The quality of schooling is an important contributor to outcomes for students. Sound governance, effective leadership, adequate resourcing and the effective management of resources are all critical to the operation of a quality school.

**SCHOOL GOVERNANCE**

Boards of trustees are accountable and responsible to both their school community and the government. Boards require informed and committed people with a variety of skills and experience to govern successfully. School governance is a complex role for a trustee. 

*Trustees are faced with finance, law, sales and marketing, human resources, student discipline and of course the school curriculum and education issues in general.*

A recent report by ERO confirms that school boards competently manage the majority of schools. The findings highlight some common features of well-governed schools:

- governance was centred on students, with trustees committed to improving student learning and achievement
- the principal and teachers gave trustees analysed student achievement information that was used to set realistic targets and underpin decision-making, especially in supporting professional development of staff
- strategic and annual planning had a strong focus on improving student achievement
- the principal played a key role in working with trustees and providing strong professional leadership for the board, staff and students.

**Triennial Trustee Elections**

The school trustees’ elections represent one of the largest democratic events in New Zealand, with more than 14,000 candidates standing for election in 2,469 state and state integrated schools. The 2007 triennial election was the seventh since Tomorrow’s Schools was introduced in 1989.

In 2007 the average voter turnout was 28 percent. The proportion of the voting community which exercised its right to vote was highest for composite schools (34 percent) and lowest for secondary schools (23 percent). Over half of the schools (57 percent) had more candidates standing for election as parent

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representatives than positions available and so were required to hold a voting election. The remaining schools were able to form a board without a voting election. This represents an average of 6.3 candidates per school, the same number of candidates as for the 2004 election.

**Composition of Candidates**

Between 2004 and 2007 there was an increase in the proportion of Māori candidates but a slight decrease in the proportion of Māori parent elected representatives. The proportion of Asian and Pasifika candidates has decreased slightly alongside a decrease in Asian parent elected representatives. There is no change in the proportion of Pasifika parent elected representatives but a small increase in all Pasifika trustees.

Slightly over half (54 percent) of European/Pākehā parent elected representatives on boards were re-elected, that is, they were current board members at the time of the 2004 elections. For the other main ethnic groups a greater proportion of trustees were newly elected to boards rather than re-elected.

**Experience of Trustees**

The previous experience of the candidates (as trustees) has increased since the last triennial election. Fifty-one percent of candidates were returning trustees, with 44 percent identifying as having no previous board experience. The data shows small peaks in the proportion of parents elected in earlier triennial election years – 20 percent have been on a school board since 2004 and 6 percent since 2001.

**Strategic Focus**

One of a board’s core activities is establishing a strategic focus. Since 2003, all schools have been required to document their strategic plans in their annually updated school charters. A board of trustees’ self-review, including analysis of student achievement data, informs the setting of future priorities and targets for student outcomes.

In 2007, 95 percent of schools sent copies of their charters to the Ministry of Education. Of these schools, 93 percent had specified learning area targets for student outcomes. As in previous years, most schools (81 percent) cited a language area target. Mathematics, at 55 percent, was the next most common learning area target, followed by health (7 percent) and information and communication technologies (ICT) (5 percent).
Statutory Interventions in Schools

Since the implementation of legislation on statutory interventions in October 2001, 337 interventions have been initiated in schools. Ninety-five of these statutory interventions were current at the end of 2007.

The most common form of statutory intervention is a limited statutory manager. This is a person appointed by the Secretary for Education at the direction of the Minister of Education to take over specified powers of a board while leaving the board intact with continued responsibility for all other functions.

During 2007, 53 statutory interventions were initiated, compared with 51 in 2006 and 55 in 2005. Sixty-one were revoked during the year, eleven in order to be reinstated under a different section of the Education Act (all were reduced to a lower level). At the end of 2007, about 4 percent of all state and state integrated schools were subject to statutory interventions.

Seventy-five percent of statutory interventions in 2007 were initiated in response to requests from boards.

Twenty-four of the statutory interventions commencing in 2007 involved the appointment of a limited statutory manager. Most commonly, the identified areas of risk that justified these appointments related to employment and/or financial management matters.

