,555	93,867
Service Academies	3,550	3,785	3,785	3,614
Students Attendance and Engagement	10,282	10,226	12,801	12,850
<b>Funding for Departmental Output Expenses</b>				
<b>Revenue from the Crown</b>				
Interventions for Target Student Groups	327,689	331,469	399,567	399,567
<b>Revenue from Others</b>				
Interventions for Target Student Groups	641	1,700	1,700	209

Actual expenditure is \$189.986 million (20%) higher than Budget mainly due to a combination of:

- » additional funding for continued implementation of the Free and Healthy Lunch Programme (\$96.345 million increase)
- » funding to increase Ongoing Resourcing Scheme Teacher Aide Hours (\$46.848 million increase)
- » impacts of higher-than-expected national roll projections on teacher salaries and schools' operations grants (\$20.896 million increase)
- » funding for targeted support for Pacific learners and families (\$14.056 million increase)
- » provision for remediation payments associated with historic non-compliance with the Holidays Act 2003 for current and former school staff (\$12 million increase)
- » funding to support at-risk ākonga to re-engage and attend school during the COVID-19 recovery (\$11.903 million increase), and
- » underspends in Learning Support due to delay in recruitment (both local and international) for Learning Support Coordinators, in Ongoing Resourcing Scheme and teacher salaries (\$16.444 million decrease).

## Primary and Secondary Education

### About this appropriation

The overarching purpose of this appropriation is to provide teachers, funding and other resourcing entitlements to schools (and other education providers) to deliver education to school students in Years 0 to 13.

*Support and Resources for Education Providers (Departmental Output Expense)* - This category is intended to support the effective and efficient governance, management and operation of early learning services, schools and kura.

*Primary Education (Non-Departmental Output Expense)* - This category is intended to achieve inclusive, equitable and quality education which supports all Year 0 to 8 students.

*Secondary Education (Non-Departmental Output Expense)* - This category is intended to achieve inclusive, equitable and quality education which supports all Year 9 to 13 students and continuation of education to a tertiary level.

*School Risk Management (Non-Departmental Output Expense)* - This category is intended to provide insurance cover for participating State and State-integrated schools, by providing insurance protection.

### What we intended to achieve

This appropriation is intended to achieve inclusive, equitable and quality education which supports all students in Years 0 to 13.

### What was achieved

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2019/20		2020/21	2020/21	
58%	Participation in primary and secondary education: The percentage of students attending school regularly (see Note 1).	70%	64% <sup>10</sup>	<b>Not achieved</b> As noted on page 11 attendance is an ongoing challenge, with various initiatives underway to improve attendance and engagement. Ensuring students are enrolled in and attending school is a shared responsibility, which schools and the Ministry cannot address on their own.
Revised measure	Percentage of school leavers with NCEA Level 2 or equivalent: <sup>11</sup>		In response to disruption due to COVID-19, changes were made to NCEA and University Entrance (UE) for 2020. Senior secondary school students were able to earn Learning Recognition Credits as they attained credits through 2020, and the requirements for UE and course and certificate endorsements were reduced. Without the COVID-19 modifications to the NCEA qualification and UE, attainment would have fallen well below 2019 levels across all demographics.	

<sup>10</sup> Term 2, 2020 data is unlike previous years as it is based on the final seven weeks post-lockdown (18 May to 3 July 2020).

<sup>11</sup> Updated in Supplementary Estimates for 2020/21.

78.8%	• all	Improve on previous year's result	80.8%	Achieved
64.7%	• Māori	Improve on previous year's result	66.1%	Achieved
73.7%	• Pacific.	Improve on previous year's result	78.4%	Achieved
New measure	Satisfaction of parents with state or state integrated (public) primary and secondary schools they have used or contacted, that a child in their care attends or may attend in the future (see Note 2).	Maintain or improve on previous year's result	The Te Kawa Mataaho Public Service Commission <sup>12</sup> survey methodology changed so this information is no longer available.	Not available

**Note 1** - Attending regularly is defined for statistical purposes as attending at least 90% of half days. This is measured through a Term 2 survey that approximately 80% of schools complete.

**Note 2** - Result from the State Services Commission's annual survey of satisfaction with public services (Kiwis Count). 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.

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Support and Resources for Education Providers</b>				
99%	• accuracy	100%	99%	Not achieved  One school was overpaid due to providing incorrect roll information to the Ministry. The additional funding has been returned by the school.

<sup>12</sup> Te Kawa Mataaho Public Service Commission was formerly known as the State Services Commission.

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
98%	<ul style="list-style-type: none"> <li>on time</li> </ul>	100%	100%	Achieved
	Percentage of payroll payments to eligible teachers and school support staff which are:			
99.79%	<ul style="list-style-type: none"> <li>accurately calculated</li> </ul>	99.5%	99.89%	Achieved
99.99%	<ul style="list-style-type: none"> <li>sent to financial institutions on time in order to be processed on or before advised pay dates.</li> </ul>	99.5%	99.99%	Achieved
97%	Percentage of decisions on proposed statutory interventions under Part 7A of the Education Act 1989 that are made within three months of the confirmed Education Review Office report being published, or request from boards of trustees, or referral from the sector, or determination by the Ministry (see Note 1).	95%	95%	Achieved
<b>Primary Education</b>				
New measure	Percentage of primary schools who do not use exclusions as a disciplinary action.	Baseline year	91.52%	Baseline established
	Participation in primary education - The percentage of students attending school regularly (see Note 2):			<b>Not achieved</b>
58%	<ul style="list-style-type: none"> <li>all students</li> </ul>	70%	66.9% <sup>13</sup>	As noted on page 11 attendance is an ongoing challenge with various initiatives underway to improve attendance and engagement. Ensuring all students are enrolled in and attending school is a shared responsibility, which schools and the Ministry cannot address on their own.
47.6%	<ul style="list-style-type: none"> <li>Māori students</li> </ul>	70%	51% <sup>13</sup>	
46.5%	<ul style="list-style-type: none"> <li>Pacific students.</li> </ul>	70%	51.9% <sup>13</sup>	
90%	Percentage of School Analysis of Variance Reports received from schools (see Note 3).	90%	91%	Achieved

<sup>13</sup> Term 2, 2020 data is unlike previous years as it is based on the final seven weeks post lockdown (18 May to 3 July 2020).

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
12.50%	Percentage of schools receiving additional funding for Māori language resourcing Levels 1 and 2 (see Notes 4, 5 and 6).	Maintain or improve	12.6%	Achieved
39.2%	Percentage of schools receiving additional funding for Māori language resourcing Levels 3, 4a, 4b and 5 (see Notes 4, 5 and 6).	Maintain or improve	40.3%	Achieved
108% <sup>14</sup>	Percentage of children who complete Years 1 to 8 in Māori-medium education Levels 1 and 2 (see Notes 4, 6 and 7).	Maintain or improve	108.6% <sup>15</sup>	Achieved
<b>Secondary Education</b>				
New measure	Percentage of secondary schools who do not use exclusions as a disciplinary action.	Baseline year	46.02%	Baseline established
18.9%	Percentage of school leavers with NCEA Level 2 and a Vocational Pathways Award.	30%	17.2%	<b>Not achieved</b> The Vocational Pathway Award framework is being reviewed as part of the NCEA Change Programme to address complexity and barriers currently in the system.
Results not available due to COVID-19	Percentage of school leavers progressing directly from NCEA Level 2 and 3 or equivalent to Level 4 or above tertiary study.	55%	56.5%	Achieved
14.9%	Percentage of schools and kura with students in Years 9 to 15 receiving additional funding for Māori language resourcing Levels 1 and 2 (see Notes 4, 5 and 6).	Maintain or Improve	16.2%	Achieved

14 This is greater than 100% due to the calculation of the measure. The measure calculates the number of children who are in Year 8 learning in Māori medium Levels 1 and 2 in a given year as a proportion of the number of Year 1 students learning in Māori medium Levels 1 and 2 seven years prior. In 2019, the number of Year 8 students was greater than the number of Year 1 students in 2012.

15 Note this is calculated as the number of year 8 students in Māori medium (learning at Māori Language Levels 1 & 2) in a given year, as a proportion of the number of Year 1 students in Māori medium seven years earlier. This means that the percentage may be greater than 100%. The numerator should be taken from the National Student Numbers (NSN) that were enrolled 7 years before only.

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
67.7%	Percentage of schools and kura with students in Years 9 to 15 receiving additional funding for Māori language resourcing Levels 3, 4a and 4b (see Notes 4, 5 and 6).	Maintain or Improve	59.7%	<b>Not achieved</b> The number of schools applying for resourcing fluctuates year on year. The information: <ul style="list-style-type: none"> <li>• enables us to track trends in the level of te reo Māori being offered across all schooling levels and where it is being offered</li> <li>• helps inform project and business planning</li> <li>• helps inform the design of te reo Māori learning and teaching supports.</li> </ul>
4.1%	Percentage of Māori students leaving school from Māori medium Levels 1 and 2.	Maintain or Improve	4.6%	<b>Achieved</b>
83.3%	Percentage of students enrolled in secondary-tertiary programmes either retained or transitioned to further education, training, apprenticeships or employment.	75%	85.8%	<b>Achieved</b>
<b>School Risk Management Scheme</b>				
\$150,663	The scheme financially breaks even over a reasonable period of time.	Achieved over five years	\$6,330	<b>Achieved</b>



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

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21
<b>Primary Education</b>			
511,491	Number of Year 1 to 8 students in English-medium receiving the National Curriculum (see Notes 8 and 17).	Not available	499,702
17,796	Number of students in Māori-medium schools learning in and through te reo Māori (see Note 17).	Not available	18,185
155,347	Number of students in English-medium schools learning te reo Māori (see Note 17).	Not available	156,793
30,916	Total number of Full-time Teacher Equivalents teaching Years 0 to 8 (see Notes 9 and 17).	Not available	31, 274
273	Number of schools receiving additional funding for Māori language resourcing Levels 1 and 2 (see Notes 6, 10 and 17).	Not available	275
39.2%	Percentage of schools receiving additional funding for Māori language resourcing Levels 3, 4a, 4b and 5 (see Notes 4, 5, 6 and 17).	Not available	40.3%
	Retention rate for the primary teacher workforce (see Note 11):		
New Indicator	• all regular (non-relief) teachers	90%	94.9%
New Indicator	• Principals	90%	Not available
New Indicator	• Māori teachers	90%	95.6%
New Indicator	• Pacific teachers.	90%	95.8%
New Indicator	Percentage of primary teachers employed 5 years after they started as beginning teachers (see Note 12).	70%	Not available
<b>Secondary Education</b>			
284,935	Number of students receiving Years 9 to 13 curriculum (see Notes 13 and 17).	Not available	273,397
23,840	Total number of Full-time Teacher Equivalents teaching Years 9 to 13 (see Notes 14 and 17).	Not available	24,116
	Number of school leavers with NCEA Level 2 or equivalent (see Note 17): <sup>16</sup>		
48,620	• all students	Not available	48,766
9,772	• Māori students	Not available	9,618
5,634	• Pacific students.	Not available	5,779
2,764	Number of Year 9 to 15 students in Māori-medium schools learning in and through te reo Māori (see Notes 13, 15 and 17).	Not available	4,206

<sup>16</sup> Updated in Supplementary Estimates for 2020/21.

22,126	Number of Year 9 to 15 students in English-medium schools learning te reo Māori (see Notes 15 and 17).	Not available	28,305
79	Number of schools with students in Years 9 to 15 receiving additional funding for Māori language resourcing Levels 1 and 2 (see Notes 6, 15 and 17).	Not available	87
317	Number of schools with students in Years 9 to 15 receiving additional funding for Māori language resourcing Levels 3, 4a and 4b (see Notes 6, 15, 16 and 17).	Not available	320
Retention rate for the secondary teacher workforce (see Note 11):			
New Indicator	• All regular (non-relief) teachers	90%	93.7%
New Indicator	• Principals	90%	Not available
New Indicator	• Māori teachers	90%	93.9%
New Indicator	• Pacific teachers.	90%	96.7%
New Indicator	Percentage of secondary teachers employed 5 years after they started as beginning teachers (see Note 12).	70%	Not available

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

**Note 2** - Attending regularly is defined for statistical purposes as attending at least 90% of half days. This is measured through a Term 2 survey that approximately 80% of schools complete.

**Note 3** - School Analysis of Variance Reports report on a school's performance compared to agreed performance goals.

**Note 4** - This measure covers State and State-integrated schools only. The 2020/21 Budget Standard refers to the 2020 calendar year.

**Note 5** - Funding is allocated based on information on the level of Māori language learning that schools provide in their roll returns, subject to an annual auditing and verification process to confirm the appropriate level of funding.

**Note 6** - There are four levels of funding, based on hours the curriculum is taught in Te Reo Māori per week. There is no funding for Level 5, but this information is gathered from schools that receive funding for Levels 1 to 4. Each level is defined by the proportion of time the student is taught using Te Reo Māori:

- » Level 1: 81-100% - Curriculum is taught in Māori for between 20 and up to 25 hours a week
- » Level 2: 51-80% - Curriculum is taught in Māori for between 12.5 and up to 20 hours a week
- » Level 3: 31-50% - Curriculum is taught in Māori for between 7.5 and up to 12.5 hours a week
- » Level 4(a): 12-30% - Curriculum is taught in Māori for between 3 and up to 7.5 hours a week
- » Level 4(b): Students are learning Te Reo Māori as a separate subject for at least 3 hours a week
- » Level 5: Students are learning Te Reo Māori as a separate subject less than 3 hours a week.

**Note 7** - This is an "apparent retention rate". It measures the number of learners in Māori-medium education in year 8 in a specific year as a percentage of the number of learners in Māori-medium education Levels in year 1 seven years earlier. Learners in Māori medium education are learning at Māori Language Levels 1 and 2.

