



**Education Review Office**  
Te Tari Arotake Mātauranga

# **Annual Report** **2019/20**

Te Pūrongo ā-Tau 2019/20

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# Ki tā te tirohanga ā te Tumu Whakarae mō te Arotake Mātauranga

## Chief Review Officer's Overview

*He nui ngā wero, he nui hoki ngā whai wāhitanga i pupū ake ai i te tau kua hipa mō Te Tari Arotake Mātauranga.*

*I tīmata te tau i waenga tonu nei i te arotakenga, Tomorrow's Schools, i te tūtohunga a te rōpū arotake i tētahi tauira tino hou nei te āhua mō te aromātai i te mātauranga.*

*I panonitia anō taua tauira i te pūrongo whakamutunga a te rōpū arotake, kia aro kē te titiro a Te Tari Arotake Mātauranga ki te arotake i ngā pūnaha, ki te aromātai i te āhua o ngā mahi a ngā ratonga mātauranga, me te kore arotake tonu atu i ia kura.*

*I te Whiringa-ā-rangi o 2019, i whakaputaina e te Kāwanatanga tā mātou whakautu ki te arotake, e kīia nei, ko 'Supporting all schools to succeed: Reform of the Tomorrow's Schools system'. Kua whakakōiatia ki taua pūrongo te tūnga o Te Tari Arotake Mātauranga hei ratonga arotake mātauranga o Aotearoa, otirā, tērā anō hoki te tono kia whakapakarihia tana aronga ki te aromātai me te arotake i te pūnaha whānui, me tā mātou hāpai anō hoki i te whakapai tonutanga. I tonoa hoki kia kawē tonuhia e Te Tari Arotake Mātauranga ngā mahi arotake ki ia kura, ki ia whare kōhungahunga hoki.*

*I tahuri wawe Te Tari Arotake Mātauranga ki te whakatinana i ngā whakataunga a te Kāwanatanga.*

*I arotake mātou i te tauira whakahaere mō ngā arotake i ngā kura, ā, i tahuri hoki ki te mahi ngātahi ki te rāngai ki te whakatinana i tētahi tauira e whakatōpū ake ana i te mahi tahi, e whakatairanga ana i te whakapai tonutanga hoki, ā, mā te whakapakaritanga i te aromātai ā-roto e tautoko atu.*

*I whakakaha ake hoki mātou i ā mātou matatiki i roto i te rangahau, te aromātai, me te tuku kōrero āwhina mō ngā take e whai pānga ana ki te katoa o te rāngai mātauranga, i konei tonu i toko ake ai te orokohanga o Te Ihuwaka, he rangapū e aro matua ana ki te aromātai i te mātauranga.*

*Kua whakaū hoki mātou ki te whakakaha ake i tā mātou mahi ngātahi ki Te Tāhuhu o te Mātauranga, ki te Rangahau Mātauranga o Aotearoa, ki ngā whare wānanga, ā, ki ētahi atu hoki kia whai hua ake ai te whakamahinga o ngā raraunga, ā, kia māmā ake ai hoki te nui o ngā mahi aroturuki, mahi aromātai hoki a ngā kura.*

This was a year of significant challenge and opportunity for ERO.

We began the year in the middle of the review of Tomorrow's Schools, with the review team proposing a substantially different model for education evaluation.

In November 2019 the Government released "Supporting all schools to succeed: Reform of the Tomorrow's Schools system", its response to the review. This confirmed ERO in its role as New Zealand's education review organisation, but asked us to strengthen both our focus on system-wide evaluation and review, and our support for continuous improvement. It also asked ERO to continue to undertake individual reviews of schools and early learning centres.

ERO moved quickly to implement the Government's decisions.

We reviewed the operating model for school reviews and began working with the sector to explore a more co-operative model strongly focused on continuous school improvement, supported by stronger internal assessment.

We also put more resource into research, evaluation and advice on issues that impact the education system as a whole, leading to the creation of Te Ihuwaka | the Education Evaluation Centre, and Te Pou Mataaho, ERO's Māori medium evaluation and research team.

And we have committed to work more closely with the Ministry of Education, NZCER, universities and others to make better use of data and reduce the workload on schools in the context of monitoring and evaluation.

In the second half of the year, the Mate Korona | Covid-19 lockdown provided significant challenges, particularly to our ability to undertake onsite reviews.

However, ERO was again able to respond quickly and effectively. In 2019 we made significant investments in our IT systems and hardware, which meant that we had everything in place for all staff to work remotely. We also immediately began research into the impacts of Mate Korona | Covid-19 restrictions on schools and early childhood education providers so we could quickly capture and share the lessons, to strengthen the sector's

*I te wāhanga tuarua o te tau, nā te Mate Korona me te noho mohoao, he nui ngā wero i pā kaha nei, inarā, ki tō mātou āheinga ki te haere ā-tinana atu ki ngā wāhi akoranga, whakahaere arotake ai.*

*Heoi anō, tērā anō te tahuri wawe a Te Tari Arotake Mātauranga ki te hāpai tonu me te whai hua tonu. I te tau 2019, he nui tā mātou haumi atu ki ā mātou pūnaha hangarau, taputapu hangarau hoki, ā, nā tēnā i te rite kē mātou mō te noho tawhiiti tonu a ngā kaimahi i te mahi. I tahuri wawe hoki mātou ki te rangahau i te whai pānga o ngā kawekawe o te Mate Korona ki ngā kura me ngā ratonga mātauranga kōhungahunga, kia wawe ai tā mātou kapo atu, tā mātou whakapuaki atu hoki i ngā akoranga o roto, hei whakapakari ake i te aronga o te rāngai ki tēnei tūāhuatanga. E haere tonu ana ngā mahi nei, ā, he nui tonu ngā hua o roto hei hāpai i tā mātou kaupare atu i ngā kawekawe o te Mate Korona. I tautoko hoki Te Tari Arotake Mātauranga i ētahi atu o ngā tūmomo mahi a te rāngai me te Kāwanatanga, tae atu ki te hautūtanga i ngā mahi ki te whakariterite i a Home Learning TV | Papa Kāinga TV, arā, he kaupapa tēnei e hāpai ana i te ako ki te kāinga mō te hunga kāore e taea e rātou te hono ā-ipurangi ki ngā akoranga.*

*Āe mārika, he nui ngā wero i pā i te tauhounga, heoi anō rā, i kawē atu Te Tari Arotake Mātauranga i te mānuka i whakatakotohia ai.*

*Ahakoā kāhore tonu pea te rere o ngā kōnekeneke o te wā e memeha, ko te manawanui o Te Tari Arotake Mātauranga ka mau tonu rā kia kounga ai te mātauranga, ā, kia noho matua tonu ai te tamaiti ki te pūtake o ā mātou kaupapa katoa.*

*Ko te tamaiti te pūtake o te kaupapa  
The child – the heart of the matter*

response. This work is ongoing and continues to add significant value as we deal with the impacts of Mate Korona | Covid-19. ERO also supported the sector and wider government efforts in other ways, including leading the work to set up Home Learning TV | Papa Kāinga TV, which supports learning at home for those with poor access to online learning.

So, definitely a challenging year, but one where ERO was able to rise to the challenges.

The pace of change is unlikely to diminish, but one thing that does not change is ERO's commitment to quality education and to putting the child at the heart of everything we do.



**Nicholas Pole**

*Te Tumu Whakarae mō te Arotake Mātauranga | Chief Executive and Chief Review Officer  
Whiringa-ā-rangi 2020 | November 2020*

# About ERO

## Our role and purpose

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The Education Review Office | Te Tari Arotake Mātauranga (ERO) is the New Zealand government's education evaluation agency. It was established as a government department on 1 October 1989 under the State Sector Act 1988 and is an independent public service department. The Chief Executive of ERO is New Zealand's Chief Review Officer.