SCHOOL LEADERSHIP

The draft document Kiwi Leadership for Principals was launched in early 2008. It focuses on the role of the principal as an educational leader and, when finalised, will set the direction for principals’ professional learning. It contains a model of leadership based on the knowledge, qualities, and skills required to lead schools in the future.

The document has been developed in collaboration with principals, sector representatives, leadership advisors and researchers. It is based on:

- international and national evidence about principal leadership practices that lead to improved outcomes for students
- evidence emerging from the Educational Leadership Best Evidence Synthesis that the Ministry is developing and that is due for release in 2008.

Early findings from the Educational Leadership Best Evidence Synthesis report were published in 2007.68 The findings examine the relationships between types of school leadership and a range of social and academic student outcomes. The results show that the level of impact for five dimensions of leadership range from small to large. The larger impacts relate to direct leader involvement in the oversight of, and participation in, curriculum planning and coordination, teacher learning and professional development. This suggests that the closer school leaders are to the core business of teaching and learning, the greater their influence on student outcomes is likely to be.

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NETWORK OF SCHOOLS

For all students to access high-quality learning experiences there needs to be a strong network of schools. Both nationally and locally, the network must be able to cope with the diversity of student needs, fluctuations in student numbers and the changing composition of the school-age population.

Significant changes in school rolls are not expected over the next four years. However, while the overall demand is steady at present, there are specific areas of growth and decline at the local level.

During 2007, a number of school reorganisations took place:

- eight schools closed
- one contributing school gained approval for the disestablishment of Year 7 and 8 classes in its bilingual unit
- two contributing primary schools merged to form one new full primary school
- three state schools changed their classification to become designated character schools.

INTERNATIONAL STUDENTS

The Ministry was one of ten government agencies that collaborated to develop the International Education Agenda (2007). The agenda sets out the government’s vision and strategy to support international education in New Zealand schools and tertiary providers.

The agenda has four goals. Goal two focuses on enriching the experience of international students and relates to school management responsibilities:

*International students are welcomed, receive effective orientation guidance, and exemplary pastoral care and learning support.*

It is important that international students are well informed, safe and properly cared for. The Code of Practice for the Pastoral Care of International Students provides a framework for service delivery by New Zealand education providers and is mandatory for all providers who enrol international students.

Twenty-six percent of primary schools, 34 percent of composite schools (including special schools) and 91 percent of secondary schools were signatories to the Code in 2007.

The Code sets out the minimum standards of advice and care expected of educational providers. It applies to pastoral care and provision of information only, and not to academic standards. The Code was revised in 2003 but the Ministry is reviewing it again and will implement any amendments in 2009.

International students come to study in New Zealand schools for two main reasons: to learn English and to obtain entry qualifications to universities or other tertiary institutions in New Zealand or other English-speaking countries.

A second National Survey of International Students was undertaken in 2007. Overall, it shows that international students are satisfied with their studying and living experiences in New Zealand, though there is still room for improvement in some areas.

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69 On 1 July 2007 there were 10,204 IFP students, 591 exchange students and 74 New Zealand Agency for International Development (NZAID) scholarship students in New Zealand schools. Almost half of IFP students were enrolled in schools in the Auckland region, 19 percent in Canterbury schools, 6 percent in Waikato schools and 6 percent in Wellington schools.

Almost half of IFP students in New Zealand secondary schools in 2007 came from South Korea. Other students came from China (13 percent), Japan (13 percent), Thailand (6 percent) and Germany (5 percent).

RESOURCING SCHOOLS

New Zealand schools are funded primarily by the government. The three main components of government funding are staffing (on which the government spent $2,858 million in 2007), operational funding, including property maintenance ($918 million in 2007) and property capital works71 ($358 million in 2007).

In addition, the government gives schools various forms of ‘in-kind’ resourcing, including software licensing, laptops for principals, other ICT support and professional development.