**Note 8** - This is calculated from the July School Roll returns.

**Note 9** - This number includes English-medium and Māori-medium at full primary, contributing and intermediate schools, but excludes Partnership Schools | Kura Hourua, Te Kura Correspondence School, private schools and composite schools, or schools that pro-rata their roll. The calculation is based on a survey conducted in the first pay run of April.

**Note 10** - This indicator covers State and State-integrated schools only and is based on the calendar year.

**Note 11** - "Retention rate" is based on the number of teachers/principals who remain in the workforce in any type of role (ie, they did not leave the workforce entirely), as an indicator of workforce sustainability. It is calculated as the percentage of the headcount of the specified teacher group in the given year who continued in the workforce in any type of role in the following year.

**Note 12** - "Beginning teachers" excludes overseas trained/qualified teachers and is an indicator of the sustainability of the teacher workforce.

**Note 13** - This is calculated from the March School Roll returns using full-time equivalents.

**Note 14** - This number includes English-medium and Māori-medium teachers at secondary and composite schools, but excludes Partnership Schools | Kura Hourua, Te Kura Correspondence School and private schools. The calculation is based on a survey conducted in the first pay run of April.

**Note 15** - This number includes English-medium and Māori-medium at composite and secondary schools, but excludes Partnership Schools | Kura Hourua, Te Kura Correspondence School and private schools, or schools that pro-rata their roll. The calculation is based on a survey conducted in the first pay run of April.

**Note 16** - This indicator covers State and State-integrated schools only and is based on the calendar year. Composite schools would also have been counted in the primary school measures as they include students from Years 1 to 15.

**Note 17** - Due to the COVID-19 pandemic Ministry staff have been unable to produce some updated Estimated 2019/20 Actual and Forecast 2020/21 numbers in time for inclusion in these tables.

## Financial performance

	2019/20 Actual	2020/21		
		Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Total expenses for MCA as a whole</b>	<b>6,181,522</b>	<b>6,807,802</b>	<b>7,098,935</b>	<b>7,035,442</b>
This is made up of the following category information:				
<b>Departmental Output Expense</b>				
Support and Resources for Education Providers	118,693	127,809	149,177	141,758
<b>Non-Departmental Output Expenses</b>				
Primary Education	3,538,306	3,868,725	4,041,922	4,029,195
School Risk Management Scheme	3,188	5,000	5,000	3,513
Secondary Education	2,521,335	2,806,268	2,902,836	2,860,976
<b>Funding for Departmental Output Expenses</b>				
<b>Revenue from the Crown</b>				
Support and Resources for Education Providers	126,617	126,669	148,037	148,037
<b>Revenue from Others</b>				
Support and Resources for Education Providers	1,080	1,140	1,140	488

Actual expenditure is \$227.640 million (3%) higher than Budget mainly due to a combination of:

- » provision for remediation payments associated with historic non-compliance with the Holidays Act 2003 for current and former school staff (\$238 million increase) and Ministry staff (\$2.547 million increase)
- » increased funding for wellbeing and mental health support to learners and the education workforce in response to COVID-19 (\$64.172 million increase) and a transfer from 2019/20 to 2020/21 (\$500,000 increase)
- » one-off funding to support schools to manage the immediate costs of COVID-19 such as cleaning and sanitation costs, additional staff to support small schools and relief teachers (\$34.451 million increase)
- » increased funding for Ongoing Resourcing Scheme Teacher Aide hours (\$8.146 million increase)
- » funding to increase the volume of Trades Academy places and continue funding for the network of Ministry regionally-based staff to provide specialist support for schools and tertiary education organisations (\$5.569 million increase)
- » impacts of lower-than-expected national roll projections on teacher salaries and schools' operations grants (\$62.848 million decrease)
- » underspends in Secondary Education mostly due to 85%-95% of eligible schools have opted in the Donations Scheme, overseas teacher supply due to ongoing border restrictions, and slower uptake of domestic relocation grants (\$35.160 million decrease)

- » transfer underspends from the COVID-19 Response and Recovery Fund to support schools to manage the immediate costs of COVID-19 to 2021/22 (in the 2021 October Baseline Update) to implement a support scheme for schools that have been impacted financially by COVID-19 (\$14.100 million decrease), and
- » provision in 2019/20 for Secondary-Tertiary Interface to implement 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 brought forward six months funding that would have fallen in 2020/21 but has no impact on the funding available in 2021 (\$14 million decrease).

Information on the financial performance and operation of the School Risk Management Scheme is disclosed under the non-departmental schedules on page 125.

## 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 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
93.4%	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%	80%	Achieved
New measure	Number of times education engagement toolkits and guided resources were accessed (see Note 2).	Baseline year	9,698 times	Achieved

**Note 1** - This measure covers parents and families participating in the Talanoa Ako programme. This is a 10 week Pacific parent education programme that aims to equip and empower parents, families and communities with the skills, knowledge and confidence they need to champion their children's education.

**Note 2** - Target groups for these toolkits and guided resources include Pacific parents and families (including those not part of Talanoa Ako) and all schools, parents and whānau.

## Financial performance

	2019/20	2021/22		
	Actual	Budget	Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
Expenses	12,210	13,500	15,175	12,326
Funded by:				
Revenue Crown	13,488	13,490	15,165	15,165
Other revenue	-	10	10	-

## 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 well-managed, sustainable (socially, environmentally and economically) and equitable school sector property portfolio that delivers quality learning environments.

### What was achieved

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	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
New measure	Percentage of State schools that meet the Ministry's property-related utilisation standards (see Note 2)	Baseline year	70% <sup>17</sup>	Baseline established
New measure	Percentage of State schools that meet the Ministry's property-related condition standards (see Note 3)	Baseline year	89% <sup>18</sup>	Baseline established
New measure	Percentage of State schools that meet the Ministry's property-related functionality standards (see Note 4)	Baseline year	77% <sup>19</sup>	Baseline established

**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** - Running the large school property portfolio is expensive and good utilisation performance helps to minimise this cost and maximise the effectiveness of education delivery. The Ministry's school property-related utilisation standards aim to get schools operating at between 50% and 105% of their roll capacity. This measure considers the relationship between schools' annual July student roll returns and their respective roll capacity, which is determined from the total net area available in schools for teaching and non-teaching use. The standard recognises that below 50% 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 additional capacity to be built or the demand managed. When a school is identified as being above 105% the Ministry would have clear plans in place for the best way to help address the capacity needs of the school through various demand and supply management responses – for example, there may be new capacity already in development, or rolls may be expected to decline. This measure is forecast to cover approximately 95% to 100% of all State schools by June 2021.

<sup>17</sup> This year's confirmed July 2021 roll data, in the needed format, was not available in time for the 2021 Annual Report calculation. The percentage of state schools that meet the Ministry's property-related utilisation standards was therefore calculated using July 2020 roll data, combined with the latest (July 2021) school area data.

<sup>18</sup> This represents 75% coverage, which was less than anticipated (90%), reflecting staff shortages, COVID-19 disruption and other priorities. However, the final coverage gives a reliable view of condition at the whole of portfolio level.

<sup>19</sup> This represents 17.5% coverage, which was less than anticipated (20%) due to the roll-out of the new assessment tool used to collect data being on a voluntary basis with schools. However, the population size still gives a reasonable starting basis for reporting and will be built on going forward.



**Note 3** - Maintaining appropriate condition performance helps to minimise expensive asset failures and supports the effectiveness of education delivery. The Ministry's school property-related condition standards aim to get schools operating at a moderate ("C3") or better condition rating for their school buildings. Performance against this industry-standard condition framework for each school building is based on assessments conducted during each school's annual property visit. Performance is separately assessed for components of each building (eg, roof, building fabric, and fitout). A school-wide aggregated rating is then determined based on weightings that reflect the built-area of those buildings. The aggregated rating needs to be at least "C3" on the five-point industry-standard rating scale, which runs from "C1" (very good) to "C5" (very poor), and where "C3" means "moderate". This measure is forecast to cover approximately 90% to 100% of all State schools by June 2021.

**Note 4** - Maintaining appropriate functionality (fitness for purpose) performance helps to support the effectiveness of education delivery. The Ministry's school property-related functionality standards aim to get schools operating at a moderate ("3") or better functionality rating. Performance against this standard is based on assessments conducted as part of schools' five-yearly property planning process. Schools use the School Evaluation of the Physical Environment (SEPE) tool to self-assess and rate aspects of their school site and school buildings. In some cases, data from internal environment sensors will supplement these self-assessments. A school-wide aggregated rating is then determined based on weightings that reflect site functionality, and the usability and comfort of school buildings. The aggregated rating needs to be at least "3" on the five-point SEPE functionality rating scale which runs from "1" (very poor) to "5" (very good) and where "3" means "moderate". This measure is forecast to cover about 20% of all State schools by June 2021 while the SEPE tool is being implemented, but coverage will increase to 100% by June 2025.

## Financial performance

	2019/20 Actual		2020/21 Budget Supplementary Estimates	Actual
	\$000		\$000	\$000
<b>Expenses</b>	<b>1,971,365</b>	<b>2,007,620</b>	<b>1,919,823</b>	<b>1,902,350</b>
Expense components:				
Capital charge	1,095,558	1,129,115	971,262	971,261
Depreciation	670,020	677,063	713,440	713,834
Finance costs	36,704	35,806	41,164	39,208
Management of the school property portfolio	169,803	165,636	193,957	178,047
<b>Funded by:</b>				
<b>Revenue Crown</b>	<b>1,956,403</b>	<b>2,004,434</b>	<b>1,906,486</b>	<b>1,906,486</b>
<b>Other Revenue</b>	<b>94,477</b>	<b>3,186</b>	<b>55,231</b>	<b>136,119</b>

Actual expenditure is \$105.270 million (5%) lower than Budget mainly due to a combination of:

- » a change to the capital charge rate from 6% to 5% effective from 1 July 2020 (\$195.508 million decrease)
- » underspends to be carried forward to 2021/22 in the 2021 October Baseline Update to complete work programmes delayed due to circumstances beyond the Ministry's control (\$12.300 million decrease)
- » reduced capital charge due to delays in capital investments (\$5.782 million decrease)
- » increased capital charge (\$44.688 million increase) and depreciation (\$36.771 million increase) related to the upward revaluation of the school property portfolio at 30 June 2020
- » increased provision for the management of the school property portfolio, offset by gains from the sale of surplus properties (\$7.028 million increase), funding from successful legal claims associated with weather-tightness issues in schools (\$2 million increase) and increases in third party rental income (\$1.123 million increase)
- » funding for the Network-as-a-Service and Cybersecurity for Schools' initiative (\$5.793 million increase)
- » provision for reimbursement of school property suppliers who incurred additional costs resulting from the nationwide lockdown due to COVID-19 (\$4.289 million increase)
- » capital to operating swaps in 2020/21 for higher lease costs of temporary accommodation to allow for the relocation of students during major capital work projects (\$3.900 million increase), and
- » funding for additional lease arrangements where a building construction solution is not available or is uneconomic to pursue (\$3.900 million increase).

## 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 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
New measure	Percentage of State schools that meet the Ministry's property-related utilisation standards (see Note 1) (see Note 1).	Baseline year	70% <sup>20</sup>	Baseline established
New measure	Percentage of State schools that meet the Ministry's property-related condition standards (see Note 2).	Baseline year	89% <sup>21</sup>	Baseline established
New measure	Percentage of State schools that meet the Ministry's property-related functionality standards (see Note 3).	Baseline year	77% <sup>22</sup>	Baseline established

**Note 1** - Running the large school property portfolio is expensive and good utilisation performance helps to minimise this cost and maximise the effectiveness of education delivery. The Ministry's school property-related utilisation standards aim to get schools operating at between 50% and 105% of their roll capacity. This measure considers the relationship between schools' annual July student roll returns and their respective roll capacity, which is determined from the total net area available in schools for teaching and non-teaching use. The standard recognises that below 50% 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 additional capacity to be built or the demand managed. When a school is identified as being above 105% the Ministry would have clear plans in place for the best way to help address the capacity needs of the school through various demand and supply management responses - for example, there may be new capacity already in development, or rolls may be expected to decline. This measure is forecast to cover approximately 95% to 100% of all State schools by June 2021.

**Note 2** - Maintaining appropriate condition performance helps to minimise expensive asset failures and supports the effectiveness of education delivery. The Ministry's school property-related condition standards aim to get schools operating at a moderate ("C3") or better condition rating for their school buildings. Performance against this industry-standard condition framework for each school building is based on assessments conducted during each school's annual property visit. Performance is separately assessed for components of each building (eg, roof, building fabric, and fitout). A school-wide aggregated rating is then determined based on weightings that reflect the built-area of those buildings. The aggregated rating needs to be at least "C3" on the five-point industry-standard rating scale, which runs from "C1" (very poor) to "C5" (very good), and where "C3" means "moderate". This measure is forecast to cover approximately 90% to 100% of all State schools by June 2021.

**Note 3** - Maintaining appropriate functionality (fitness for purpose) performance helps to support the effectiveness of education delivery. The Ministry's school property-related functionality standards aim to get schools operating at a moderate ("3") or better functionality rating. Performance against this standard is based on assessments conducted as part of schools' five-yearly property planning process. Schools use the School Evaluation of the Physical Environment (SEPE) tool to self-assess and rate aspects of their school site and school buildings. In some cases, data from internal environment sensors will supplement these self-assessments. A school-wide aggregated rating is then determined based on weightings that reflect site functionality, and the usability and comfort of school buildings. The aggregated rating needs to be at least "3" on the five-point SEPE functionality rating scale which runs from "1" (very poor) to "5" (very good) and where "3" means "moderate". This measure is forecast to cover about 20% of all State schools by June 2021 while the SEPE tool is being implemented, but coverage will increase to 100% by June 2025.

<sup>20</sup> This year's confirmed July 2021 roll data, in the needed format, was not available in time for the 2021 Annual Report \ calculation. The percentage of state schools that meet the Ministry's property-related utilisation standards was therefore calculated using July 2020 roll data, combined with the latest (July 2021) school area data.