Our purpose is to deliver evaluation insights which are a catalyst for change so that every child achieves success as a lifelong learner.

## Our core functions

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Under legislation, ERO is required to review the performance and assess the quality of pre-tertiary education providers in relation to the educational services they provide.

ERO is the New Zealand government's external education evaluation agency. Its evaluations are integrated with and strengthen the internal evaluation activities of schools and early learning services. At a system level, ERO undertakes national evaluations of education sector performance and policy.

In summary, ERO's core activities in 2019-20 included:

- ◆ **National evaluations** of system-level issues either requested by the Minister of Education or instigated by the Chief Review Officer.
- ◆ **Education evaluations**, which include scheduled external evaluation reviews of schools, kura, kōhanga reo, puna reo and other early learning services.
- ◆ **New school assurance reviews** to provide assurance to new school boards and their communities that the school has undertaken suitable administration processes and curriculum preparation.
- ◆ **Private school reviews** carried out under Section 351 and Part 28 of the Education Act 1989 and focusing on how well the school meets the criteria for registration.

- ◆ **Home-schooling reviews** of programmes for students exempt from enrolment at a registered school, undertaken in the context of section 21 and Part 28 of the Education Act 1989 and usually at the request of the Ministry of Education.
- ◆ **Special reviews** carried out where a matter needs to be reviewed and reported outside regular reviews.

**See page 10** for a description of activities undertaken in response to Mate Korona | Covid-19.

For each evaluation our aim is to engage in a meaningful review process and make sound judgements about quality and/or performance. We use a range of evaluation techniques to collect feedback and effectiveness data about the capability of early learning services and schools.

In our reports, we aim to highlight performance issues and to communicate them accurately, clearly and concisely for all stakeholders. In the majority of cases we are able to report a positive evaluation judgement or review outcome.

## Our mandate

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In its November 2019 response to the Tomorrow's Schools Review, the Government confirmed ERO's role in evaluating early learning service quality and school performance. It also confirmed that ERO's focus in school evaluations should be on supporting continuous improvement by strengthening self-evaluation capability and engaging effectively with whānau and communities.

ERO's legislative mandate extends into early childhood education, where its reviews are focused on the quality of education in a safe and supportive environment.

The Government report on the Tomorrow's Schools Review endorsed ERO's role, noting that its research and evaluation should provide a strong basis for generating system-level information. The challenge for ERO is to deliver evaluation that informs prioritisation, action and improvement.

ERO continues to work alongside the Ministry of Education, and other agencies represented on the Education System Stewardship Forum, to achieve equitable levels of participation, engagement and achievement.

We know that to achieve increased levels of social, cultural and economic wellbeing across the country the education system needs to be relevant and support the success of all children and young people.



## Our aims

ERO's impact on education outcomes is determined by our ability to work within and across the system in support of quality provision and continuous improvement. Our approach in 2019-20 reflected the following aims:



### New Zealanders can have confidence in our education system

We deliver high quality evaluations that contribute to New Zealanders having confidence in the New Zealand education system. ERO reviews inform parents, whānau and stakeholders about the quality of education provision in their communities. Through our institution evaluations we ensure that schools and early learning services remain accountable to their communities, parents, staff and learners.



### Equity and excellence in outcomes

To increase New Zealand's levels of social, cultural and economic wellbeing, our education system needs to be relevant and reach all children and young people.

ERO is committed to providing evidence and informed judgements to reduce disparities in learner opportunities and outcomes. Through our work we build evaluation expertise and encourage more effective use of assessment to inform deliberate teaching strategies. In our school reviews we continue to focus on those learners who are at risk of poor outcomes and whose learning needs to be accelerated.



### High quality education for all learners

We challenge early learning services, kōhanga reo, schools and kura to ensure they provide quality education for all learners. We want every classroom and early learning service, kōhanga reo, school and kura to be a great place to learn. Our engagement with stewards, leaders and teachers is a vital aspect of this aim. We believe that high quality education is underpinned by excellent teaching, and the creation of conditions for learning which place the learner at the centre of all activity.



### An improvement-oriented system

ERO identifies what works, establishes indicators for success, and uses its evidence to influence change in practice: for individual providers, in separate parts of the system, and across the system as a whole. We aim to influence the sustainability of provider performance and drive a continuous improvement culture across the system. We do this through championing the effective use of evaluation, inquiry and knowledge-building for improvement, innovation and investment in our schools and early learning services. We see evaluation as a learning process, building knowledge at community and system level.





## Strong and effective policy settings

Our policy settings need to be fit for purpose, future-focused, and support innovation and adaptation to help deliver a high performing education system.

Equally important is placing a spotlight on those areas in the system that are failing to support improved outcomes for learners. Over time, ERO has established a large body of evidence. Working alongside other education agencies, ERO supports policy debate and provides advice on many important education issues.



## Māori success as Māori

ERO is committed to honouring te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and the agreement that underpins relationships between Māori and the Crown.

ERO aims to uphold the principles of partnership, protection and participation by promoting success for Māori learners, and ensuring our system delivers on the educational aspirations of parents and whānau for their tamariki. Core to this is ensuring that Māori learners succeed as Māori, confident in their language, culture and identity.



## Internal capability and capacity

ERO's focus on internal capacity and capability building is critical to our effectiveness as an organisation. We focus our attention on the following five areas:

- ◆ enhancing our frameworks, methodologies and tools
- ◆ developing new skills and making best use of our capabilities
- ◆ exploiting technology to deliver greatest impact
- ◆ building strong, enduring partnerships and networks
- ◆ using our information for better insights.



## Our activity – Mate Korona | Covid-19

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During the Mate Korona | Covid-19 lockdown period ERO staff contributed to different aspects of the Government’s response.

ERO staff worked closely with the Ministry of Education to support the education sector. This included leading the work to set up and run Home Learning TV | Papa Kāinga TV.

Under Levels 3 and 4, Home Learning TV | Papa Kāinga TV provided in-home lessons for the roughly 100,000 households that could not easily access online learning from their schools.

ERO worked with a great team of teachers from across the sector who assisted with the development of the lessons that went to air. Feedback from the sector, from learners and from parents has been overwhelmingly positive.

The TV channel also aired across the Pacific to support island nations. The lessons will remain on TVNZ on Demand through to the end of the year, and the lesson plans can be obtained from the Ministry’s Learning from Home website.

ERO’s Māori Immersion team provided material to support students learning at home. The team has continued to support the Ministry with identifying and responding to issues caused through the lockdown.

At its peak, an estimated 350,000 New Zealand viewers accessed Home Learning TV | Papa Kāinga TV. And 30% of primary aged students reported to ERO that they regularly engaged with the channel during the lockdown.

ERO staff were also posted to the National Crisis Management Centre (NCCM) and others volunteered as members of two virtual telephone contact teams set up to provide information services to the general public and to businesses.

As an organization ERO learned that it was in a relatively good position during Alert Levels 3 and 4. The majority of ERO staff had been used to working away from the office and had been using the flexibility of working from home prior to lockdown.

ERO had already installed Zoom for teleconferencing purposes and its decision to shift to Office 365 at the beginning of this financial year allowed all staff to work collaboratively.

While ERO had ceased onsite visits just prior to the move to Level 3, there were about 100 reviews in progress which were finalised as far as possible during the lockdown and draft reports issued to schools and centres following their full return in June.

# ERO's Performance 2019/20

## What we aimed to achieve

During 2019/20, ERO's teams had planned to evaluate the performance of at least 1,350 early learning services and 650 schools – a total of at least 2,000 evaluations. ERO's evaluations are accounted for in the year in which the final report is published.

ERO's external evaluation process works with an early learning service or school's own internal evaluation processes. ERO aims to support a culture of quality provision, equity in learner outcomes and ongoing improvement.