Figure 4.1: Estimates of Inflation-adjusted Per-student Funding, 1997–2007

71 All government funding components are exclusive of GST. The figure for property capital works is an estimate from cash payments made during 2007 and includes both capital and operational expenditure.
Some schools receive resourcing to meet particular needs (for example, transport), and other resources are available from discretionary funding. In 2007 over 30 discretionary funding pools were available to schools. These allocated $89 million for programmes as diverse as English for Speakers of Other Languages (ESOL), support for refugees and migrants, study support centres, initiatives to reduce suspensions and truancy, parent mentoring and programmes to support collaboration across schools.

In both nominal and real terms there has been an increase in total government funding of schools (including teachers’ salaries, operational funding, property funding and other resources) in the past decade. Total government per-student funding increased 22.2 percent between 2003 and 2007 (Figure 4.1), compared with an inflation rate of 11.6 percent. Operational funding and teacher salaries have increased over the past year, while property spending has decreased due to a reduction in spending on new classrooms.

Review of Schools’ Operational Funding

In 2006 the Ministry worked with a sector reference group to review schools’ operational funding. The review\(^7\) identified four independent drivers that created pressures for schools in managing operational funding. These drivers, in no particular order, are management systems and capability, complexity, shifts in expectations and specific cost pressures.

The review made detailed recommendations for further work to address these issues. These included:

- improving communications
- improving management capability in schools
- getting better information on schools’ expenditure
- developing a framework for resourcing ICT
- considering how the support staff workforce might best be supported and resourced
- putting measures in place to reduce compliance costs.

During 2007 the Ministry combined its communications to schools into monthly batches and made them available electronically. Over 60 percent of schools now receive only the electronic versions.

There was streamlining of several areas where compliance has been a burden, for example, the electrical testing of equipment, improving contestable funding application forms and consolidating the contestable funds information on the internet.

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Schools’ Use of Funding

An ERO report published in June 2007 on schools’ use of operational funding was phase two of a study that began in 2006. The report builds on the phase one findings, where ERO concluded that schools had satisfactory financial systems, but further evaluation of financial decision-making in schools and management of financial challenges and risks would be useful. Twenty-seven diverse schools were chosen from the phase one group to take part.

Internal and external factors can affect the financial stability of a school. These factors include changes in school rolls and staff, reduction in locally raised funds and increased overhead costs. The report looked at how boards reacted to changes in finances or prepared for changing financial situations.

ERO found that boards managed and responded differently to challenges to their financial management. The extent to which boards clearly understood the relationship between financial decision-making and student achievement was an indicator for successful management in schools. To make the link between financial management and student achievement, schools must:

> integrate their strategic, operational and financial planning
> develop a strong evidence base for planning and financial decisions
> access financial skills and knowledge
> evaluate the implementation and impact of their financial decisions.

Management of School Property

Government property expenditure in schools in 2007 was $358 million, compared with $435 million in 2006. In 2007, $216 million was spent on the modernisation of buildings and other property improvements, $110 million on increasing capacity in the network through new classrooms and schools, $19 million on furniture and equipment and $14 million on unplanned capital works made necessary for health and safety reasons.

Schools plan for maintenance and capital projects using a 10-Year Property Plan. As part of a school’s charter, the property plan is linked to, and is consistent with, the school’s vision and educational objectives for its students. In forming their plans, most schools consult with specialists such as architects and acoustics consultants. Schools also consider the opinions of their students, staff and community, who, as users, often have valuable ideas on making improvements.

In 2007 the Ministry introduced a new Property Management Handbook for schools, which had three main objectives:

> to improve the clarity of documentation to make it easier for schools to manage property
> to set clear and robust procurement options for property projects
> to reduce compliance on schools.

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Schools’ Financial Accounts

The following is a summary of the estimated financial performance and position of New Zealand state and state integrated schools in 2007, based on the aggregation of these schools’ annual accounts. At the time of publication, the Ministry had received 94 percent of schools’ audited accounts. Audited accounts from earlier years were used to estimate financial accounts for the remaining 6 percent of schools that had yet to supply data for 2007.

From 2007, New Zealand schools are required to prepare their annual financial accounts in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).75

More details on schools’ finances are included in Appendix Two, Tables A26–A43.