<sup>21</sup> This represents 75% coverage, which was less than anticipated (90%), reflecting staff shortages, COVID-19 disruption and other priorities. However, the final coverage gives a reliable view of condition at the whole of portfolio level.

<sup>22</sup> This represents 17.5% coverage, which was less than anticipated (20%) due to the roll-out of the new assessment tool used to collect data being on a voluntary basis with schools. However, the population size still gives a reasonable starting basis for reporting and will be built on going forward.

## Financial performance

	2019/20 Actual		2020/21 Budget	Supplementary Estimates	Actual
	\$000		\$000	\$000	\$000
<b>Capital expenditure</b>					
School property portfolio:					
Land	72,032		72,218	69,098	14,004
Buildings	998,435		1,070,183	1,288,927	1,451,071
Ministry-wide:					
Office furniture, fittings and equipment	9,960		4,490	4,302	1,797
Computer hardware	3,017		3,000	3,816	2,802
Intangibles – computer software	21,502		22,000	27,985	22,024
<b>Total capital expenditure</b>	<b>1,104,946</b>		<b>1,171,891</b>	<b>1,394,128</b>	<b>1,491,698</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 110).

Actual expenditure is \$319.807 million (27%) higher than Budget mainly due to a combination of:

- » increased capital works providing space for Learning Support Co-ordinators and a number of new school and roll growth projects progressing faster than expected (\$210.064 million increase)
- » introduction of the coal boiler replacement programme (as part of the State Sector Decarbonisation initiative) in schools, as well as increased activity by schools, largely through 5 Year Agreement (5YA) funding, in maintaining the existing portfolio (\$115.518 million increase)
- » increase in capital works for redevelopment of the existing school property portfolio, improving assets to better support learning needs and addressing unforeseen adverse events such as flooding and fires (\$43.599 million increase)
- » expenditure by public private partnership (PPP) consortia to accommodate roll growth (\$11.270 million increase), and
- » 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 the next financial years (\$58.214 million decrease).

## 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

An exemption was granted under section 15D(1) of the Public Finance Act 1989, as the appropriation relates exclusively to outputs supplied by a department to one or more other departments.

### Financial performance

	2019/20 Actual	2020/21 Budget	2020/21 Supplementary Estimates	2020/21 Actual
	\$000	\$000	\$000	\$000
Expenses	3,807	2,650	4,950	5,705
Funded by:				
Revenue from other government agencies	3,807	2,650	4,950	5,705

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 2020/21 outturn reflects the prevailing level of demand for services to other agencies on a cost recovery basis.

# Vote Tertiary Education

## Portfolio Minister – Minister of Education

### Stewardship and Oversight of the Tertiary Education System

#### About this appropriation

This appropriation is limited to providing advice and services to support Ministers to discharge their portfolio responsibilities relating to tertiary and international education, as well as administrative and oversight activities including research and monitoring the tertiary education system.

#### What we intended to achieve

This appropriation is intended to provide high-quality and timely 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 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Stewardship and Oversight of the Tertiary Education System</b>				
8	The satisfaction rating given by the Minister of Education with the overall performance of the Ministry (see Note 1).	7	8	<b>Achieved</b>
<b>Policy Advice</b>				
3.3	Internal quarterly assessment of the quality of the Ministry's policy advice (see Note 2).	Mean of 3.5 out of 5	3.5	<b>Achieved</b>
5	Satisfaction of the portfolio Minister with the policy advice service (see Note 3).	Maintain or improve	4.2	<b>Not achieved</b> The Minister noted that most advice is brief and well presented. However, some advice could be more succinct or benefit from earlier engagement on expectations. This impacted the overall result and will be addressed through our ongoing policy improvement work.

Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
<b>Research, Data Analysis and Monitoring</b>				
Forecasts were accurate to within 3.3% 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	0.6% student loans 3.3% student allowances	<b>Not achieved</b> The Ministry met the target for loans (0.6%) but are slightly outside the target for allowances (3.3%). Student Allowances and Student Loan forecasts are heavily influenced by external factors such as policy changes, macro-driver revisions, including COVID-19.
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>
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	Very 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 1).	7	8	<b>Achieved</b>
95%	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%	97%	<b>Achieved</b>



Performance 2019/20	Performance Measure	Budget Standard 2020/21	Actual Performance 2020/21	Comment
99%	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%	100%	Achieved

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

**Note 2** - Based on a five-point scale: 1 = 'Poor'; 2 = 'Borderline'; 3 = 'Adequate'; 4 = 'Good'; 5 = 'Very good'. All agencies are required to use the refreshed Policy Quality Framework to assess the quality of their policy papers.<sup>23</sup>

**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.

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

## Financial performance

	2019/20 Actual	Budget	2021/22 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Expenses</b>	<b>17,873</b>	<b>16,087</b>	<b>16,614</b>	<b>15,674</b>
Funded by:				
<b>Revenue Crown</b>	<b>17,807</b>	<b>15,337</b>	<b>15,864</b>	<b>15,864</b>
<b>Other revenue</b>	<b>1,020</b>	<b>750</b>	<b>750</b>	<b>-</b>

Actual expenditure is \$413,000 (3%) lower than Budget mainly due to a combination of:

- » transfer to 2021/22 in the 2021 October Baseline Update for continuation of international education recovery planning (\$400,000 decrease)
- » COVID-19 has hit the sector hard with ongoing border restrictions, which have resulted in a marked reduction in international students. This has impacted the ability to deliver activities to support the implementation and outcomes of the [International Student Wellbeing Strategy](#) (\$288,000 decrease). This is also reflected in the suspension of recovery of costs from the Export Education Levy Fund
- » provision for the Reform of Vocational Education work programme (\$210,000 increase), and
- » provision for remediation payments associated with historic non-compliance of the Ministry's payroll system with the Holidays Act 2003 (\$69,000 increase).

<sup>23</sup> On the updated Policy Quality Framework scale this translates to: 1 = Unacceptable; 2 = Poor; 3 Acceptable; 4 = Good; 5 = Outstanding.

## Non-Departmental Capital Expenditure

### Tertiary Education Institutions' Proceeds from Disposal of Crown Assets<sup>24</sup>

#### About this appropriation

This appropriation is limited to investing in Tertiary Education Institutions (TEIs) their share of the proceeds from the disposal of assets used by TEIs that are or were previously held in Crown title.

#### What we intended to achieve

This appropriation is to enable the Ministry of Education to honour obligations under agreements with TEIs with respect to property sales, and act in accordance with decisions by Ministers with respect to property sale proceeds.

#### What was achieved

Performance	Performance Measure	Budget Standard	Actual Performance	Comment
2019/20		2020/21	2020/21	
New measure	The Ministry of Education meets property sales obligations agreed with TEIs and abides by Ministers' decisions regarding payment of asset sale proceeds (see Note 1).	Achieved	The Ministry has made the associated payments to the Te Pūkenga subsidiaries in line with Ministerial decisions or contractual arrangements.	Achieved

**Note 1** - Where a TEI property sale results in sale proceeds being paid to the Ministry, the Ministry will meet its obligations under any agreement (including an agreement pursuant to the Crown Asset Transfer and Disposal Policy) to pay those sale proceeds, or any percentage share of those sale proceeds:

- » to the TEI in accordance with the terms and conditions set out in the agreement, or
- » to the Treasury, if the agreement requires the Crown to retain a percentage share of the sale proceeds and the Minister of Finance and the Minister of Education jointly determine a percentage of the sale proceeds should be retained by the Crown.

#### Financial performance

	2019/20 Actual	Budget	2020/21 Supplementary Estimates	Actual
	\$000	\$000	\$000	\$000
<b>Non-Departmental capital expenditure</b>	-	-	17,000	10,784
TEI investments in 2020/21:				
Manukau Institute of Technology (MIT)				6,131
Universal College of Learning (UCOL)				4,571
Nelson Marlborough Institute of Technology (NMIT)				82
<b>Total investments in New Zealand Institute of Skills and Technology (NZIST) subsidiaries</b>				10,784

This new appropriation in 2020/21 for \$17 million provides for the expected fiscally neutral transfers to TEIs of proceeds the Crown has received from the sale of certain land and/or buildings used by TEIs that are or were previously in Crown title.

Historically payments, despite being fiscally neutral to the Crown, have been made to TEIs without an appropriation in breach of the Public Finance Act. This is disclosed in the Statement of Unappropriated Expenditure on page 132.

<sup>24</sup> Added in the Supplementary Estimates for 2020/21.

## 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 2021	Net Book Value as at 30 June 2021 (\$'000)	
School Property	To enable the delivery of education through provision of schools.	Over 8,000 hectares of land	Land	\$6,968,668
		Around 2,100 state schools	Buildings	\$16,739,145
		(over 16,000 buildings and 37,000 teaching spaces)	Total owned	\$23,707,813
ICT	To enable core business function through provision of computer hardware and software.	12 critical systems	Hardware	\$7,514
		5,776 end user devices	Software	\$61,318
			Total owned	\$68,832

Performance 2019/20	Performance Measure	Budget Standard or Target 2020/21	Actual Performance 2020/21	Comment
ICT				
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%	99.87%	Achieved
60.84%	Peak usage of any one of the Ministry of Education's Wide Area Network bandwidth links.	80%	93%	Achieved
72%	The Ministry of Education's disk storage capacity – allocated storage.	No more than 90%	73.44%	Achieved
100%	The percentage of computers/user devices aged < 5 years.	95%	100%	Achieved
100%	The percentage of critical systems requiring upgrade within the last 5 years, which have been upgraded (see Note 1).	70%	100%	Achieved
43	Number of critical (priority 1) faults per annum.	80	45	Achieved
107 minutes	Average time to resolve priority 1 faults.	120 minutes	100 minutes	Achieved

Performance 2019/20	Performance Measure	Budget Standard or Target 2020/21	Actual Performance 2020/21	Comment
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>25</sup></b>				
100%	Percentage of eligible schools with ultra-fast broadband connection available (Note 2).	99.5%	100%	Achieved
100%	Percentage of eligible schools connected to the managed network (see Note 2).	99.5%	100%	Achieved
New measure	Percentage of State schools that meet the Ministry's property-related ICT functionality standards (see Note 3).	Baseline year	89%	Baseline established

#### School Property Portfolio

Refer to results on page 63 to 64.

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

**Note 2** – Eligible schools are defined as State and integrated 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** – Maintaining appropriate functionality (fitness for purpose) helps to support the effectiveness of education delivery. The Ministry's school property-related ICT functionality standards aim to get schools operating at a moderate ("3") or better functionality rating. Performance against this standard is based on assessments conducted as part of schools' five-yearly property planning process. Schools use the School Evaluation of the Physical Environment (SEPE) tool to self-assess and rate ICT functionality on their school site and in their school buildings. A school-wide aggregated rating is then determined based on weightings that reflect both site and building ICT functionality. The aggregated rating needs to be at least "3" on the five-point SEPE functionality rating scale, which runs from "1" (very poor) to "5" (very good) and where "3" means "moderate". This measure is forecast to cover about 20% of all State schools by June 2021 while the SEPE tool is being implemented, but coverage will increase to 100% by June 2025.

<sup>25</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



## **PART THREE**

# Annual financial statements

The financial statements are presented in three parts – departmental (page 78), non-departmental (page 118) and appropriation statements (page 127).

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 2021. 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 2021

### Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2021

2020 Actual			2021 Actual	2021 Budget	2022 Forecast
\$000		Notes	\$000	(unaudited) \$000	(unaudited) \$000
<b>Revenue</b>					
2,656,625	Revenue Crown	3	2,661,793	2,788,006	2,747,340
101,025	Other revenue	3	142,521	9,456	8,606
<b>2,757,650</b>	<b>Total operating revenue</b>		<b>2,804,314</b>	<b>2,797,462</b>	<b>2,755,946</b>
<b>Expenses</b>					
381,327	Personnel costs	4	432,885	399,365	456,696
700,348	Depreciation and amortisation	11,12	742,682	707,083	761,657
1,103,954	Capital charge	5	978,794	1,136,648	1,031,681
36,704	Finance costs	6	39,208	35,806	42,189
432,016	Other operating expenses	7	442,576	518,560	499,723
<b>2,654,349</b>	<b>Total operating expenses</b>		<b>2,636,145</b>	<b>2,797,462</b>	<b>2,791,946</b>
<b>103,301</b>	<b>Net operating surplus</b>		<b>168,169</b>	<b>-</b>	<b>(36,000)</b>
<b>Remeasurements<sup>1</sup></b>					
(70,819)	Net unrealised gain/(loss) in fair value of derivative financial instruments	19	72,762	(2,523)	(5,573)
(948)	Unrealised gain/(loss) in fair value of retiring and long service leave	16	1,837	-	-
<b>31,534</b>	<b>Net surplus/(deficit)</b>		<b>242,768</b>	<b>(2,523)</b>	<b>(41,573)</b>
<b>Other comprehensive revenue</b>					
893,757	Gain on property revaluations	11	3,365,309	-	-
<b>925,291</b>	<b>Total comprehensive revenue and expense</b>		<b>3,608,077</b>	<b>(2,523)</b>	<b>(41,573)</b>

Explanations of major variances against the original 2021 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. Remeasurement losses are not included in the meaning of expenses requiring appropriation under the Public Finance Act 1989.