Under the methodologies employed in 2019-20, once each external evaluation process is complete and the early childhood service or school has had a chance to discuss the results, a final report is published on the ERO website. This enables parents, whānau, families and the wider community to know about the teaching and learning at each individual early childhood service and school.

Due to the impact of Mate Korona | Covid-19, on-site evaluations were suspended in March 2020 until the end of the financial year.

As a result, ERO's review teams completed 1,719 evaluations in the year (86% of the expected total). The total number of evaluations includes those for early childhood education services, kōhanga reo, puna reo, state schools, kura, private schools and home schools.

As a consequence of Mate Korona | Covid-19, we are equally unable to provide feedback in respect of stakeholder judgements of ERO's national reports. This year, ERO was planning to survey stakeholders in June/July 2020. The decision not to hold an end-of-year survey considered feedback from the sector about the strain that schools and early learning services were under at this time.

In summary, Mate Korona | Covid-19 reduced the number of evaluations that ERO was able to complete during the year and also our ability to measure the impact of our work.

In addition to delivering the normal programme of National Evaluations, ERO committed itself to capturing the story of the education sector as a consequence of Mate Korona | Covid-19. This included surveys of teachers and students early in Term 2 under Alert Levels 3 and 4, and interviews with a large number of principals once they shifted out of lockdown. Our aim has been to capture the challenges faced by the sector, identify the risks to long-term outcomes and capture innovation from across the sector. This work led to the June 2020 publication of *Covid-19: Learning in Lockdown*. This work will continue to be a priority for ERO in the coming financial year, and we will produce further publications in a series around Mate Korona | Covid-19.



## Our evaluation of early learning services

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ERO is strengthening its focus on accountability with the aim of setting all services on a pathway of ongoing sustained improvement.

Since 2013, ERO has used the following differentiated judgements and timing:

- ◆ **Very well placed** – the next ERO review will be in four years
- ◆ **Well placed** – the next ERO review will be in three years
- ◆ **Requires further development** – the next ERO review will be within two years
- ◆ **Not well placed** – the next ERO review in consultation with the Ministry of Education.

*Ngā Ara Whai Hua: Quality Framework for Evaluation and Improvement in Centre-based Early Childhood Services* (released by ERO in March of this year) sets out ERO's differentiated approaches to review and evaluation.

In 2019/20 we implemented Akanuku | Assurance Reviews in new services having their first ERO review, or in those previously reported as being "Not well placed" or as "Requires further development".

Akanuku | Assurance Reviews are also undertaken in services moving from a provisional to full licence and in services where there has been a change of ownership.

Akanuku | Assurance Reviews are designed to assist these services and the families they serve by providing assurance that legal requirements are being maintained and identifying compliance matters needing to be addressed. The reviews scaffold services into a Quality Evaluation process that focuses on the quality of teaching and learning.

ERO will also be developing and implementing Akanuku | Assurance Reviews for home-based education and care services through the latter part of 2020.

In 2020/21 we will also begin to implement Akarangi | Quality Evaluations which focus on raising quality through ongoing, sustained improvement. Akarangi | Quality Evaluations will replace Education Reviews in centre-based early childhood services.

To support improved quality, ERO has developed and published *Te Ara Poutama – indicators of quality for early childhood education: what matters most*. These define what is required for services to be judged by ERO as a high-quality service. In addition to their use by ERO review teams, we expect that these measures will be adopted by services in their own assessments of where they are along the quality continuum and guide the actions they take to further improve.

### Our approach in Māori medium settings

Evaluations in Māori medium education, including kōhanga reo and puna reo, are led by a dedicated Māori immersion review team (Te Uepū ā-Motu). The team has specific skill in te reo and deep understanding of tikanga Māori, mātauranga Māori and immersion education.

They operate within a te ao Māori framework and have knowledge and expertise in education and evaluation.

ERO employs distinct external evaluation approaches which have been developed in partnership with these services and their communities.

### What we achieved in 2019/20

- ◆ We completed 1,111 early learning service (ELS) evaluations,
- ◆ This represents about 24% of licensed early learning services and about 53,000 licenced child places and
- ◆ 96% of these reviews complied with our internal quality standards.

Due mainly to the impact of Mate Korona | Covid-19, we were unable to meet all the timeliness standards for ELS reporting.

More information is provided in the Statement of Service Performance on page 31.

## Our evaluation of schools and other providers

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### Introduction

ERO's approach to external evaluation of schools is designed to build each school's internal evaluation capability to contribute to a cycle of continuous improvement. Our approach leverages the *School Evaluation Indicators: Effective Practice for Improvement and Learner Success* ("the Indicators") released in July 2016.

In line with the focus of the Indicators on equity and excellence, ERO evaluates how well each school's programmes, processes and teaching promote positive outcomes for learners. It considers how effectively the school focuses on improvement for equity of opportunity, and accelerated student progress and reduced disparity in achievement.

### The Year

From July 2019 until February 2020, ERO continued to evaluate schools with reference to the Indicators and its approach focusing on school improvement. ERO continued to use the summary judgements it implemented in the previous financial year.

In March 2019, ERO's return times were replaced with a summary judgement of performance along a continuum with broad judgements from

- ◆ "Needs development," through
- ◆ "Developing" to
- ◆ "Well placed" and ultimately to
- ◆ "Strong".

This revised approach is supported by a very clear description in our reports, and discussion with each school, about improvement challenges and opportunities.

From July 2019, ERO's school evaluations were scheduled on an annual basis using a range of insights about the school and what may have changed from the previous year.

In November 2019, the Government published "*Supporting all schools to succeed: Reform of the Tomorrow's Schools system*". This was a formal response to the draft recommendations of a government taskforce in which it had been recommended in 2018 that ERO be disestablished and replaced by a new agency reporting directly to parliament.

The November 2019 response from the Government confirmed that ERO would continue to operate in its current organisational form. It also stipulated that ERO should strengthen its role in evaluating schools and focus on both continuous improvement and building evaluation capacity within the sector.

When ERO's continued role was confirmed this also meant that the uncertainty that had hampered its recruitment of review officers largely disappeared.

In the six months following November 2019, 20 new review officers were appointed and inducted.

In early 2020 ERO commenced a review of its evaluation methodology for schools with a view to prototyping a new approach commencing in Term 3 (July-September) of 2020. The new approach would take account of feedback from the sector and be tested and refined with sector leaders during implementation.