Schools’ Income

New Zealand state and state integrated schools had an estimated total income of $4,694 million in 2007, an increase of 4.1 percent from $4,508 million in 2006 (see Table A26).

As in previous years, the main source of school resourcing was government funding, which accounted for 86.2 percent of schools’ total resources in 2007. The remaining came from locally raised funds (12.0 percent), investments (1.3 percent) and other revenue (0.5 percent).

Schools’ revenue figures per student (see Table A29)76 show that government grants increased between 2003 and 2007 by 22.5 percent in primary schools and 23.2 percent in secondary schools. This is a real increase in funding for both sectors when compared with the inflation rate of 11.6 percent over the same period. Per-student government funding for 2007 is estimated to be $4,778 for primary students and $6,364 for secondary students.

Locally raised funds include voluntary donations, non-compulsory amounts paid by parents, income from fundraising activities, fees charged to international students and revenue generated from such sources as school canteens and stationery shops. When interpreting the significance of locally raised funds, the costs incurred to raise such funds should also be considered. Net locally raised funds have remained reasonably consistent over time, having increased by 8.4 percent between 2003 and 2007 compared to a 23.2 percent increase in government grants over the same period.

Schools’ Expenditure

Estimated expenditure in state and state integrated schools in 2007 was $4,652 million, an increase of 4.0 percent compared with $4,473 million in 2006.

Overall there has been little change since 2003 in the way schools allocate expenditure across different areas. Around three-quarters of expenditure is on learning resources, such as teachers’ salaries, classroom resources, consumables and salaries for teacher aides (see Tables A27 and A28).

Schools’ Assets and Depreciation

As of 31 December 2007, the schools sector had invested $2,332 million in fixed assets measured at historical cost or acquisition value (see Table A33). Measured at net depreciated value (NDV), schools’ investments in fixed assets have been increasing steadily. In 2007, the combined NDV of schools’ fixed assets stood at $1,157 million, an increase of 2.5 percent over the previous year.

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75 Data reported here is not fully comparable with schools’ financial accounts prepared under NZ IFRS. Accounts are adapted to make them comparable with schools’ financial accounts in earlier years.

76 The number of students used in per-student revenue calculations in Table A29 excludes IFP students. However, when reference is made to government expenditure, per-student figures are based on the funding roll.
Indicators of Good Financial Management

Schools are resourced to provide quality education to students. It is important that school boards ensure the future financial health of their schools while doing so.

Principals and boards develop and work to five-year strategic goals for curriculum development, and these form the basis of their annual plans. After setting aside funds for their essential operating costs, schools use their strategic plans to determine how they can best use the remaining funds to meet their strategic goals.

There is a range of indicators of good financial management, including whether schools have an operating surplus, have sufficient working capital to operate effectively, have increasing public equity and manage their staffing resources effectively.

Operating Surplus

An operating surplus represents the difference between revenue and normal operating expenditure (including depreciation). In general, it is desirable to have a small surplus each year in order to have sufficient reserves available to provide for unexpected expenditure.

Schools achieved an estimated combined operating surplus of 0.9 percent in 2007, compared with 0.8 percent in 2006 and 1.3 percent in 2005 (see Table A26). Primary schools recorded a total operating surplus of $23 million (1.0 percent of their revenue) in 2007, compared with $29 million (1.3 percent) in 2006. Secondary schools recorded a total operating surplus of $15 million (0.7 percent of revenue) in 2007, compared with $3 million (0.1 percent) in 2006 (see Tables A27 and A28).

In 2007, 56 percent of schools had an operating surplus (see Table A35), a reduction from 58 percent in 2006. It is not unusual for schools to incur an operating deficit in any one given year. A deficit may arise, for example, if a board of trustees decides to focus on improving student literacy levels and implements a major programme of teacher professional development in a particular year.

However, if a school consistently incurs substantial operating deficits over consecutive years, its asset base will reduce and this could adversely affect that school’s ability to provide effective education to its students. For the three years ending December 2007, approximately 11 percent of schools had consecutive years of operating deficits (see Table A38).