## Statement of Financial Position

as at 30 June 2021

2020 Actual			2021 Actual	2021 Budget	2022 Forecast
				(unaudited)	(unaudited)
\$000		Notes	\$000	\$000	\$000
Assets					
Current assets					
57,412	Cash and cash equivalents		64,295	95,000	95,000
616,864	Debtors and other receivables	8	686,032	665,004	659,482
55,769	Prepayments	9	82,372	41,000	46,000
132,404	Non-current assets held for sale	10	100,396	25,000	100,396
862,449	Total current assets		933,095	826,004	900,878
Non-current assets					
19,652,200	Property, plant and equipment	11	23,749,690	20,099,857	21,382,479
83,429	Intangible assets	12	88,350	88,451	99,016
19,735,629	Total non-current assets		23,838,040	20,188,308	21,481,495
20,598,078	Total assets		24,771,135	21,014,312	22,382,373
Liabilities					
Current liabilities					
215,702	Creditors and other payables	13	265,255	170,600	178,937
90,241	Return of operating surplus to Crown	14	91,499	-	-
2,228	Provisions	15	12,098	-	150
30,631	Employee entitlements	16	35,766	25,000	26,000
7,869	Service concession liabilities	17	9,630	8,555	10,491
346,671	Total current liabilities		414,248	204,155	215,578
Non-current liabilities					
1,593	Provisions	15	1,497	1,600	1,600
13,699	Employee entitlements	16	14,111	13,000	14,000
502,303	Service concession liabilities	17	504,711	487,979	481,517
182,983	Derivative financial instruments (net)	19	110,221	174,416	138,131
700,578	Total non-current liabilities		630,540	676,995	635,248
1,047,249	Total liabilities		1,044,788	881,150	850,826
19,550,829	Net assets		23,726,347	20,133,162	21,531,547
Taxpayers' equity					
5,660,152	General funds	18	6,526,189	6,254,615	7,665,172
13,890,677	Property revaluation reserves	18	17,200,158	13,878,547	13,866,375
19,550,829	Total taxpayers' equity		23,726,347	20,133,162	21,531,547

Explanations of major variances against the original 2021 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 2021

2020 Actual			2021 Actual	2021 Budget	2022 Forecast
				(unaudited)	(unaudited)
\$000		Notes	\$000	\$000	\$000
18,425,196	Balance at 1 July		19,550,829	19,538,699	20,398,256
925,291	Total comprehensive revenue and expense		3,608,077	(2,523)	(41,573)
Owner transactions					
389,969	Capital injections		728,874	600,150	1,176,389
(99,386)	Capital withdrawals		(69,934)	(3,164)	(1,525)
(90,241)	Return of operating surplus to Crown	14	(91,499)	-	-
19,550,829	Balance at 30 June	18	23,726,347	20,133,162	21,531,547

Explanations of major variances against the original 2021 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 2021

2020 Actual		2021 Actual	2021 Budget	2022 Forecast
\$000		\$000	(unaudited) \$000	(unaudited) \$000
<b>Cash flows from operating activities</b>				
2,569,568	Receipts from Revenue Crown	2,598,748	2,739,555	2,814,872
34,222	Receipts from other revenue	55,233	9,767	8,606
(420,420)	Payments to suppliers	(450,686)	(525,647)	(550,584)
(371,853)	Payments to employees	(415,639)	(405,708)	(405,835)
(1,103,954)	Payments for capital charge	(978,794)	(1,136,648)	(1,031,681)
1,218	Goods and services tax (net)	(4,518)	(690)	-
<b>708,781</b>	<b>Net cash flow from operating activities</b>	<b>804,344</b>	<b>680,629</b>	<b>835,378</b>
<b>Cash flows from investing activities</b>				
133,368	Receipts from sale of property plant and equipment	119,984	107,404	-
(1,053,901)	Purchase of property plant and equipment	(1,419,645)	(1,181,274)	(1,847,680)
(21,502)	Purchase of intangible assets	(22,024)	(22,000)	(22,000)
<b>(942,035)</b>	<b>Net cash flow from investing activities</b>	<b>(1,321,685)</b>	<b>(1,095,870)</b>	<b>(1,869,680)</b>
<b>Cash flows from financing activities</b>				
377,522	Capital injections	728,874	600,150	1,176,389
(99,386)	Capital withdrawals	(69,934)	(3,164)	(1,525)
(21,519)	Return of operating surplus to Crown	(90,241)	(90,241)	(75,822)
(37,734)	Payment of finance charges on service concession arrangements	(37,425)	(46,047)	(54,968)
(7,065)	Repayment of service concession liability	(7,050)	(7,869)	(9,772)
<b>211,818</b>	<b>Net cash flow from financing activities</b>	<b>524,224</b>	<b>452,829</b>	<b>1,034,302</b>
<b>(21,436)</b>	<b>Net (decrease)/increase in cash</b>	<b>6,883</b>	<b>37,588</b>	<b>-</b>
78,848	Cash at the beginning of the year	57,412	57,412	95,000
<b>57,412</b>	<b>Cash at the end of the year</b>	<b>64,295</b>	<b>95,000</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.

Explanations of major variances against the original 2021 budget are provided in Note 22.

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

## Statement of Cash Flows (continued)

## Reconciliation of net surplus with cash flow from operating activities

2020		2021
Actual		Actual
\$000		\$000
<b>31,534</b>	<b>Net surplus</b>	<b>242,768</b>
	<b>Add/(less) non-cash items</b>	
685,253	Depreciation, impairment and write-off on property plant and equipment	730,493
21,178	Amortisation, impairment and write-off on intangible assets	17,101
120	Impairment of non-current assets held for sale	97
70,819	Net unrealised (gain)/loss on derivative financial instruments	(72,762)
2,645	Increase in non-current employee entitlements	412
(1,244)	(Decrease) in non-current provisions	(96)
<b>778,771</b>	<b>Total non-cash items</b>	<b>675,245</b>
	<b>Add/(less) items classified as investing or financing activities</b>	
(71,575)	Net (gain) on sale of property, plant and equipment	(81,071)
36,704	Finance charges on service concession arrangements	39,208
<b>(34,871)</b>	<b>Total investing or financing activities</b>	<b>(41,863)</b>
	<b>Add/(less) movements in working capital items</b>	
(81,723)	(Increase) in debtors and other receivables	(69,168)
(1,768)	(Increase) in prepayments	(4,760)
7,811	(Decrease)/increase in creditors and other payables	(12,883)
7,423	Increase in current employee entitlements	5,135
1,604	Increase in current provisions	9,870
<b>(66,653)</b>	<b>Total net movement in working capital items</b>	<b>(71,806)</b>
<b>708,781</b>	<b>Net cash flow from operating activities</b>	<b>804,344</b>



## Statement of Commitments

as at 30 June 2021

2020 Actual \$000		2021 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>		
931,422	• Not later than one year	1,552,602
1,854,845	• Later than one year and not later than five years	1,310,596
376,193	• Later than five years	239,173
<b>3,162,460</b>	<b>Total school property capital commitments</b>	<b>3,102,371</b>
<b>Development of Education Resourcing System</b>		
632	• Not later than one year	357
-	• Later than one year and not later than five years	-
-	• Later than five years	-
<b>Development of Data for Wellbeing Programme (Te Rito)</b>		
88	• Not later than one year	1,544
-	• Later than one year and not later than five years	-
-	• Later than five years	-
<b>Ministry payroll software replacement</b>		
-	• Not later than one year	356
-	• Later than one year and not later than five years	3,712
-	• Later than five years	-
<b>3,163,180</b>	<b>Total capital commitments</b>	<b>3,108,340</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>		
21,045	• Not later than one year	21,767
70,208	• Later than one year and not later than five years	72,834
65,560	• Later than five years	54,627
<b>School property</b>		
24,567	• Not later than one year	32,331
76,638	• Later than one year and not later than five years	106,811
210,080	• Later than five years	299,008
<b>Motor vehicles</b>		
1,796	• Not later than one year	2,409
2,981	• Later than one year and not later than five years	4,533
-	• Later than five years	-
<b>IT equipment</b>		
-	• Not later than one year	773
-	• Later than one year and not later than five years	1,565
-	• Later than five years	-
<b>472,875</b>	<b>Total non-cancellable operating lease commitments</b>	<b>596,658</b>
<b>3,636,055</b>	<b>Total commitments</b>	<b>3,704,998</b>

## School property capital works programme

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

The \$60.089 million decrease in school property capital works programme commitments is due to a combination of:

- » significant decreases in Redevelopment, New School and Roll Growth funded commitments reflecting the works are completed at a faster pace than approving the future projects (collectively a \$100.275 million decrease)
- » a relatively small decrease in 5-Year Agreement commitments reflecting less entitlements to the schools in current 10-Year Property Plan cycle (\$12.843 million decrease), and
- » increased Public Private Partnership (PPP) capital commitments reflecting the expansion of schools in PPP2 with Future Schools Partners LP (\$53.029 million increase).

## Education Resourcing System (ERS)

The Education Resourcing System is a system that is being progressively introduced to replace the current EDUMIS system that facilitates 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 (Te Rito)

The Data for Wellbeing programme (Te Rito) is a system-wide information management system to enable important information about New Zealand learners to be securely stored and shared as learners move through their education. When learners shift between schools, the information that their new school needs to know will travel with them. Its purpose is to make education data more accessible to inform decision-making by Communities of Learning | Kāhui Ako, education providers, learners, parents, whānau, teachers and government.

## Ministry Payroll software replacement

The Ministry (Departmental) payroll system is being replaced and integrated with the current human resource information system. This will provide a modern integrated solution to enable Holidays Act compliance, pay our people correctly, and support our people processes in a more efficient manner.

## Non-cancellable operating leases

The Ministry has leases on office premises, school land, motor vehicles and IT equipment, 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 lease renewals and rent increases.

The total of minimum future office accommodation payments expected to be received under co-location agreements with other government departments at balance date is \$5.802 million (2020: \$6.001 million). This revenue is accounted for against appropriation *Services to Other Agencies* RDA.

Most 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 a lease over the Macleans College school site in Auckland 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 2021

### Quantifiable contingent liabilities

2020		2021
Actual		Actual
\$000		\$000
<b>Legal proceedings and disputes</b>		
17,733	Contractual disputes	950
8,095	Historical personal grievance claims in government institutions such as special schools	8,950
<b>25,828</b>	<b>Total quantifiable contingent liabilities</b>	<b>9,900</b>

Legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the Ministry's statutory role and estimated associated legal costs. The Ministry is currently disputing these claims.

### 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 (2020: Nil).

### Contingent assets

The Ministry has no contingent assets (2020: \$Nil).

# Notes to the Departmental Financial Statements

for the year ended 30 June 2021

## Note 1 – Reporting Entity

The Ministry of Education (the Ministry) is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the Public Finance Act 1989 (PFA), the Public Service Act 2020 and the Public Accountability Act 1998. The Ministry's ultimate parent is the New Zealand Crown.

The Ministry has also reported separately on Crown activities and funds that it administers in the non-departmental schedules and *Statement of Funds Held* on pages 118 to 126.

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 2021 and were approved for issue by the Secretary for Education on 30 September 2021.

## 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 generally accepted accounting practice (GAAP) and Treasury Instructions.

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

### Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, buildings (schools, houses, site improvements and early childhood centres), derivatives and service concession assets, actuarial valuations of certain liabilities, and the fair value of certain financial instruments.

### Presentation currency and rounding

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

### Changes in accounting policies

There have been no changes in the Ministry's accounting policies since the date of the last audited financial statements.

### Standards issued and not yet effective and not early adopted

Standards and amendments issued, but not yet effective, which have not been early adopted and that 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 2022. The impact to the Ministry is not material.

#### *PBE IPSAS 41 Financial Instruments*

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023, with earlier adoption permitted. The Ministry has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The Ministry does not intend to adopt the standard early.

#### *PBE FRS 48 Service Performance Reporting*

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with earlier adoption permitted. The Ministry has not yet determined how application of PBE FRS 48 will affect its reporting of service performance. The Ministry does not plan to adopt the standard early.

#### *Accounting for Software as a Service (SaaS) Arrangements*

The International Financial Reporting Standards Interpretation Committee (IFRIC) issued a new interpretation to account for SaaS arrangements in April 2021. The Ministry has not yet determined how the IFRIC interpretation will affect its financial statements. If material, the impact of the change in accounting policy will be reflected in the financial statements for the 30 June 2022 financial year.

### 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:

### *Land, houses and early childhood centres valuation*

Land, houses and early childhood centres (ECC) fair values have been determined by Quotable Value Limited (QV), with a full valuation completed triennially. In the intervening years, an indexed valuation is completed by QV. The financial year ended 30 June 2021 is the first year that the indexation applied.

QV provides the indexed valuations to assess the fair market valuation for land and housing (or in respect of ECC — replacement costs).

The indexation for land and housing are derived by using the annual movement at sales group level and the QV house price index with an adjustment based on localised market.

The indexation for ECC reflects an average increase in residential building costs within each local authority.

The indexation is applied to the book value of the properties and additional transactions up to 31 January. The subsequential transactions to 30 June are recorded as the initial book values when they were occurred to reflect the fair value at 30 June.

The basis for the 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.

The discounted cashflow approach is used to calculate the market value for the 20 largest school sites, reflecting a range of parameters based on the market condition, including (but not limited to) the proposed development stages and investment period, section density, sales, inflations, legal costs and discount rates.

### *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, except the buildings under the Service Concession arrangements which are valued by QV. 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 methodology for school buildings and site improvements.

The construction rates applied for calculating the depreciated replacement costs have been sourced from 'QV Costbuilder' with an effective date of 1 April 2021. The Ministry has applied an uplift factor based on the Capital Goods Pricing Index when establishing the inputs used in the 30 June 2021 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.