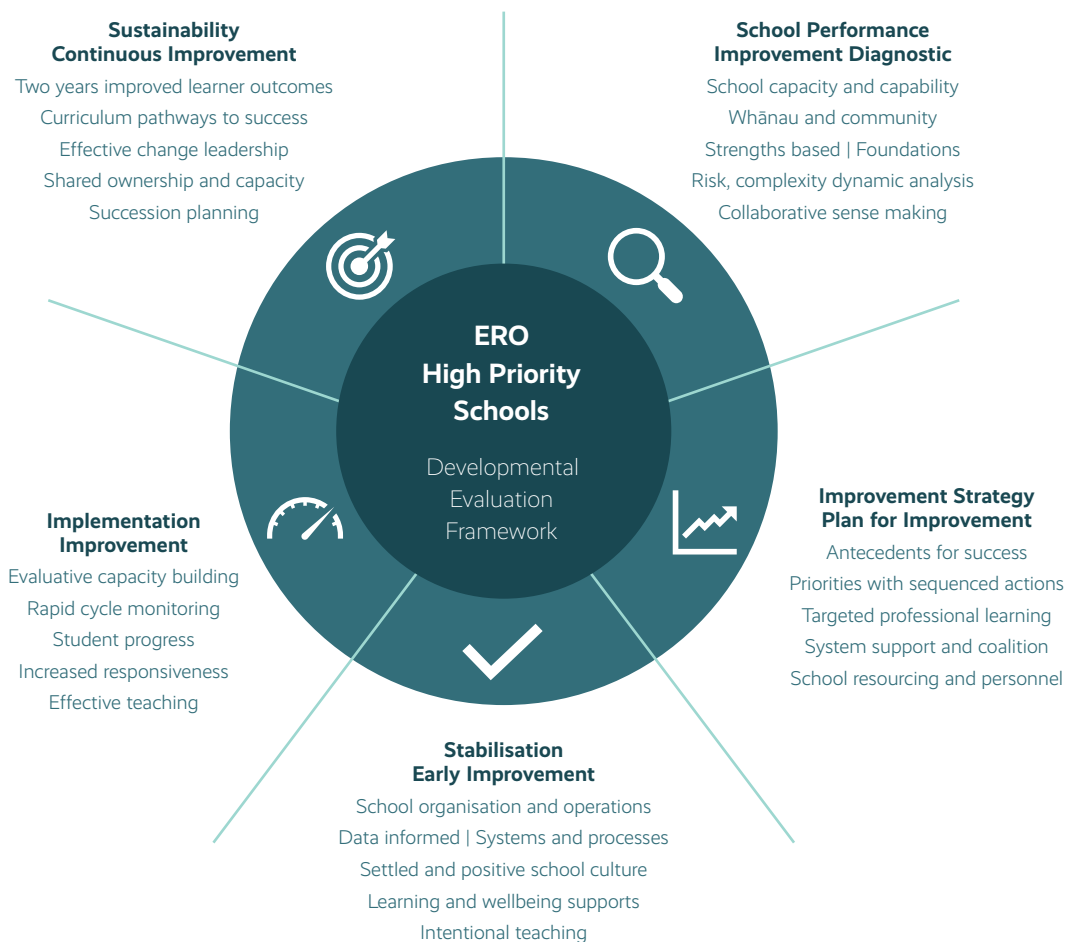
## Our work with high priority schools

ERO works closely with high priority schools to turn around performance, particularly for Māori and Pacific learners. A critical focus is on identifying each school's key improvement priorities, and turning these into actions. ERO has developed tools for school leaders and teachers to use for in-depth diagnostic and improvement processes. ERO also collaborates with school boards and with the Ministry of Education and provides ongoing evaluation. This helps to ensure effective supports are available to schools to drive improvements in student wellbeing, learning and educational outcomes. At the heart of ERO's approach is a focus on strengthening internal capability and capacity through regular school visits and open, strength-based, developmental evaluations.

ERO will increase the number of schools we are working with in this way based on the knowledge and experience gained over the last two years.

The graphic below describes ERO's approach with High Priority Schools.

ERO's support enabled one high priority school to redesign its whānau and pastoral care approach to better support learners and their families. Through a deeper look at teaching and learning, the school redefined its expectations of quality teaching, and created more sustainable structures, systems and processes to support learners and increase their range of pathways to education and employment. This led to better teaching and student engagement, learning and achievement outcomes. The school is now seeing improvement in National Certificates of Educational Achievement (NCEA) and increased enrolments due to rising community confidence in the school.



## Our approach in Māori medium settings

Evaluations in Māori medium settings are led by our dedicated Māori immersion review team, Te Uepū ā-Motu. In the case of kura and wharekura, ERO's methodologies reflect the distinctive philosophies and approaches in Te Aho Matua Kura Kaupapa Māori, and Ngā Kura ā Iwi. These approaches have been developed with these respective groups and are considered world-leading in indigenous education.

A major focus for this team in 2019/20 has been an exploration into the factors that contribute to learner success for those learners who progress through a Māori medium pathway.

We have also undertaken work to better understand the quality of teaching of te reo Māori in English medium settings.

## Leadership Partners

Introduced this financial year, ERO's Leadership Partners programme contributes to learning in the sector by enabling valuable insights about evaluation to be widely shared.

The initiative grew out of the conversations that the Chief Review Officer has had with sector groups about how ERO can enhance its reputation and credibility in the sector, while growing sector capacity and capability in evaluation.

Leaders entering the programme have come from primary, intermediate and secondary sectors. The programme has been piloted from the beginning of 2020 with a small group of leaders, and will expand over time.

The initiative is supported by educational professional bodies (including SPANZ, NZPF, AIMS and NZSTA) who can see clear links between this initiative and future work in developing leadership across the sector.

Training for the pilot group commenced in early 2020 but implementation was interrupted by the Mate Korona | Covid-19 lockdown. Leadership Partners will become an integral part of ERO's new approach to school review.

## ERO's partnership with AYT

As reported last year, ERO, in partnership with AskYourTeam, piloted a new tool and approach to better support internal self-evaluation. This tool requires a school's leadership, teachers, students and parents to share their views about the school's performance against ERO's Indicators, plus other key factors critical to effective school performance.

The approach allows schools to identify where they are performing well, where their weaknesses lie and what might be "blind spots" between senior managers and staff, staff and students, or the school and its parent community.

The tool was positively received by the 18 schools that were involved in the 2019 pilot. These schools have continued to use the tool as part of a continuous improvement process rather than a one-off feedback survey.

Within a couple of terms schools have been able to identify areas that need improving, consulted with the school community, implemented changes and then used the tool to monitor whether the changes have worked.

## What we achieved in 2019/20

- ◆ We completed 597 school, kura, and private school evaluations (there were no homeschool evaluations requested by the Ministry during 2019/20)
- ◆ 93% complied with our approved standard procedures
- ◆ We provided assurance for 2,811 teacher practice certificates.

## ERO evaluation judgements 2019/20

In February/March 2019, ERO stopped using return times in English medium early learning services (ELS) and school evaluation reports. This has enabled more nuanced targeting of our evaluation programme in response to new insights about individual schools and early learning services. It also enables more flexibility in review priority decisions.

During 2019/20 ERO has made its judgements with reference to the School Evaluation Indicators. Review teams consider student outcomes across learning, engagement and wellbeing and the school conditions that support these outcomes.

ERO provides the school and its community with a report after completing a review, which includes an overall judgement of how well the school is achieving and supporting students to succeed.

Overall school performance is judged as being in one of four places on a continuum:

- ◆ “Needs development or intensive work”
- ◆ “Developing”
- ◆ “Well placed”
- ◆ “Strong”.

These evaluative findings support ERO’s discussions with schools about why they are placed where they are and what is required to further improve. They also contribute to ERO’s insights-based scheduling and the nature of future reviews.

The high-level overall judgements are informed by ERO’s school evaluation indicators. These indicators represent what we know from the research evidence about great schools, and reviewers use their judgement to evaluate how close schools are to achieving this goal for each indicator.

The school evaluation indicators are split broadly into two categories – outcomes and processes.

Outcome indicators are focused on learners and include student outcomes such as progress and achievement. They assume a holistic approach to learners’ wellbeing, development and success.

Process indicators describe the conditions and practices that contribute to school effectiveness and improvement, such as stewardship, quality teaching and internal evaluation.

Given this approach to performance judgements, the table on the following page shows the broad outcomes and judgements for the 581 state and integrated school evaluations completed during 2019/20.

The graphs on the next page illustrate the total system picture for ERO evaluation status. It shows, among other things, that 19% of New Zealand state and state-integrated schools were considered “strong” performers by ERO at their most recent evaluation. These schools are attended by 31% of the country’s students. On average, “Strong” schools tend to be larger schools.

The reverse is true (on average) for schools that have most recently been evaluated as a poor performing school, i.e. the school “Needs development or intensive work” as assessed by ERO. This 6% of schools are attended by only 3% of the country’s students.

### Additional insights on the school system

As part of a holistic systems evaluation, the school evaluation indicators can guide and inform complementary evaluations and research to generate meaningful change and improvement.

As changes to the education system are made, analyses of ERO’s school evaluation indicators judgements can also inform evaluations of new initiatives or approaches.

A large increase in the number of schools judged to be doing well on a given indicator lends support to the effectiveness of an initiative, while no change or a decrease could reflect the introduction of ineffective initiatives.