Working Capital

The level of working capital is an indicator of a school’s ability to operate financially and meet its debts in the short term. Working capital measures the difference between current assets and current liabilities. It is normally described in two ways – as a dollar figure or as a ratio between current assets and current liabilities.

Schools have had a steady increase in their working capital, with a total increase of $152 million since 2003 (see Table A30). Estimated at 1.98:1, the average working capital ratio for all state and state integrated schools in 2007 suggests that, on average, for every $1 of current liabilities schools owe, they have $1.98 worth of current assets to meet their short-term financial obligations. This is considered healthy and the ratio has increased for five consecutive years.

Having a working capital ratio of at least 1:1 means that a school is able to pay its short-term debts and operate with some flexibility. Schools that do not have an adequate working capital ratio are, therefore, operating on a thinner margin than other schools because they do not have sufficient short-term reserves to cover their immediate debts.

Approximately 93 percent of schools had a positive working capital ratio in 2007 (see Table A35). Primary schools were more likely to have positive working capital (94 percent) than secondary schools (86 percent). The proportion of secondary schools with positive working capital has been fairly constant for the past three years. The proportion of primary schools with positive working capital has declined slightly since 2005.
Public Equity

Public equity represents the net worth of schools and is the difference between total assets and total liabilities. Schools in a healthy financial position generally show increasing levels of public equity over time (see Tables A30–A32).

Across all schools, public equity has increased each year over the past five years, a 36.1 percent increase since 2003. Among individual primary schools, 80 percent had increasing public equity between 2003 and 2007. Public equity increased by a third or more for 54 percent of primary schools. High and medium decile primary schools are slightly more likely to have increasing public equity than low decile schools.

Similarly, in the secondary sector, 76 percent of schools had experienced public equity growth between 2003 and 2007. In 47 percent of secondary schools their public equity increased by a third or more. High decile secondary schools are more likely to have increasing public equity than low and medium decile schools, with low decile schools being least likely to have increasing public equity during this period.

Overall, between 2006 and 2007, public equity increased for 56 percent of schools (56 percent of primary schools and 54 percent of secondary schools).

Effective Use of Banking Staffing

Schools receive approximately two-thirds of their funding through staffing entitlements. Consequently, it is important for schools to manage this resource well. Overusing their staffing entitlement results in schools having to repay money in the following year, and underusing the entitlement means that schools forego valuable resources.

At the end of the 2007 school year, 825 schools (34 percent) had overused their staffing entitlement, six had exactly used it and 1,626 (66 percent) had underused it.

Schools were given eight weeks in the new school year to manage their overused entitlement down to a balanced position or to use their underused staffing entitlement from the previous year. After this eight-week period, about 40 percent of all schools had managed their entitlement to a balanced position, 20 percent had still overused it and 40 percent had underused it.

The recovery rate for 2007 is $55,000 for each full-time teaching equivalent (FTTE).

A total of $7.7 million is being recovered from the 487 schools that overused their staffing entitlement in 2007. Of these, 442 schools (91 percent) were within 5 percent of their entitlement. The total overuse for these schools was 140 FTTE, with an average per school of 0.29 FTTE.

Of the 979 schools that had underused their entitlements, 908 schools (93 percent) were within 5 percent of their entitlement. The average amount of underuse was 0.18 FTTE. The total staffing underuse was 181 FTTE in 2007, estimated at $10 million.

Overall Financial Management

The Ministry’s financial advisers closely monitor schools that show indicators of financial risks. Schools that are considered to be at a low or moderate level of financial risks receive advice and support, as appropriate. Schools with more serious levels of risks undergo an in-depth financial analysis and are offered school support options, including ongoing financial advisory services.

CONCLUSION

New Zealand schools are generally being capably governed and are in a financially healthy position. During 2007, schools continued to experience changes with the current decline of primary school rolls and increasing secondary school rolls. Over the next four years significant changes are not expected in the total school-age population. However, while the overall demand is steady at present, there will continue to be specific areas of growth and decline at the local level across the network of schools.

WHERE TO FIND OUT MORE

Visit www.educationcounts.govt.nz

Indicators

Resources
- Total investment in education
- Annual expenditure per student