2020 unit rate	Component	2021 unit rate
\$924 m <sup>2</sup>	Classroom – fit out	\$1,141 m <sup>2</sup>
\$1,069 m <sup>2</sup>	Classroom – services	\$1,319 m <sup>2</sup>
\$438 m <sup>2</sup>	Classroom – roof	\$540 m <sup>2</sup>
\$1,571 m <sup>2</sup>	Classroom building structures – single storey	\$1,938 m <sup>2</sup>
\$474 m <sup>2</sup>	Classroom building structures – per storey	\$499 m <sup>2</sup>
\$844 m <sup>2</sup>	Ancillary buildings	\$862 m <sup>2</sup>
\$462 m <sup>2</sup>	Covered way	\$476 m <sup>2</sup>
\$3,644 m <sup>2</sup>	Swimming pools	\$3,742 m <sup>2</sup>
\$63,326 each	Boilers	\$64,832 each
\$120,620 each	Lifts – standard (3 floors)	\$121,560 each
\$6,634 each	Lifts – additional floor	\$6,787 each
\$3,777 each	Transportables	\$4,645 each
\$13,300 each	Hoists	\$16,500 each

The site improvements values are calculated using the average cost (derived from a selected sample) per site based on the school level, size and location, adjusted by the capitalisations and location indices.



### *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 used 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 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.

### *Holidays Act 2003 remediation*

The Ministry has recognised a liability for Holidays Act 2003 remediation – refer Note 15. The measurement of this liability is the Ministry's best estimate at this stage of the outcome from this project. However, until the project has progressed further, there remain substantial uncertainties as to the actual amount the Ministry will be required to pay to current and former employees. The estimates and assumptions may differ to the subsequent actual results as further work is completed. This may result in further adjustment to the carrying amount of the liability within the next financial year or payments to current and former employees that differ significantly from the estimation of the liability.

### *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 2021 and a salary inflation factor of 2.5% (2020: 2.5%). The discount rates used are based on the yields on Government Bonds and range from 0.38% to 4.30% (2020: 0.22% 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.

### 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 2021 and were published in the 2020 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the 2020 Pre-Election Economic and Fiscal Update (PREFU) for the 2020/21 year. The PREFU 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. However, the operating expenses in the *Statement of Comprehensive Revenue and Expenses* include the carry forward of \$30.575 million from 2019/20 to complete work programmes delayed due to the COVID-19 lockdown in 2020 at Alert level 4 from 26 March to 27 April and at Alert level 3 until 13 May.

The forecast financial statement figures are for the year ending 30 June 2022 and are consistent with the best estimate financial forecast information submitted to Treasury for the 2021 Budget Economic and Fiscal Update (BEFU) for the 2021/22 financial year. They have been prepared as required by the PFA to communicate forecast financial information for accountability purposes and in accordance with PBE Standards.

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

The forecast financial statements were approved for issue by the Secretary for Education on 7 April 2021. 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 2022 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 2021/22 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 2020/21 was used as the opening position for the 2021/22 forecasts.

Since the approval of the forecasts, the only significant change or event that would have a material effect on the forecasts has been the revaluation of land and buildings at 30 June 2021. This resulted in a revaluation increase of approximately 17%. Although it is difficult to reliably forecast land and building values, it is likely that the valuation increase to 30 June 2021 will result in land and building values at 30 June 2022 being higher than in the existing 2022 forecast figures.

Other factors that could lead to 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 and change in capital charge rate (currently 5%).

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2022 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 (**Other revenue**) is as follows:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
<i>Non-exchange</i>		
1,889	Weather-tightness settlements	38,292
15,316	Third party contributions to development of school building assets	11,239
333	ECE licensing application fees	334
-	Gain from insurance claims	10
650	Compensation from Auckland Council for stormwater works at Kauri Flats school site	-
983	Export Education Levy	-
<i>Exchange</i>		
72,117	Gain on sale of property, plant and equipment	81,277
3,807	Support services to other public entities	5,705
4,921	School house rentals	5,248
1,009	Miscellaneous revenue	416
<b>101,025</b>	<b>Total other revenue</b>	<b>142,521</b>

Gains arising from disposal of property, plant and equipment are recognised when the significant risks and rewards of ownership of the asset have transferred to the acquirer.

Weather-tightness claims are recognised upon settlement of the claim. Third party contributions to development of school building assets are recognised as revenue when entitled rather than when cash is received.

The Ministry completed a significant Treaty Settlement with Ngāi Tai ki Tāmaki on 30 March 2021 for the sale and lease back of the land at Macleans College in Auckland. The sale of the land for \$97.840 million resulted in a gain of \$69.961 million.

## 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:

2020 Actual \$000	2021 Actual \$000
354,870 Salaries and wages	398,025
9,605 Superannuation contributions to defined contribution plans	11,132
843 Increase in Holidays Act 2003 provision (note 15)	8,621
10,068 Increase in employee entitlements	5,547
3,812 Training and development	5,161
(580) Increase/(decrease) in restructuring provision (note 15)	1,188
2,709 Other personnel costs	3,211
<b>381,327 Total personnel costs</b>	<b>432,885</b>

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

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

## Note 5 – Capital Charge

The Ministry pays a capital charge to the Treasury on its taxpayers' equity as at 30 June and 31 December each year. The rate used for calculation of capital charge is the public sector discount rate. The capital charge rate for the six months to 31 December 2020 was 5% and the rate for the six months to 30 June 2021 was 5% (2020: 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 operating lease costs. The unexpired portion of non-cancellable operating leases for office accommodation, motor vehicles, IT equipment 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:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
555	Fees to auditors for audit of the financial statements	538
-	Fees to auditors for other services	9
141,148	Contracts for services	158,268
93,073	Specialist learning support service costs	112,981
58,529	Maintenance of school property	43,625
24,619	Operating lease costs – School property	32,285
21,319	Operating lease costs – Office accommodation	22,890
1,832	Operating lease costs – Motor vehicles	2,281
585	Operating lease costs – Office and IT equipment	202
24,334	ICT costs	22,597
11,049	Travel, meetings and conference costs	9,717
8,941	Insurance	9,627
10,471	Legal fees and litigation costs	5,741
8,120	Consultants	5,727
-	Pacific Education Innovation Fund grants	3,946
44	Risk and Assurance Board member fees and expenses	65
2,767	Write-off and impairment of property, plant and equipment	4,912
542	Loss on sale of property, plant and equipment	206
120	Impairment of non-current assets held for sale	97
3,316	Write-off and impairment of intangible assets	-
97	Increase/(decrease) in lease reinstatement provision	(35)
14	Increase/(decrease) in provision for impairment of trade debtors	(79)
20,541	Other	6,976
<b>432,016</b>	<b>Total other operating expenses</b>	<b>442,576</b>

The fee to the auditors for other services is with respect to a new Education Resourcing System (ERS) used to distribute funding to schools and early childhood education service providers in the form of grants, claims and staffing entitlements. The ERS will replace our current funding system EDUMIS. These services are to provide independent quality assurance that the calculation process being delivered by the ERS provides outputs that are equal to those produced by EDUMIS. If there is any variance, it can be explained. Phase A delivered in the 2020/21 financial year covered the strategy and underlying processes, plans, templates/guidelines, and capabilities in place for undertaking comparison testing.

There is \$900,000 of fees included in the *Schedule of Non-departmental Expenses* to the auditors for other assurance services for centrally provided audit work to support school auditors (\$536,000), and for consultancy fees for delivering digital technology programmes (\$364,000).

## Note 8 – Debtors and Other Receivables

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

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

An expected credit loss model is used to recognise and calculate impairment losses for trade debtors. Trade debtors are assessed at each reporting date for any significant increase in credit risk since initial recognition. The simplified approach to providing for expected credit losses as prescribed by PBE IFRS 9 is applied. The simplified approach involves making a provision at an amount equal to lifetime expected credit losses. The provisions 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:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
<i>Non-exchange</i>		
614,553	Debtor Crown	677,598
<i>Exchange</i>		
1,276	Trade debtors (net)	1,419
1,035	Other receivables (including accrued revenue)	7,015
<b>616,864</b>	<b>Total debtors and other receivables</b>	<b>686,032</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:

<b>2020</b>				<b>2021</b>		
<b>Gross</b>	<b>Impairment</b>	<b>Net</b>		<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
\$000	\$000	\$000		\$000	\$000	\$000
747	-	747	Not past due	978	-	978
359	-	359	Past due 31 - 60 days	363	-	363
13	-	13	Past due 61 - 90 days	37	-	37
359	(202)	157	Past due > 91 days	138	(97)	41
<b>1,478</b>	<b>(202)</b>	<b>1,276</b>	<b>Total</b>	<b>1,516</b>	<b>(97)</b>	<b>1,419</b>



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

<b>2020</b>	<b>2021</b>
<b>Actual</b>	<b>Actual</b>
\$000	\$000
<b>549 Balance at 1 July</b>	<b>202</b>
14 Increase/(decrease) in provisions made during the year	(79)
(361) Debtors written off during the year	(26)
<b>202 Balance at 30 June</b>	<b>97</b>

## Note 9 – Prepayments

Prepayments are comprised of:

<b>2020</b>	<b>2021</b>
<b>Actual</b>	<b>Actual</b>
\$000	\$000
39,182 School property capital expenditure programme	61,025
16,587 Operating expenses	21,347
<b>55,769 Total prepayments</b>	<b>82,372</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 education 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:

<b>2020</b>			<b>2021</b>		
<b>Land</b>	<b>Buildings</b>	<b>Total</b>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
\$000	\$000	\$000	\$000	\$000	\$000
<b>13,851</b>	<b>4,850</b>	<b>18,701</b>	<b>127,688</b>	<b>4,716</b>	<b>132,404</b>
(68)	(52)	(120)	(87)	(10)	(97)
(2,886)	(1,045)	(3,931)	(36,649)	(1,917)	(38,566)
116,791	963	117,754	5,550	1,105	6,655
<b>127,688</b>	<b>4,716</b>	<b>132,404</b>	<b>96,502</b>	<b>3,894</b>	<b>100,396</b>

The accumulated revaluation reserve balance associated with non-current assets held for sale at 30 June 2021 is \$61.758 million comprising of land \$59.718 million and buildings \$2.040 million (2020: \$92.591 million comprising of land \$88.457 million and buildings \$4.134 million).

Non-current assets held for sale are recognised as current assets as their value is expected, in most 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 and impairment losses. 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

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 due to the specialised nature of the assets. An independent registered valuer reviews the valuation methodology for school buildings and improvements.

The Ministry has adopted a full valuation approach triennially for land, houses, and early childhood centres (ECC). In the intervening years, an indexed valuation is completed. The valuation approach is explained in the *Critical accounting estimates and assumptions* section of Note 2.

Land and houses are recorded at market value (or indexed value) as assessed by an independent registered valuer.

ECC buildings (playcentres and kindergartens) are valued by an independent registered valuer, based on depreciated replacement cost (or indexed value).

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 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 school buildings on a school site to make the land vacant are capitalised as land improvements.

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 revalued amount) 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.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. 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 2019	5,651,397	12,835,161	57,636	41,696	3,337	18,589,227
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>
Additions	14,004	1,451,071	1,797	2,802	-	1,469,674
Revaluations	1,047,718	2,317,591	-	-	-	3,365,309
Reversal of accumulated depreciation on revaluation	-	(713,108)	-	-	-	(713,108)
Reclassified to assets held for sale	(5,550)	(1,105)	-	-	-	(6,655)
Reclassified between classes and from intangible assets	(12,904)	12,904	(742)	744	-	2
Disposals and write-offs	-	(5,531)	(1,411)	(1,216)	(1,057)	(9,215)
<b>Balance at 30 June 2021</b>	<b>6,968,668</b>	<b>16,739,145</b>	<b>66,396</b>	<b>43,162</b>	<b>1,076</b>	<b>23,818,447</b>

<b>Accumulated depreciation and impairment losses</b>						
Balance at 1 July 2019	-	-	28,423	22,388	2,500	53,311
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>
Depreciation expense	-	713,834	4,812	6,935	-	725,581
Impairment losses	-	-	-	-	107	107
Eliminate on disposal or write-off	-	(726)	(1,411)	(1,133)	(793)	(4,063)
Eliminate on revaluation	-	(713,108)	-	-	-	(713,108)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>35,194</b>	<b>32,651</b>	<b>912</b>	<b>68,757</b>
<b>Carrying amounts</b>						
At 1 July 2019	5,651,397	12,835,161	29,213	19,308	837	18,535,916
<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>
<b>At 30 June 2021</b>	<b>6,968,668</b>	<b>16,739,145</b>	<b>31,202</b>	<b>10,511</b>	<b>164</b>	<b>23,749,690</b>

### Work-in-progress

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

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
1,082,720	Buildings, including those financed under a service concession arrangement	1,589,216
2,237	Office furniture, fittings (leasehold improvements) and equipment	1,120
1,279	Computer hardware	2,997
<b>1,086,236</b>	<b>Total work-in-progress</b>	<b>1,593,333</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 it 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 (refer to Note 17 for further information on the service concession liabilities). Finance and service costs are recognised as an expense in the financial year to which they are incurred.

The Ministry has entered into interest rate swaps with the NZDMO to mitigate exposure to interest rate risk for the three service concession arrangements. These interest rate swaps go out to the end of the service concession agreements (refer to Note 19 for further information).

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 currently four PPP schools requiring expansion due to predicted roll growth that will be funded through the service concession arrangement 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:

2020 Actual \$000	2021 Actual \$000
85,441 Learning Infrastructure Partners LP – Buildings	95,942
24,390 Ministry – Land	26,127
<b>109,831 Total carrying value</b>	<b>122,069</b>

*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:

<b>2020</b>	<b>2021</b>
<b>Actual</b>	<b>Actual</b>
\$000	\$000
214,314 Future Schools Partners LP – Buildings	241,677
31,863 Ministry – Land	32,862
<b>246,177 Total carrying value</b>	<b>274,539</b>

During the financial year, Future Schools Partners LP increased their debt component to take into account the expansion of Wakatipu High School. The Ministry entered into a new interest rate swap with the NZDMO for the change in future financial liability repayments (refer to Notes 17 and 19).