ERO is revisiting its approach to school evaluation in 2020/21.

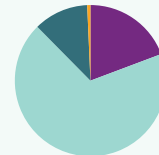


### ERO evaluation judgements – state and state-integrated schools 2019/2020

#### Total evaluations completed

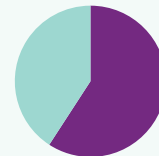
<b>Total evaluations completed (full year)</b>	<b>581</b>
<i>Review finding</i>	
► Needs development or intensive work	19%
► Developing or well placed	68%
► Strong	12%
► Other	1%

#### Judgement

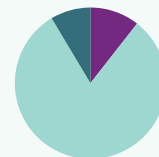


#### Evaluations completed in each category

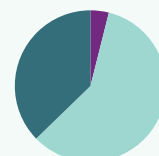
<b>For schools previously needing development or intensive work</b>	<b>120</b>
<i>Review finding</i>	
► Needs development or intensive work	59%
► Developing or well placed	41%
► Strong	0%
► Other	0%



<b>For schools previously judged as developing or well placed</b>	<b>350</b>
<i>Review finding</i>	
► Needs development or intensive work	11%
► Developing or well placed	81%
► Strong	9%
► Other	0%



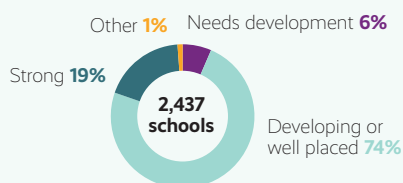
<b>For schools previously judged as strong</b>	<b>102</b>
<i>Review finding</i>	
► Needs development or intensive work	4%
► Developing or well placed	59%
► Strong	37%
► Other	0%



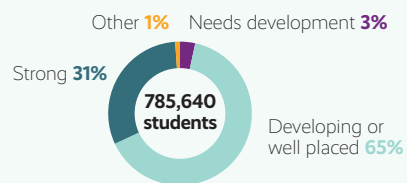
<b>For new schools or those having a first review</b>	<b>9</b>
<i>Review finding</i>	
► Developing or well placed	56%
► Other	44%

### Evaluation status for state and state-integrated schools at the end of the 2019/20 year

#### ERO evaluation status (proportion of schools)



#### All students by school status (proportion of students)



These graphics exclude some special schools for which roll data is unavailable

## Our National Evaluation Programme

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ERO's national evaluation programme provides a strong evidence base to support decision makers at all levels of our system – whether policy makers, sector organisations, school leaders, students and teachers.

Through these studies, the system:

- ◆ better understands the performance and quality of education in New Zealand
- ◆ has available the evidence base about what works, to improve learning outcomes for all students
- ◆ is able to access examples of good practice, and consider the barriers to good practice and ways to overcome them
- ◆ supports education system reform, evidence informed decision making and improvement in practice.

### The Year

ERO produced two significant evaluation reports this year: *Te Tāmata Huaroa: Te Reo Māori in English-medium Schooling*, and *Covid-19: Learning in Lockdown*.

#### **Te Tāmata Huaroa: Te Reo Māori in English-medium Schooling**

In 2019 *Maihi Karauna* was launched as part of the Crown's commitment to revitalise te reo Māori in New Zealand. Education is an important lever in this strategy. ERO's national report provides a picture of the current provision of te reo Māori teaching and learning in a representative sample of English-medium primary and secondary schools.

ERO found that leaders saw the value in teaching te reo Māori and wanted to improve their schools' provision. This is encouraging, but it was also clear that substantial challenges remain. The number of fluent speakers of te reo Māori in the teaching workforce is low, and many schools struggle to implement the curriculum guidelines for English-medium schools. The report identified opportunities to strengthen te reo Māori in English-medium schooling. ERO will continue to monitor progress in coverage and quality of the teaching of te reo Māori across the school system.

#### **Covid-19: Learning in Lockdown**

With *Mate Korona | Covid-19 in 2020* ERO was quick to set up a programme of work to capture the experiences of leaders, teachers and students whilst working and learning in lockdown. This research found that both students and teachers encountered challenges with remote teaching and learning. In this work we were able to identify those groups of students whose learning was most impacted by the lockdown. Understanding these impacts of the lockdown and how schools can best support students as they return to normal is important to prevent lasting educational effects. These lessons learnt can also help schools to be ready for any future lockdowns, as well as support the sector to capture those innovations that can be carried back into regular programmes of teaching and learning.

Our response is ongoing, with a comprehensive research and evaluation programme which is looking at the impacts on children and students, how the early childhood and school sectors responded and what they learnt.

#### **Other reports published this year**

Our other evaluations considered a broad range of topics impacting on our youngest learners through to those gaining secondary school qualifications.

#### **NCEA Observational Studies**

To help inform the decisions as part of the 2019 NCEA review, ERO partnered with the Ministry of Education to research how NCEA impacts curriculum design, pedagogy, assessment strategies and student wellbeing in schools. ERO found NCEA can be an effective tool to support, assess and formally verify student learning. It found the challenge was to find ways to refine NCEA so it can be implemented effectively and not compromise learning.

#### **It's Early Days for the New Digital Technologies Curriculum Content**

The *Digital Technologies | Hangarau Matihiko* curriculum content introduces additional technology areas for growing skills in computational thinking and designing digital outcomes. All schools were expected to be

implementing this curriculum area for learners in Years 1-10 from the start of 2020. ERO found more support was needed to meet the expected timeframe, as few schools reported having the knowledge or skills they needed. The findings helped in refining the programme of support for schools.

### ***On Your Marks...Get Set...Go! A Tale of Six Schools and the Digital Technologies Curriculum Content***

These case studies drill deeper into the enablers and barriers to implementing the new Digital Technologies | Hangarau Matihiko curriculum content. This study also provides insights into the effectiveness of different strategies in supporting the adoption of change. ERO found leaders' involvement was critical for effective implementation, and that infrastructure resources and professional learning and development needed to be carefully tailored to each school's individual needs and contexts.

### ***Current Provision of Pacific Bilingual Education***

ERO and the Ministry of Education wanted to better understand how Pacific bilingual education can effectively support Pacific learners' educational achievement and success. We found Pacific bilingual education programmes tended to be developed locally and were resourced out of schools' baseline funding. Schools were less likely to have developed an approach focused on bilingualism and informed by research literature and best practice, and often had difficulties procuring resources. Further support and greater national guidance could help to address some of these challenges and provide a more strategic and consistent approach across schools.

### ***Developing Key Competencies in Students Years 1-8***

Key competencies are an important dimension of The New Zealand Curriculum. They place students at the centre of teaching and learning. ERO found most schools with Years 1 to 8 students (72 percent) had begun to support students to use key competencies to enhance their learning and wellbeing. The teaching of key competencies was not evident in 28 percent of New Zealand schools with Years 1 to 8 students. ERO judged that more attention was needed to more fully realise the expectations of this element of The New Zealand Curriculum.

### ***The Key Competencies: Realising the Potential of The New Zealand Curriculum***

This is a companion report to *Developing Key Competencies in Students Years 1-8*. ERO identified opportunities to realise the potential of The New Zealand Curriculum through unpacking the key competencies to provide clarity for all teachers about their meaning; and through providing more resources, including examples of how to develop key competencies in teaching practice.

### ***Professional Learning and Development in Schools***

ERO evaluated how well school leaders determined Professional Learning and Development (PLD) priorities and considered the impact of that PLD. ERO found leaders in nearly half of the schools studied determined PLD priorities well and considered the impact for teachers. Rural schools were less likely to be doing well. These were often full primary or composite, small or very small, with recent staff or leadership change, or first-time principals.

### ***Te Whāriki (2017): Awareness Towards Implementation***

This report was the final in a series of evaluations about early childhood services' implementation of the updated early childhood curriculum; *Te Whāriki: He whāriki mātauranga mō ngā mokopuna o Aotearoa*. ERO found staff at most services had engaged in professional learning and development about the updated curriculum, but this had not yet led to shifts in practice.

### ***Social Workers in Schools***

Social Workers in Schools (SWiS) is a government-funded service provided in most decile decile 1-3 primary and intermediate schools. ERO's evaluation found students who worked with a SWiS worker saw an improvement both in school and in other aspects of their lives. SWiS engagement supported them with the tools, techniques and therapies to succeed.

### ***Overseas Trained Teachers: Adjusting to living and working in New Zealand***

In 2018, the Government introduced a range of initiatives to address teacher supply issues. One initiative was to recruit additional overseas trained teachers for teaching positions in New Zealand. ERO's evaluation found most teachers had adjusted well to the New Zealand context, but both principals and teachers had challenges with the recruitment process, and more support was needed to help teachers adjust. The implications of the Treaty of Waitangi and tikanga Māori on teaching practice were identified as the most common challenge for overseas trained teachers.

**Whaia ngā ara painga ki angitu ai** and **Poutiria te reo Mauriora** capture and promote insights into Māori children and young people enjoying and achieving education success as Māori through Māori medium pathways of kōhanga reo, kura and wharekura. This unique indigenous study explores the educational journey of students and identifies those elements of teaching and learning which have led to the success of these learners.

The study will be presented as a series of vignettes in te reo Māori and English, so that identified good practice in Māori medium is available to support and influence Māori success as Māori.

ERO published the following reports and articles in 2019/20:

- ◆ *Current Provision of Pacific Bilingual Education*
- ◆ *It's Early Days for the New Digital Technologies Curriculum Content*
- ◆ *On Your Marks...Get Set...Go! A Tale of Six Schools and the Digital Technologies Curriculum Content*
- ◆ *NCEA Observational Studies*
- ◆ *Professional Learning and Development in Schools*
- ◆ *Developing Key Competencies in Students Years 1-8*
- ◆ *The Key Competencies: Realising the Potential of The New Zealand Curriculum.*
- ◆ *Te Whāriki (2017): Awareness Towards Implementation*
- ◆ *Overseas Trained Teachers: Adjusting to living and working in New Zealand*
- ◆ *Te Tāmata Huaroa: Te Reo Māori in English-medium Schooling*
- ◆ *Covid-19: Learning in Lockdown*

These can be found on our website.



## Our Māori Strategy – He Taura Here Tangata

Development of ERO's new Māori Strategy began in 2019/20. Once finalised, He Taura Here Tangata will aim to deliver an integrated system to achieve the aspirations of equity and excellence for Māori learners.

The draft strategy:

- ◆ reflects the commitment of the education sector to improve education outcomes for Māori
- ◆ acknowledges, values and promotes Māori enjoying and achieving education success as Māori
- ◆ identifies the role we play as we strive to remove educational disparities that continue to exist for Māori
- ◆ focuses internal capability building, so that we know why, what and how our work contributes to outcomes for Māori learners and their whānau
- ◆ reflects our obligations under te Tiriti o Waitangi.

It comprises three goals that enable us to achieve our vision – te reo Māori, tikanga and iwi relationships.



### Te Reo Māori Goal

ERO will become a bilingual organisation that understands, promotes and protects the Māori language and delivers quality evaluation services.

Our internal achievements in 2019/20 included:

- ◆ setting an organisation-wide vision for te reo Māori
- ◆ establishing a te reo Māori immersion scholarship
- ◆ identifying the diverse needs of all staff by undertaking a te reo Māori and tikanga survey
- ◆ reporting against the Maihi Karauna
- ◆ supporting te reo Māori professional development for all staff with offices developing opportunities to build te reo Māori capability, and
- ◆ developing an online te reo Māori programme, Kia Puāwai te Reo.

Our external achievements included:

- ◆ an increased focus on the provision of te reo Māori in English-medium settings in our national evaluation work programme
- ◆ completing *Te Tāmata Huaroa* as ERO's first major te reo Māori study. The findings provide valuable insight acknowledging the enthusiasm and interest as a starting point for improving provision.

### Tikanga Māori Goal

ERO is an inclusive, bicultural organisation that enacts culturally skilled and responsive practices in a way that validates and reflects knowledge and understanding of te ao Māori.

Our internal achievements for 2019/20 included:

- ◆ valuing all staff for their contribution to a bicultural organisation
- ◆ influencing evaluator capabilities and principles of practice
- ◆ the development of *Te Waka Hourua Arotake Mātauranga*, ERO's leadership strategy
- ◆ increasing the strategic and operational influence of the Maori review services team Te Uepū ā-Motu
- ◆ strengthening professional learning and development for our staff with specialised programmes.

Our external achievements included:

- ◆ focusing on equity and excellence in our English medium and Māori medium review programme
- ◆ continuing the Māori medium evaluation approach, by, with, for and in te reo Māori
- ◆ underpinning the operating model for school evaluations with te ao Māori principles
- ◆ incorporating te ao Māori concepts in our new approach to early learning evaluations.

### Iwi Relationships Goal

ERO acknowledges, values and actively works to establish purposeful, authentic, collaborative relationships with whānau, hapū and iwi. These relationships are mutually respectful and trusting.

Our internal achievements in 2019/20 included:

- ◆ developing strong professional connections and relationships with Māori through Te Uepū ā-Motu
- ◆ working together with iwi and sector agencies in a dedicated forum.

Our external achievements included:

- ◆ meeting with some iwi groups prior to evaluations and research
- ◆ meeting with whānau, hapū, iwi and Māori before and during all evaluations and research projects
- ◆ documenting and publishing a study into the teaching of the Treaty of Waitangi by New Zealand schools.



## Our work with Pacific learners

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ERO has a critical role in ensuring that Pacific learners reach their potential and are able to fully contribute to a strong and linguistically diverse multicultural society.

Our revised Pacific Strategy was launched in March 2019. It outlines how we will support improvement to the education system in Aotearoa New Zealand. It also describes the contribution we can make to strengthen the education systems of our Pacific regional neighbours.

The five goals in the Pacific Strategy are:

1. Pacific children and young people are lifelong learners and succeeding as culturally-located learners.
2. Pacific learners are confident in their languages, cultures and identities.
3. Pacific early learning services provide high quality education that reflects the priorities and aspirations of Pacific learners, their parents and communities.
4. ERO is a key partner in Pacific-focused education and social sector evaluations across Aotearoa New Zealand and the Pacific region.
5. As an organisation, ERO is competent to deliver on each of the above goals.

Through our strategy, professional learning and development with ERO staff has been a priority. This has included:

- ◆ culture, language and identity and the implications this has for the sector's provision for learners and ERO evaluation practice
- ◆ Tapasā – what this resource is and how it will support school leaders and teachers to improve educational outcomes for Pacific learners
- ◆ talanoa and va – how these Pacific concepts and practices support us to increase our cultural consciousness in Pacific spaces and to gather meaningful and useful information about Pacific learners.

In August 2019 we published *Current Provision of Pacific Bilingual Education*. This was based on surveys and interviews of 25 schools, and the report describes the current state of Pacific bilingual units in New Zealand:

their philosophy, curriculum, teaching, assessment and transition practices, tracking of learners' pathways and outcomes, and the support they receive.

ERO continues to sustain positive relationships with the Pacific region. Since 2013 ERO has engaged with the education systems of Tokelau, Niue, the Cook Islands, and Samoa.

In 2019, an education summit was held in Tokelau based on ERO's review of that country's education system. We supported this and the development of the new Tokelau Education Strategy.

In October 2019 we provided the Cook Islands with professional learning and development.

The Chief Review Officer and Pule Pasifika visited Samoa in October 2019 to discuss ways to support principals' professional development and provide independent evaluation support for the Samoa Qualifications Authority, and the Ministry of Education, Sports & Culture.