*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:

<b>2020</b>	<b>2021</b>
<b>Actual</b>	<b>Actual</b>
\$000	\$000
199,406 ShapEd NZ LP – Buildings	207,830
22,332 Ministry – Land	21,915
<b>221,738 Total carrying value</b>	<b>229,745</b>



## Revaluations

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>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>
<b>2021</b>			
Quotable Value Limited	6,968,668	701,465	7,670,133
Internal assessment by experienced Ministry staff	-	16,037,680	16,037,680
<b>Total valuation as at 30 June 2021</b>	<b>6,968,668</b>	<b>16,739,145</b>	<b>23,707,813</b>

The increase in land value is mainly driven by the market movement whilst the increase in building value is driven by the continued level of building activities and rise in construction costs.

## 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 \$15 million in the aggregate
- » the third tier is covered by an insurance policy placed with the local and international insurance market, which provides cover for the following:
  - › \$285 million for any one loss and in the aggregate for natural disaster
  - › reinstatement to a further \$285 million for natural disaster
  - › fire limit of \$60 million for any one loss and in the aggregate
  - › a deductible amount for non-catastrophic losses is \$15 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 \$15 million for each and every loss.

## 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:

<b>Useful lives:</b>	<b>Years</b>
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:

	<b>Acquired computer software</b>	<b>Developed computer software</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cost</b>			
Balance at 1 July 2019	12,795	186,988	199,783
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>
Additions	207	21,817	22,024
Disposals and write-offs	(83)	(1,786)	(1,869)
Reclassified between classes and to property, plant and equipment	(198)	196	(2)
<b>Balance at 30 June 2021</b>	<b>9,793</b>	<b>220,334</b>	<b>230,127</b>
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July 2019	9,605	107,121	116,726
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>
Amortisation expense	625	16,476	17,101
Disposals and write-offs	(83)	(1,786)	(1,869)
<b>Balance at 30 June 2021</b>	<b>9,227</b>	<b>132,550</b>	<b>141,777</b>
<b>Carrying amounts</b>			
At 1 July 2019	3,190	79,867	83,057
<b>Balance at 30 June 2020</b>	<b>1,182</b>	<b>82,247</b>	<b>83,429</b>
<b>Balance at 30 June 2021</b>	<b>566</b>	<b>87,784</b>	<b>88,350</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 \$88.409 million that are fully amortised but that are still in use (2020: \$85.944 million).

The total amount of software assets in the course of development is \$27.032 million (2020: \$18.869 million). This work-in-progress is included in above figures at cost, less impairment, and is not amortised.

## Note 13 – Creditors and Other Payables

Creditors and other payables is comprised of:

2020 Actual \$000		2021 Actual \$000
	<i>Exchange</i>	
9,060	Creditors	4,899
56,393	Accrued operating expenses	52,171
102,715	Accrued capital expenditure	166,934
22,080	Construction contract retentions	18,514
	<i>Non-exchange</i>	
17,303	Taxes payable	12,803
8,151	Accrued finance costs	9,934
<b>215,702</b>	<b>Total creditors and other payables</b>	<b>265,255</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 PFA. The calculation for the operating surplus to be paid to the Crown is as follows:

2020 Actual \$000		2021 Actual \$000
31,534	Net surplus/(deficit)	242,768
70,819	(Deduct)/add net unrealised (gain)/loss in fair value of derivative financial instruments	(72,762)
948	(Deduct)/add unrealised (gain)/loss in fair value in discount rates for retiring and long service leave	(1,837)
(15,966)	Less retained earnings for the school property capital works programme	(46,739)
-	Less retained earnings portion of gain on sale of land at Macleans College school in Auckland to fund the annual land lease back cost under a Treaty settlement with Ngāi Tai ki Tāmaki	(29,931)
2,906	Add 'other expense' – asset write-off	-
<b>90,241</b>	<b>Total return of operating surplus to Crown</b>	<b>91,499</b>

The other expense adjustment in 2020 was 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 recorded at the present value of their estimated future cash outflows.

A restructuring provision is recognised when the detailed formal plan has been announced publicly or is being implemented. On 9 June 2021, the Decision Document confirmed structural decisions and the design for the establishment of the Te Mahau (Education Service Agency) within the Ministry and provided details of specific changes to affected and impacted positions. Accordingly, a restructuring provision of \$1.232 million was recognised as at 30 June 2021. The provision relates to the cost of expected redundancies.

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 corrective payments to current and former individuals paid through the Ministry payroll where they have not been paid in accordance with the requirements of the Holidays Act 2003. The provision is an early estimate, because work has not yet progressed to the point where a complete calculated estimate of corrective payments is possible. A more accurate estimate will be possible after further work is completed. Final calculations and potential impact on any specific individual will not be known until further detailed analysis has been completed and individual re-calculations performed.

<b>2020</b>	<b>2021</b>
<b>Actual</b>	<b>Actual</b>
\$000	\$000
<b>Current portion</b>	
44 Restructuring	1,232
134 Reinstatement of leased premises	195
2,050 Holidays Act 2003	10,671
<b>2,228 Total current portion</b>	<b>12,098</b>
<b>Non-current portion</b>	
1,593 Reinstatement of leased premises	1,497
<b>1,593 Total non-current portion</b>	<b>1,497</b>
<b>3,821 Total provisions</b>	<b>13,595</b>

Movements for each class of provision are as follows:

	Lease reinstatement	Holidays Act 2003	Restructuring
	\$000	\$000	\$000
Balance at 1 July 2019	1,630	1,207	624
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>
Additional provisions made	-	8,621	1,304
Amounts used	-	-	(116)
Unused amounts reversed	(35)	-	-
<b>Balance at 30 June 2021</b>	<b>1,692</b>	<b>10,671</b>	<b>1,232</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.

2020 Actual \$000	2021 Actual \$000
<b>Current portion</b>	
22,196 Annual leave	24,651
2,298 Retirement gratuities	2,588
725 Long service leave	805
5,412 Other short-term employee entitlements	7,722
<b>30,631 Total current portion</b>	<b>35,766</b>
<b>Non-current portion</b>	
10,312 Retirement gratuities	10,638
3,387 Long service leave	3,473
<b>13,699 Total non-current portion</b>	<b>14,111</b>
<b>44,330 Total employee entitlements</b>	<b>49,877</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 the *Critical accounting estimates and assumptions* section of Note 2.

The actuary who provided the valuation for long service leave and retiring gratuities as at 30 June 2021 and 30 June 2020 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 \$1.395 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 \$13,500 higher/lower.
- » The decrease in liability valuation from 30 June 2020 to 30 June 2021 due to the change in discount rates was \$1.837 million.

## Note 17 – Service Concession Liabilities

2020	2021
Actual	Actual
\$000	\$000
511,333 Balance at 1 July	510,172
5,904 Additions	11,219
(7,065) Repayments	(7,050)
<b>510,172 Balance at 30 June</b>	<b>514,341</b>
7,869 Current portion	9,630
502,303 Non-current portion	504,711
<b>510,172 Balance at 30 June</b>	<b>514,341</b>

The additions to the service concession liabilities during the year relates to the progress on the expansion of Wakatipu High School and the Ministry's investment in PPP school expansions (refer to Note 11). The Ministry's service concession liabilities are interest bearing at the effective interest rate of 1.93% per quarter, 7.73% per annum (2020: 1.93% and 7.71%, respectively) for PPP1, 1.88% per quarter, 7.53% per annum (2020: 1.94% and 7.76%, respectively) for PPP2 and 1.65% per quarter, 6.58% per annum for PPP3 (2020: 1.60% and 6.40%, respectively). The PPP2 effective interest rate is calculated on the basis of the Wakatipu High School expansion being wholly completed. 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 comprises of general funds and property revaluation reserves. Revaluation reserves relate to the revaluation of land and buildings to their fair value.

2020				2021		
General funds	Revaluation reserves	Total taxpayers' equity		General funds	Revaluation reserves	Total taxpayers' equity
\$000	\$000	\$000		\$000	\$000	\$000
5,379,026	13,046,170	18,425,196	Balance at 1 July	5,660,152	13,890,677	19,550,829
31,534	-	31,534	Net surplus	242,768	-	242,768
-	893,757	893,757	Gain on property revaluations	-	3,365,309	3,365,309
49,250	(49,250)	-	Transfers on disposal of property	55,828	(55,828)	-
389,969	-	389,969	Capital injections	728,874	-	728,874
(99,386)	-	(99,386)	Capital withdrawals	(69,934)	-	(69,934)
(90,241)	-	(90,241)	Return of operating surplus to the Crown	(91,499)	-	(91,499)
<b>5,660,152</b>	<b>13,890,677</b>	<b>19,550,829</b>	<b>Balance at 30 June</b>	<b>6,526,189</b>	<b>17,200,158</b>	<b>23,726,347</b>
Property revaluation reserves consist of:						
Land	5,282,349			6,297,432		
Buildings	8,608,328			10,902,726		

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:

2020		2021
Actual		Actual
\$000		\$000
358,347	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	518,704
15,000	5-Year Agreement capital funding for school property for all state schools	186,000
500	School property energy efficiency initiatives and coal boiler replacement programme	11,645
-	Development of the Education Resourcing System for schools and early learning	5,560
-	Development of the Data for Wellbeing Programme (Te Rito)	5,102
-	Reimburse school property construction contractors who incurred additional unavoidable costs related to COVID-19	1,712
133	Expansion of Learning Support services	143
-	Contribution to charging infrastructure for electric motor vehicles	8
12,447	Third party contributions to development of school building assets	-
3,542	Expansion of education facilities at the Mangere Refugee Resettlement Centre	-
<b>389,969</b>	<b>Total capital injections</b>	<b>728,874</b>



Capital withdrawals were for the following:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
(53,520)	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	(57,810)
(9,722)	Transfer to departmental operating expenditure appropriation School Property Portfolio Management to lease school buildings	(9,722)
(6,144)	Decisions to procure new schools under Public Private Partnership contracts rather than through traditional procurement process	(1,442)
-	Transfer to Ministry of Business, Innovation and Employment for the Christchurch Integrated Government Accommodation Programme	(500)
-	Transfer to non-departmental operating expense Secondary Education for the Data for Wellbeing Programme (Te Rito)	(460)
(15,000)	Transfer to departmental operating expenditure appropriations Support and Resources for Education Providers and Support and Resources for Teachers to lease motor vehicles	-
(10,000)	Transfer to departmental operating expenditure appropriation Support and Resources for Teachers to meet cost pressures	-
(5,000)	Transfer to departmental operating expenditure appropriation School Property Portfolio Management for school development project demolition costs	-
<b>(99,386)</b>	<b>Total capital withdrawals</b>	<b>(69,934)</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:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
<b>Financial assets measured at amortised cost</b>		
57,412	Cash and cash equivalents	64,295
2,311	Trade debtors and other receivables	8,434
<b>59,723</b>	<b>Total financial assets measured at amortised cost</b>	<b>72,729</b>
<b>Measured at fair value through surplus or deficit</b>		
53,865	Derivative financial instrument assets	109,340
236,848	Derivative financial instrument liabilities	219,561
<b>182,983</b>	<b>Net liability for derivative financial instruments measured at fair value through surplus or deficit</b>	<b>110,221</b>
<b>Financial liabilities measured at amortised cost</b>		
9,060	Creditors	4,899
510,172	Service concession liabilities	514,341
<b>519,232</b>	<b>Total financial liabilities measured at amortised cost</b>	<b>519,240</b>

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

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

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

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

The Ministry's derivative financial instruments are interest rate swaps entered into with the NZDMO to manage exposure to fluctuating market interest rates as a result of its PPP service concession arrangements (refer to Note 11), 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. The Ministry has four (2020: three) interest rate swaps with the NZDMO and these are classified as non-current. At 30 June 2021, the total notional principal of derivatives outstanding was \$482.588 million (2020: \$446.819 million). The following table summarises the service concession interest rate swaps in place at 30 June 2021:

	Fixed Rate %	Maturity Date
PPP1	4.33%	29 December 2037
PPP2	4.43%	29 December 2041
PPP2 (WHS Expansion)	3.19%	29 December 2041
PPP3	4.55%	9 March 2043

The Ministry is paying a fixed rate of interest over a 25-year period and, as result of long-term interest rates rising in the 2020/21 financial year, the fair value of the interest rate swap derivatives liability has decreased from \$182.983 million at 30 June 2020 to \$110.221 million at 30 June 2021 and an unrealised gain of \$72.762 million has been recognised in the net surplus 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>2020</b>				
<b>Financial liabilities</b>				
Long-term interest rate swaps (net)	-	182,983	-	182,983
<b>2021</b>				
<b>Financial liabilities</b>				
Long-term interest rate swaps (net)	-	110,221	-	110,221

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.

#### Fair value interest rate risk

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

The derivative financial instruments in the form of interest rate swaps with the NZDMO limit the exposure to fluctuations in interest rates arising from the re-pricing of interest on the service concession liabilities.

The Ministry's service concession liabilities are interest bearing at the following effective interest rates:

2020 Annual %		2021 Annual %	
7.71%	PPP1	7.73%	
7.76%	PPP2	7.53%	
6.40%	PPP3	6.58%	

Note that the PPP2 effective interest rate is calculated on the basis of the Wakatipu High School expansion being wholly completed.

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.

2020 Impact on net surplus/ (deficit)		Change in interest rate	2021 Impact on net surplus/ (deficit)
\$000		\$000	\$000
62,670	Long-term interest rate swaps	+1.00%	53,481
(70,011)	Long-term interest rate swaps	-1.00%	(59,134)

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, bank balances and derivative financial instrument assets.

The Ministry is permitted to deposit funds only with Westpac (Standard and Poor's credit rating of AA-), a registered bank, and enter into derivative financial instruments with the NZDMO (Standard & 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, trade debtors and other receivables (refer to Note 8) and derivative financial instrument assets. 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 NZDMO. The Ministry maintains a targeted level of available cash to meet liquidity requirements.