Prior to the Mate Korona | Covid-19 lockdown, ERO planned further engagement in the Pacific region. This included:

- ◆ a progress review in Niue which had been scheduled for May 2020
- ◆ further PLD for the Cook Islands in New Zealand schools and early learning services with ERO to support the inspectorate in Cook Islands mid-June 2020
- ◆ follow up on a request from the Samoan Ministry of Education, Sports and Culture for ERO to undertake scoping and co-design support in 2020 exploring the topics discussed during our 2019 visit.

ERO continues to drive success for Pacific learners.

# ERO's Capability and Capacity

## Our professional practice strategy

During 2019/20 ERO's Methodology and Professional Practice team has ensured that our professional review staff have access to a range of quality resources and opportunities to learn. This has been particularly important given the recent turnover in review staff and the large numbers of new staff that have joined ERO in the past eighteen months.

ERO's suite of professional practice resources includes:

- ◆ *Induction: The Pathway to Adaptive Expertise;*
- ◆ *Capabilities for High Quality Education Evaluation; and*
- ◆ *External Education Evaluation in Aotearoa New Zealand: Principles of Practice.*

The provision of professional learning opportunities is led by professional practice leaders in each region.

These leaders have implemented a comprehensive programme for new inductees – much of it delivered virtually.

Professional practice leaders have also led the implementation of a new professional learning and performance development approach and facilitated the development and implementation of responsive professional learning programmes.

Specific programmes related to the implementation of new methodologies have also been provided.

ERO supports staff to participate in postgraduate study and undertake internal inquiry and research projects.

## Our Leadership Strategy – Te Waka Hourua Arotake Mātauranga

ERO launched its new leadership strategy, *Te Waka Hourua Arotake Mātauranga: Hei Rāranga I Te Tira* in early 2020.

The leadership strategy is for everyone in ERO. Its development involved extensive consultation.

*Te Waka Hourua Arotake Mātauranga* respects and incorporates indigenous sources of knowledge and ways of being a leader. *Hei Rāranga I Te Tira* refers to the weaving together of leadership qualities and behaviours to achieve success for the organisation.

The strategy presents a vision for developing high quality leadership throughout ERO, underpinned by a clear definition of leadership attributes and expected behaviours. The 'vision in action' features three key elements or strands of leadership activity that are interwoven and interdependent: leadership in ERO from all of us, leadership of ERO by those with formal leadership positions, and leadership by ERO as the lead education evaluation agency in the sector.

ERO's Leadership Forum supports the work of ERO's positional leaders and has met regularly to ensure a cohesive and strategic approach to leadership in and by the organisation.

Good progress has been made through the year with the implementation of eight key actions in *Te Waka Hourua Arotake Mātauranga* to develop leadership capability across the organisation, including further development of a more comprehensive approach to coaching and mentoring.

## Our new Strategic Framework

During 2019/20 we agreed a new strategic framework with the Education Minister. The framework includes a new long-term ambition statement, a set of strategic intentions, goals and values, along with a firm commitment to honour our obligations of partnership, participation and protection under te Tiriti o Waitangi.

## Our Ambition

Equity and excellence in outcomes for all learners.

## Our Strategic Intentions

### High quality education for all learners

We work to ensure that every early learning service, school and kura is a great place to learn, has excellent teaching, and contributes to the success and wellbeing of every learner.



### **An improvement-oriented system**

We are committed to finding solutions to the most difficult challenges in education. We promote and contribute to continuous improvement, where evidence and evaluation are fundamental to decision making at all levels.

### **Māori success as Māori**

We work for the revitalisation of te reo Māori, place a spotlight on outcomes for Māori learners and ensure that our system recognises the aspirations of parents and whānau for their tamariki.

### **A strong and effective system**

We assess the effectiveness of existing programmes and policy settings. We contribute to the knowledge base about what works and create insights which support innovation and improvement in teaching and learning.

## **Our Goals**

### **Enhancing our multi-year, multi-method evaluation and research programme**

1. establish system-wide priorities for research and evaluation
2. monitor the delivery of the Government's system reform and inform policy and practice by eliciting new insights
3. build a knowledge and evidence base in support of effective policy and practice in priority areas
4. help to grow capabilities in te ao Māori research and evaluation
5. embed evaluative thinking and promote evidence informed decision making.

### **Strengthening the quality and performance of early learning services**

6. evaluate all licensed services in New Zealand at least once every three years
7. strengthen monitoring and assurance of new early learning services
8. embed a new quality framework for early learning services to drive improvement
9. provide parents and stakeholders with better access to information on quality

10. undertake regular assessments of the quality assurance and service development activities of umbrella organisations and corporate entities with multiple services in support of their own improvement focus
11. identify and ensure action for those services that are not providing high-quality learning.

### **Encouraging and supporting improvement in school performance**

12. develop and implement a new approach to school reviews that ensures that ERO is a valued evaluation partner in the improvement journey of providers and places a priority on working with those providers with the greatest needs
13. work in partnership with schools and their communities in support of their continued improvement
14. provide parents with better access to information on school quality and performance
15. share insights and expertise with providers and their communities to ensure that their practices deliver equity in outcomes for all learners
16. increase alignment between external and internal evaluation and the linkages of both within schools' planning and improvement cycles.

### **Adding value in Māori medium settings through partnerships and innovation**

17. work collaboratively with individual Māori medium providers to share insights and contribute to their ongoing improvement
18. continue to deliver evaluations where whānau and learner agency is acknowledged and respected from the onset
19. maintain a shared ERO and Māori medium governing body wrap-around service to those needing focused development for improvement
20. support and influence Māori success as Māori in English medium.

## Our Values

Our evaluation work is made stronger by the way:

- ◆ we focus on the learner and learning outcomes
- ◆ we embody a spirit of service, are accountable and work with integrity
- ◆ we are inclusive, committed to biculturalism and seek enrichment through diversity
- ◆ we have strong partnerships with agencies and with the sector
- ◆ we collaborate with national and international research and evaluation agencies
- ◆ we are transparent and impartial when working with others
- ◆ we deliver excellence in evaluation services, built on ethical foundations
- ◆ we pursue innovation and aim to add value in every context, and
- ◆ we are committed to environmental sustainability.

## Staff Health, Safety and Wellbeing

During the year we updated our health and safety agreement with the PSA and continued to upskill our Health and Safety Representatives.

A Health, Safety and Wellbeing communications plan was developed with regular items in the fortnightly staff newsletter and an online forum to encourage employee participation. Regular updates are based on the holistic approach of the “Te Whare Tapa Whā” model of wellbeing developed by Sir Mason Durie.

The executive leadership team continues to work on improving our health and safety performance. Pulse surveys are used to gauge progress with our positive workplace programme, inclusive practices and our gender pay plan.

## Building a positive workplace culture

During the year we finalised the development of a new leadership strategy and a revised Code of Conduct. Workshops were held with staff to reconfirm the values and behaviours that are central to both documents.

Throughout the year we continued with programmes in response to improving awareness about issues relating to diversity and inclusion. In addition to our work, described above, to better understand Pacific cultures, all staff in ERO went through the Courageous Conversation About Race programme. The intention has been to assist ERO to examine and address institutionalised culture and

structures as they relate to racial disparities. Most ERO staff are now engaged with Cultureflow working to learn or improve their te reo Māori and better understand the Treaty of Waitangi and critical elements of te ao Māori as they relate to our work in the education system.

## Diversity and Inclusion

Over the past twelve months ERO has continued to work towards meeting the work programme established by the Chief Executives working group. This has included the Courageous Conversation about Race programme that is being rolled out across ERO, starting with our leadership group.