### Contractual maturity analysis of financial liabilities

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

	Less than 6 months	Between 6 months and 1 Year	Between 1 and 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000	\$000
<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>
<b>2021</b>					
Creditors	4,899	-	-	-	4,899
Service concession liabilities	5,141	4,489	43,894	460,817	514,341
Derivative financial instruments	-	-	-	110,221	110,221
<b>Total financial liabilities</b>	<b>10,040</b>	<b>4,489</b>	<b>43,894</b>	<b>571,038</b>	<b>629,461</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 (2020: \$Nil).

## Key management personnel compensation disclosure

2020 Actual	2021 Actual
\$4,395,000 Remuneration and other benefits	\$4,353,000
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 Permanent Legislative Authority, not by the Ministry.

## Note 22 – Explanation of Major Variances against Budget

Explanations for major variances from the Ministry's 2021 budget figures are as set out below:

### Statement of Comprehensive Revenue and Expenses

Actual expenses were \$161.317 million (6%) less than Budget mainly due to a combination of:

- » a change in the capital charge rate from 6% to 5% effective from 1 July 2020 (\$195.508 million decrease)
- » underspends to be carried forward to 2021/22 in the 2021 October Baseline Update to complete work programmes delayed due to circumstances beyond the Ministry's control (\$31.966 million decrease)
- » expense transfers to 2021/22 in the Supplementary Estimates of Appropriations 2020/21 (\$13.674 million decrease), and
- » increased capital charge (\$44.688 million increase) and depreciation (\$36.771 million increase) related to the upward revaluation of the school property portfolio at 30 June 2020.

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

A detailed explanation for changes to departmental output expense appropriations since the Budget was approved by Parliament can be found in the Supplementary Estimates of Appropriations 2020/21 for Vote Education and Vote Tertiary Education.

The \$168.169 million operating surplus is mainly due to:

- » gain on sale of land at Macleans College in Auckland under a Treaty settlement with Ngāi Tai ki Tāmaki (\$69.961 million)
- » weather-tightness settlement to fund the capital remediation costs for affected school buildings (\$35.500 million)
- » underspends to be carried forward to 2021/22 in the 2021 October Baseline Update to complete work programmes delayed due to circumstances beyond the Ministry's control (\$31.966 million)
- » savings in Budget 2021 appropriation for remediation payments associated with historic non-compliance of the Ministry's payroll system with the Holidays Act 2003 (\$11.379 million), and
- » third party contributions to the development of school building assets (\$11.239 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 \$3,649.833 million, mainly due to a combination of:

- » the Budget figures do not provide for the gain on school property revaluation at 30 June 2021, as it is Crown forecasting policy not to budget for annual revaluation movements (\$3,365.309 million increase),
- » increase in capital expenditure on school property (\$322.674 million increase), and
- » increase in depreciation for the \$517.073 million upward revaluation of school buildings and teacher housing at 30 June 2020 (\$36.771 million decrease).

### *Non-current assets held for sale*

Non-current assets held for sale are higher than Budget by \$75.396, million mainly due to legal and procedural matters delaying the resolution of Treaty Settlements over school sites to be sold and leased back by the Ministry.

### *Creditors and other payables*

Creditors and payables were \$94.655 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 \$100.448 million greater than forecast.

### *Derivative financial instruments*

As a result of long-term interest rates rising in the 2020/21 financial year, the fair value of the interest rate swap derivatives liability has decreased from \$182.983 million at 30 June 2020 to \$110.221 million at 30 June 2021 and an unrealised gain of \$72.762 million has been recognised in the net surplus in the *Statement of Comprehensive Revenue and Expenses*.

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

General funds were \$271.574 million higher than Budget mainly due to a combination of:

- » funding to reimburse land acquisitions and associated site work for new schools in accordance with the National Education Growth Plan (\$106 million increase)
- » unrealised gains on remeasurement of fair value of liabilities for derivatives and employee entitlements for retiring and long service leave (\$77.122 million increase)
- » realised revaluation reserve gains on disposal of school land and buildings (\$55.528 million increase)
- » retained earnings for the school property capital works programme (\$46.739 million increase), and
- » capital to operating swap for carrying value of Maclean College school land sold to Ngāi Tai ki Tāmaki under a Treaty settlement for the sale and leaseback of the school site (\$27.879 million decrease).

## Note 23 – Events after the Balance Date

The New Zealand Government declared a State of National Emergency on 17 August 2021. The country was in lockdown at Alert Level 4 from 18 August 2021 and then remained in lockdown at Alert Level 3 until 7 September, while Auckland remained at level 4 until 20 September. This event has had no effect on the actual results within these financial statements.

The Ministry was not able to continue construction work at Alert level 4 and may also experience some interruptions at Alert levels 2 and 3. It is difficult to determine the full ongoing effect of COVID-19 and some uncertainties remain when assessing its impact to the operations at the Ministry which will impact on the 2021/22 financial year.



# Ministry of Education Non-Departmental Schedules

for the year ended 30 June 2021

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 2021

2020 Actual		2021 Actual	2021 Budget (unaudited)
\$000		\$000	\$000
867	Tertiary recoveries	507	-
3,934	Export education levies <sup>2</sup>	-	3,989
3,463	Overseas student fees	2,616	3,757
99	Miscellaneous revenue	9,186	485
<b>8,363</b>	<b>Total non-departmental revenue</b>	<b>12,309</b>	<b>8,231</b>

## Schedule of Non-Departmental Capital Receipts

for the year ended 30 June 2021

2020 Actual		2021 Actual	2021 Budget (unaudited)
\$000		\$000	\$000
2,377	Proceeds from the sale of teacher and caretaker housing	2,385	-
<b>2,377</b>	<b>Total non-departmental capital receipts</b>	<b>2,385</b>	<b>-</b>

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

2 Refer to the Statement of Funds Held for the year ended 30 June 2021 on page 122.

## Schedule of Non-Departmental Expenses

for the year ended 30 June 2021

2020 Actual		Notes	2021 Actual	2021 Budget (unaudited)
\$000			\$000	\$000
<b>Grant expenditure</b>				
1,990,223	Early childhood education services		2,119,895	2,138,602
132,193	Other		146,042	98,446
<b>Personnel related expenses</b>				
174,730	Superannuation contributions and ACC levies		202,648	188,940
3,659	Schools Payroll Holidays Act provision		287,893	-
59,705	<b>Social assistance benefits</b>		57,424	71,726
592	<b>Debt impairment/(release of impairment)</b>	3	7,796	1,000
<b>Fees to auditors</b>				
2,310	Fee for audit of schools' financial statements (Office of the Auditor General appointed auditors)		1,100	889
1,280	Other assurance services (Ernst & Young)		900	762
(700)	School Contents Risk Management Scheme underwriting result	4	(6)	996
<b>Other operating expenses</b>				
6,375,363	Operations funding to schools		7,139,031	7,170,906
4,486,344	Services from Tertiary Education Commission		2,650,798	3,474,775
77,805	Services from New Zealand Qualifications Authority		76,893	59,578
30,814	Services from Education New Zealand		32,583	31,797
11,100	Te Pūkenga- New Zealand Institute of Skills and Technology		-	-
403,971	Services from third parties		469,913	381,157
1,861,980	<b>GST input expense</b>		2,089,639	2,020,974
<b>15,611,639</b>	<b>Total non-departmental expenses</b>		<b>15,282,549</b>	<b>15,640,548</b>

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 (\$536,000; 2020: \$496,000) and for consultancy fees for delivering digital technology programmes (\$364,000; 2020: \$784,000).

Further details of non-departmental expenditure and appropriations by Vote are provided in the *Appropriations Statements* on pages 127 to 131. 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 2021

2020 Actual		Notes	2021 Actual	2021 Budget (unaudited)
\$000			\$000	\$000
<b>Current assets</b>				
175,003	Cash and cash equivalents		218,368	330,000
23,601	Debtors and other receivables	3	21,894	27,892
43,027	Prepayments		105,741	75,717
1,200	School Contents Risk Management Scheme recoveries		972	847
<b>Non-current assets</b>				
1,131	Debtors and other receivables	3	5,288	1,131
<b>243,962</b>	<b>Total non-departmental assets</b>		<b>352,263</b>	<b>435,587</b>

The Ministry monitors several Crown entities: the New Zealand Qualifications Authority, the Tertiary Education Commission, Education New Zealand, and the Te Pūkenga - 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 not included in this schedule.

The Ministry also has investments in Tertiary Education Institutions (TEIs) and two Crown-owned companies. These entities have their own annual reporting obligations. TEIs are Crown entities and their relationship to the Crown is managed by a plan agreed between them and the Tertiary Education Commission. The Minister of Education and the Minister of Finance are the shareholding Ministers for the Crown-owned companies Network for Learning and Education Payroll Limited. The Treasury is responsible for ownership monitoring. These investments are consolidated in the financial statements of the Government and not included in this schedule.

## Schedule of Non-Departmental Liabilities

as at 30 June 2021

2020 Actual		Notes	2021 Actual	2021 Budget (unaudited)
\$000			\$000	\$000
<b>Current liabilities</b>				
2,251,695	Creditors and other payables	5	1,310,838	1,005,336
216,253	Teacher and support staff entitlements		605,824	309,922
3,286	School Contents Risk Management Scheme claims liability	4	2,612	2,508
<b>2,471,234</b>	<b>Total non-departmental liabilities</b>		<b>1,919,274</b>	<b>1,317,766</b>

The Ministry has recognised a provision of \$375.400 million (2020: \$87.500 million) included in the \$605.824 million 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, solutions developed and individual re-calculations performed.

## Schedule of Non-Departmental Commitments

as at 30 June 2021

The Ministry, on behalf of the Crown, has no non-cancellable capital or lease commitments (2020: \$Nil).

## Schedule of Non-Departmental Contingent Liabilities and Assets

as at 30 June 2021

### Quantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no quantifiable contingent liabilities (2020: \$Nil).

### Unquantifiable contingent liabilities

The Ministry, on behalf of the Crown, has no unquantifiable contingent liabilities (2020: \$Nil).

### Contingent assets

The Ministry, on behalf of the Crown, has no contingent assets (2020: \$Nil).

## Statement of Funds Held for the year ended 30 June 2021

	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 2019 or 1 January 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>
Contributions	103	246	109
Distributions	-	(144)	(108)
Revenue	9	12	-
Expenses	8	(54)	(13)
<b>Balance at 30 June 2021 or 31 December 2020 for PEF</b>	<b>3,530</b>	<b>1,272</b>	<b>21</b>

The Export Education Levy (the EEL Fund) is governed by an Act of Parliament (Education and Training Act 2020) 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.

In response to COVID-19, the Education Training Act (Clause 69 of Schedule 1) cancelled the requirement for providers to make EEL payments for international fee-paying students in 2020 and 2021 calendar years, to help providers affected by the loss of international students. This change was to give additional opportunities for providers to remain viable and support the COVID-19 response and recovery. Levies already paid were refunded and the Crown agreed to cover the costs of the services funded by the EEL during this time.

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 World War II, 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 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 2021

## 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 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 Non-departmental Expenses*) and eliminated against GST revenue on consolidation of the financial statements of the Government.

#### *Budget figures*

The 2021 budget figures are for the year ending 30 June 2021, which are consistent with the best estimate financial information submitted to Treasury for the 2020 Budget Economic and Fiscal Update (BEFU) for the 2020/21 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, 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).

2020 Actual \$000	2021 Actual \$000
7,995 Debtors	15,787
(3,753) Less provision for impairment	(2,790)
20,490 Accrued revenue and other receivables	14,185
<b>24,732 Total debtors and other receivables</b>	<b>27,182</b>
<b>Represented by:</b>	
23,601 Current	21,894
1,131 Non-current	5,288

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

	2020			2021		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Past due 1 - 90 days	3,190	(23)	3,167	12,086	(39)	12,047
Past due 90 - 180 days	421	(125)	296	558	(26)	532
Past due 180 - 360 days	641	(465)	176	415	(225)	190
Past due > 360 days	3,743	(3,140)	603	2,728	(2,500)	228
<b>Total</b>	<b>7,995</b>	<b>(3,753)</b>	<b>4,242</b>	<b>15,787</b>	<b>(2,790)</b>	<b>12,997</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, including the forward-looking information. Movements in the provision for impairment are as follows:

2020 Actual \$000	2021 Actual \$000
3,623 Balance at 1 July	3,753
592 Increase/(release) of impairment during the year	7,796
(462) Debts written-off during the year	(8,759)
<b>3,753 Balance at 30 June</b>	<b>2,790</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 (2020: \$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 section 577 (4) of the Education and Training Act 2020.

The liability for outstanding claims at 30 June 2021 is \$2.612 million (2020: \$3.286 million). The valuation was undertaken at 30 June 2021, 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 \$289,363 (2020: \$493,332) and was calculated as the claim rate (1.06 claims per day) times the average delay (43 days) times the average claims cost (\$6,347).



The insurance underwriting result is as follows:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
3,429	Insurance premium revenue	3,519
459	Re-insurance revenue	-
(758)	Outwards re-insurance premium expense	(1,598)
(1,418)	Claims expense	(2,322)
(778)	Claims liability adjustment from valuation	675
(234)	Administration costs	(268)
<b>700</b>	<b>Insurance underwriting result</b>	<b>6</b>

## Note 5 – Creditors and Other Payables

Creditors and other payables is comprised of:

<b>2020</b>		<b>2021</b>
<b>Actual</b>		<b>Actual</b>
\$000		\$000
39,881	Creditors	71,947
114,413	Taxes payable	229,331
1,657,583	Grants funding payable to the Tertiary Education Commission (net)	618,453
439,818	Accrued expenses	391,107
<b>2,2561,695</b>	<b>Total creditors and other payables</b>	<b>1,310,838</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 \$368 million (4%) greater than Budget, mainly due to provision for current and former school staff who have not been paid in accordance with the requirements of the Holidays Act 2003, and additional funding for the extension of School Lunch Programme.

Crown expenditure in Vote Tertiary Education was \$805 million (23%) less 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; and provision for the Targeted Training and Apprenticeship Fund from the COVID-19 Response and Recovery Fund to provide targeted fees-free support for vocational training and apprenticeships.

# Appropriation Statements

for the year ended 30 June 2021

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 2021 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 78. All performance information for these outputs is included in Part Two of this Annual Report.

## Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations

for the year ended 30 June 2021

### Annual and permanent appropriations for Vote Education

Expenditure actual 2020 as restated <sup>4</sup> \$000	Appropriation title	Expenditure actual 2021 \$000	Approved appropriation <sup>5</sup> 2021 \$000	Location of end-of-year performance information <sup>5</sup>
<b>Departmental output expenses</b>				
1,971,365	School Property Portfolio Management	1,902,350	1,919,823	1
3,807	Services to Other Agencies RDA	5,705	4,950	1
12,210	Support and Resources for Parents and the Community	12,326	15,175	1
<b>1,987,382</b>	<b>Total departmental output expenses</b>	<b>1,920,381</b>	<b>1,939,948</b>	
<b>Departmental other expense</b>				
<b>2,906</b>	<b>Transfer of an Asset to the Teaching Council of Aotearoa New Zealand</b>	-	-	-
<b>Departmental capital expenditure</b>				
<b>1,104,946</b>	<b>Ministry of Education-Capital Expenditure PLA</b>	<b>1,491,698</b>	<b>1,394,128</b>	<b>1</b>
<b>Non-departmental output expenses</b>				
10,616	Contribution to the Teaching Council of Aotearoa New Zealand	12,157	12,157	2
1,990,223	Early Learning	2,119,895	2,157,324	2
28,750	School Managed Network Funding	28,750	28,750	5
207,561	School Transport	216,266	225,339	2
6,929	Schooling Improvement	24,757	32,282	2
6,672	Support for Early Learning Providers	3,325	14,926	2
10,158	Supporting Parenting	9,041	9,174	2
2,054	UNESCO	1,948	2,083	3
<b>2,262,963</b>	<b>Total non-departmental output expenses</b>	<b>2,416,139</b>	<b>2,482,035</b>	

<sup>3</sup> These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989 and a transfer of \$50 million within the Tertiary Tuition and Training MCA from Fees-free Payments to Tertiary Education: Student Achievement Component approved by Cabinet on 28 June 2021.

<sup>4</sup> The 2020 Actuals have been re-classified in the 2021 Appropriation Structure for comparative purposes.

<sup>5</sup> The key for the numbers in this column is located at the end of the tables.

Expenditure actual 2020 as restated <sup>4</sup> \$000	Appropriation title	Expenditure actual 2021 \$000	Approved appropriation <sup>5</sup> 2021 \$000	Location of end-of-year performance information <sup>5</sup>
<b>Benefits or related expenses</b>				
5,714	Home Schooling Allowances	6,472	7,301	3
14,904	Scholarships and Awards for Students	13,392	15,772	3
22,016	Scholarships and Awards for Teachers and Trainees	22,707	30,675	3
<b>42,634</b>	<b>Total benefits or related expenses</b>	<b>42,571</b>	<b>53,748</b>	
<b>Non-departmental other expenses</b>				
5,613	Education Providers with COVID-19-Related Losses of Income	21,132	38,789	2
592	Impairment of Debts and Assets and Debt Write-Offs	9,123	12,000	3
70,963	Integrated Schools Property	72,786	85,275	2
<b>77,168</b>	<b>Total non-departmental other expenses</b>	<b>103,041</b>	<b>136,064</b>	
<b>Non-departmental capital expenditure</b>				
102	School Support Project	-	1,880	2
34,255	Schools Furniture and Equipment	47,656	53,000	2
<b>34,357</b>	<b>Total non-departmental capital expenditure</b>	<b>47,656</b>	<b>54,880</b>	
<b>Multi-category expenses and capital expenditure (MCAs)<sup>6</sup></b>				
283,972	Improved Quality Teaching and Learning MCA	287,418	302,981	1
	Departmental output expense			
133,646	<i>Support and Resources for Teachers</i>	108,051	109,725	
	Non-departmental output expenses			
59,462	<i>Curriculum Support</i>	75,408	75,316	
90,864	<i>Professional Development and Support</i>	103,959	117,940	
858,963	Outcomes for Target Student Groups MCA	1,136,781	1,166,221	1
	Departmental output expense			
325,734	<i>Interventions for Target Student Groups</i>	385,081	401,267	
	Non-departmental output expenses			
515,227	<i>Learning Support</i>	641,369	657,813	
4,170	<i>School Lunch Programme</i>	93,867	90,555	
3,550	<i>Service Academies</i>	3,614	3,785	
10,282	<i>Students Attendance and Engagement</i>	12,850	12,801	
77,805	Oversight and Administration of the Qualifications System MCA	76,893	76,893	4
	Non-departmental output expenses			
55,327	<i>Secondary School Assessments</i>	58,555	58,555	
16,060	<i>Standards and Qualifications Support</i>	18,338	18,338	
	Non-departmental capital expenditure			
6,418	<i>Developing Online Assessment Systems</i>	-	-	
65,126	Oversight of the Education System MCA	68,208	69,977	1
	Departmental output expense			
62,115	<i>Stewardship and Oversight of the Education System</i>	65,200	66,969	
	Non-departmental output expenses			
3,008	<i>Education Research Initiatives</i>	3,008	3,008	

6 A Multi-Category Appropriation (MCA) allows separate categories of departmental output expenses, non-departmental output expenses, departmental other expenses, non-departmental other expenses or non-departmental capital expenditure to be grouped together in one appropriation, provided all the categories contribute to a single overarching purpose

Expenditure actual 2020 as restated <sup>4</sup> \$000	Appropriation title	Expenditure actual 2021 \$000	Approved appropriation <sup>5</sup> 2021 \$000	Location of end-of-year performance information <sup>5</sup>
3	<i>Independent Advice on Government Priority Areas</i>	-	-	
6,181,522	Primary and Secondary Education MCA	7,035,442	7,098,935	1
	Departmental output expense			
118,693	<i>Support and Resources for Education Providers</i>	141,758	149,177	
	Non-departmental output expenses			
3,538,306	<i>Primary Education</i>	4,029,195	4,041,922	
3,188	<i>School Risk Management Scheme</i>	3,513	5,000	
2,521,335	<i>Secondary Education</i>	2,860,976	2,902,836	
<b>7,467,388</b>	<b>Total Multi-Category Expenses and Capital Expenditure</b>	<b>8,604,742</b>	<b>8,715,007</b>	
<b>12,979,744</b>	<b>Total annual and permanent appropriations for Vote Education</b>	<b>14,626,228</b>	<b>14,775,810</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 2020 \$000	Appropriation title	Expenditure actual 2021 \$000	Approved appropriation 2021 \$000	Location of end-of-year performance information
	<b>Appropriation for non-departmental capital expenditure: Schools Payroll Sustainability Loan</b>			10
	This appropriation started on 1 October 2017 and expires on 30 September 2020			
	Appropriations, Adjustments and Use			
	Original Appropriation		13,225	
	Adjustments to 2019/20		-	
	Adjustments for 2020/21		-	
	Adjusted appropriation		<b>13,225</b>	
	Cumulative expenses to 1 July		10,225	
6,225	Current year expenses	3,000	3,000	
	Cumulative expenses to 30 June		<b>13,225</b>	
	Remaining appropriation	-	-	

## Annual and permanent appropriations for Vote Tertiary Education

Expenditure actual 2020	Appropriation title	Expenditure actual 2021	Approved appropriation 2021	Location of end-of-year performance information
\$000		\$000	\$000	
<b>Departmental output expense</b>				
17,873	Stewardship and Oversight of the Tertiary Education System	15,674	16,614	1
6,000	Establishing a Single National Vocational Education Institution	-	-	-
23,873	<b>Total departmental output expense</b>	15,674	16,614	
<b>Non-departmental output expenses</b>				
53,276	Access to Tertiary Education	42,283	44,862	6
69,991	Administration of and Support for the Tertiary Education and Careers Systems	82,033	82,033	6
49,800	Centres of Research Excellence	49,800	49,800	6
11,100	Establishment of a Single National Vocational Education Institution	63,082	69,082	7
31,768	International Education Programmes	32,686	35,364	8
-	Support for Private Training Establishments of Strategic Importance	8,083	8,083	
331,000	Tertiary Education Research and Research-Based Teaching	321,000	321,000	6
26,098	Tertiary Sector/Industry Collaboration Projects	34,343	53,552	6
7,526	University-led Innovation	9,198	9,199	6
<b>580,559</b>	<b>Total non-departmental output expenses</b>	<b>642,508</b>	<b>672,975</b>	
<b>Benefits or related expenses</b>				
600	Scholarships for Inbound International Students	127	300	3
16,471	Tertiary Scholarships and Awards	14,725	17,759	3
<b>17,071</b>	<b>Total benefits or related expenses</b>	<b>14,852</b>	<b>18,059</b>	
<b>Non-departmental other expense</b>				
-	Support for Te Wānanga o Raukawa	7,300	7,300	6
<b>Non-departmental capital expenditure</b>				
-	Careers System Online	8,500	8,500	6
10,000	Support for a Single National Vocational Education Institution	4,000	20,000	7
5,000	Support for Lincoln University	10,000	10,000	9
7,250	Support for Tai Poutini Polytechnic	-	-	-
15,000	Support for Unitec Institute of Technology	-	-	-
5,000	Support for Whitireia New Zealand	-	-	-
-	Tertiary Education Institutions' Proceeds from Disposal of Crown Assets	10,784	17,000	1
<b>42,250</b>	<b>Total non-departmental capital expenditure</b>	<b>33,284</b>	<b>55,500</b>	

Expenditure actual 2020	Appropriation title	Expenditure actual 2021	Approved appropriation 2021	Location of end-of-year performance information
\$000		\$000	\$000	
	<b>Multi-category expenses and capital expenditure (MCAs)<sup>6</sup></b>			
3,911,322	Tertiary Tuition and Training MCA	2,019,036	2,058,614	6
	Non-departmental output expenses			
106,772	Community Education	51,183	51,183	
3,007,384	Tertiary Education: Student Achievement Component	1,473,178	1,473,178	
427,079	Training for Designated Groups	157,029	157,029	
	Non-departmental other expense			
370,087	Fees-free Payments	337,646	377,224	
<b>4,575,075</b>	<b>Total annual and permanent appropriations for Vote Tertiary Education</b>	<b>2,732,654</b>	<b>2,829,062</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 2021, 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. Te Pūkenga - New Zealand Institute of Skills and Technology Annual Report
8. The Education New Zealand Annual Report
9. The Lincoln University Annual Report
10. The Education Payroll Limited Annual Report.

## Statement of Departmental Capital Injections

for the year ended 30 June 2021

Actual capital injections		Actual capital injections	Approved appropriation
2020		2021	2021
\$000		\$000	\$000
	<b>Vote Education</b>		
<b>389,969</b>	<b>Ministry of Education Capital Injection</b>	<b>728,874</b>	<b>791,221</b>

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

## Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority for the year ended 30 June 2021

Vote and appropriation title	Financial year	Unappropriated expenditure
		\$000
<b>Vote Education</b>		
<b>Non-departmental capital expenditure</b>		
School Support Project	2016/17	697
	2017/18	583
	2018/19	882
	2019/20	-
	2020/21	-

The School Support Project non-departmental capital appropriation was established to fund capital costs of implementing approved school support and schooling improvement projects (other than costs related to school property assets) with the intention of supporting schools at financial risk. The appropriation was established in the 1997 financial year.

Whilst no expenditure has been incurred in the last two financial years, the Ministry and the Treasury have been undertaking conversations around converting this appropriation from capital to operating expenditure. There is a need to support schools financially and having the appropriation as a non-departmental operating would give the Ministry greater flexibility to respond to schools needing financial support.

During these conversations, the Ministry uncovered that some historical expenditures were operating in nature and therefore outside the scope of the capital appropriation. Given the age of the appropriation, it is not possible to go back to when it was established so the investigation has focused on the financial years from 2016/17 onwards. Over that timescale, payments to schools have totalled \$2.162 million. Whilst some of this amount appears to have been spent on capital by schools, it is not practical to validate the exact apportionment between capital and operating.

From 2021/22, the Ministry will be rigorously checking any application for support to ensure it is capital in nature. The Ministry and the Treasury are continuing to discuss ways to convert this appropriation so operating expenditure can be given to schools to support them when they need additional financial support.

Vote and appropriation title	Financial year	Unappropriated expenditure
		\$000
<b>Vote Tertiary Education</b>		
<b>Non-departmental capital expenditure</b>		
Tertiary Education Institutions' Proceeds from Disposal of Crown Assets	2016/17	-
	2017/18	414
	2018/19	-
	2019/20	1,840
	2020/21	6,131

The Crown Asset Transfer and Disposal policy established in 2009 recognises Tertiary Education Institutions (TEIs) beneficial ownership of land and/or buildings in Crown title. With the agreement of Joint Ministers, the Crown title(s) can be transferred to the TEI, with an encumbrance on the title that requires the TEI to pay 20% of net sale proceeds to the Crown if they sell the land within five years of title transfer. However, the TEI may seek the approval of Joint Ministers to retain this 20%; or the land and/or buildings can be identified as surplus to educational requirements and disposed of with 80-100% of the sale proceeds provided to the TEI, subject to Joint Ministers' decisions.

Historically, new sale proceeds have passed to the Ministry who held it awaiting Joint Ministers' approval before paying the funds to the TEI. However, as the funds were held as public money, the payments should have been appropriated. Consequently, unappropriated expenditure has been incurred since 2009, when the Crown Asset Transfer and Disposal policy was established. Due to the timespan, it is not possible to quantify the entire amount of unappropriated expenses prior to 2016.

This issue has now been resolved and a new non-departmental capital appropriation for fiscally neutral TEI transfers was established in the 2021 March Baseline Update.



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

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