Our Gender Pay Plan outlines undertakings with the PSA to substantially reduce ERO's gender pay gap. This plan was developed under the direction of the Government's Public Service Gender Pay Gap Action Plan (Action Plan) that sets in place a series of public service-wide actions and milestones for completion during 2020. It also includes the agency demographics and progress. The plan is published on our website at [www.ero.govt.nz/footer-upper/about-ero/ero-gender-pay-action-plan](http://www.ero.govt.nz/footer-upper/about-ero/ero-gender-pay-action-plan).

The aim is to meet the milestones in the Action Plan for equal pay, flexible work, removal of bias in remuneration decisions and gender balanced leadership.

## Our carbon footprint

During the year we continued our efforts to reduce ERO's carbon footprint. While our review teams are required to travel widely, we aim to reduce travel-related emissions going forward without reducing efficiency. This was helped by the introduction of Office365 and Zoom in March 2020. We plan to make increasing use of technology for our work, including the shift to digital record keeping, to further reduce our footprint.

The first few months of this new technology has allowed staff to gain familiarity with the tools during the Mate Korona | Covid-19 lockdown. Increased use of videoconferencing will continue to have a positive effect on our footprint.

During 2019/20 we gradually replaced petrol vehicles in our fleet with hybrid models.

In 2020/21, ERO purchased our first electric vehicle to complement our hybrid fleet. We have also engaged Toitū Envirocare to audit our carbon emissions to ensure that future actions are targeted in the areas with greatest impact. This will also provide base information for reporting in future years.

# Financial Statements and Service Performance

## Statement of Responsibility

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I am responsible, as Chief Executive of the Education Review Office (ERO), for:

- ◆ the preparation of ERO'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 ERO is provided in accordance with section 19A to 19C of the Public Finance Act 1989 included in this annual report; and
- ◆ the accuracy of any end-of-year performance information prepared by ERO included in this annual report.

In my opinion:

- ◆ the financial statements fairly reflect the financial position of ERO as at 30 June 2020 and its operations for the year ended on that date; and
- ◆ the forecast financial statements fairly reflect the forecast financial position of ERO as at 30 June 2021 and its operations for the year ending on that date.



**Nicholas Pole**

Te Tumu Whakarāe mō te Arotake Mātauranga  
Chief Executive and Chief Review Officer

6 November 2020

## Independent Auditor's Report

To the readers of the Education Review Office's annual report for the year ended 30 June 2020

The Auditor-General is the auditor of the Education Review Office (the Department). The Auditor-General has appointed me, Stephen Usher, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- ◆ the financial statements of the Department on pages 38 to 58, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the statement of accounting policies and notes to the financial statements that include other explanatory information;
- ◆ the performance information prepared by the Department for the year ended 30 June 2020 on pages 31 to 37; and
- ◆ the statements of expenses and capital expenditure of the Department for the year ended 30 June 2020 on pages 59 to 60.

### Opinion

#### Unmodified opinion on the audited information, excluding the performance information

In our opinion:

- ◆ The financial statements of the Department on pages 38 to 58:
  - ▶ present fairly, in all material respects:
    - » its financial position as at 30 June 2020; and
    - » its financial performance and cash flows for the year ended on that date; and
  - ▶ comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entities Reduced Disclosure Regime.
- ◆ The statements of expenses and capital expenditure of the Department on pages 59 to 60 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

#### Modified opinion on the performance information because the Department was unable to report on the views of key audiences on the national evaluations

In our opinion, except for the matter described in the Basis for our *modified opinion* section of our report, the performance information of the Department on pages 31 to 37:

- ◆ presents fairly, in all material respects, for the year ended 30 June 2020:
  - ▶ what has been achieved with the appropriation; and
  - ▶ the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- ◆ complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 6 November 2020. This is the date at which our modified opinion is expressed.

The basis for our modified opinion is explained below, and we draw attention to the impact of Covid-19 on the Department. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

#### Basis for our modified opinion

The Department seeks to achieve improvements in learner outcomes by using evaluation to influence and inform schools and early childhood learning services. Understanding the views of key stakeholders on the Department's national evaluations is an important part of understanding the Department's performance. As explained in note 2 on page 31 of the annual report, the Department was unable to perform a survey of schools and early childhood learning services due to the impact of the Covid-19 pandemic on proposed survey respondents. As a result, the Department was unable to report against the "Key audiences report that ERO's national evaluations are informative and useful for identifying or planning improvement within the system or its component parts" performance measure this year.

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 modified audit opinion.

### Impact of Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Department as set out in note 15 on page 58 of the financial statements and in the performance information on pages 31 to 35.

### Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Department for preparing:

- ◆ financial statements that present fairly the Department'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; and
- ◆ statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Chief Executive 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 Chief Executive is responsible on behalf of the Department for assessing the Department's ability to continue as a

going concern. The Chief Executive 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 Department, or there is no realistic alternative but to do so.

The Chief Executive'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 Department's Estimates of Appropriation 2019/20 and Supplementary Estimates of Appropriation 2019/20 for Vote Education Review Office.

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 Department's internal control.
- ◆ We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- ◆ We evaluate the appropriateness of the reported performance information within the Department's framework for reporting its performance.
- ◆ We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department'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 Department to cease to continue as a going concern.
- ◆ We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive 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 Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 27, but does not include the information we audited, and our auditor's report thereon.

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

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

## Independence

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

Other than in our capacity as auditor, we have no relationship with, or interests, in the Department.



### Stephen Usher

Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand

## Service Performance

for the year ended 30 June 2020

The following service performance information outlines, for each output class, the actual performance measured against quality, quantity, timeliness specifications and cost. The results for the year ended 30 June 2020 are reported against the forecast information contained in the Estimates of Appropriation 2019/20 and of those as amended by the Supplementary Estimates. Explanations of major variations from the Estimates of Appropriation 2019/20 are included.

### Quality of Education: Evaluations and Services (Multi-Category Expenses)

The single overarching purpose of this appropriation is to provide evaluation (institutional and system-wide) on the quality of education provided by early childhood learning services, schools and other education service providers.

This appropriation is intended to achieve improvements in learner outcomes by using evaluation to influence and inform schools and early childhood learning services and influence the development and implementation of education policy and practices, while assuring the Government and communities of the quality of education provided.

### Performance against appropriation

ERO used the following performance measures for Quality of Education: Evaluations and Services for the year ended 30 June 2020.

Actual 2018/19	Quality of Education: Education and Services	Note	Actual 2019/20	Budget 2020
1,981	Total number of evaluations of service providers and national evaluations		1,719	>2,000
85%	% of education service providers that indicate ERO's evaluations are making a contribution to their decisions about how to improve learner outcomes	1	84%	>80%
95%	Key audiences report that ERO's national evaluations are informative and useful for identifying or planning improvement within the system or its component parts	2	Not reported	>80%

Note 1: We have used online surveys to measure this performance. ERO did not survey this measure for the second half of the 2019/20 financial year due to the disruptions arising from Covid-19 and only a small number have responded to the survey.

Note 2: In previous financial years ERO performed surveys on this measure with schools and early childhood learning services, but due to the disruptions arising from Covid-19 this was not possible.

ERO did not meet the quantity criteria for evaluations during 2019/20 as ERO suspended all onsite visits since March 2020 due to Covid-19 disruptions.

### Output class: Quality of Education: Evaluations and Services (Multi-Category Expenses) – Early Childhood Learning Services

This class of outputs involves reporting on the performance of early childhood learning services. Education reviews in the early childhood learning sector focus on:

- ◆ how services are contributing to children’s learning and development
- ◆ whether or not services are providing a safe environment that promotes children’s safety and wellbeing
- ◆ national evaluation topics.

Review reports inform the Crown, the governing bodies of services, their staff and parents about the quality of education and management practices.

#### Quantity, quality and timeliness

ERO estimated and provided the following numbers of Quality of Education: Evaluations and Services – Early Childhood Learning Services for the year ended 30 June 2020:

Actual 2018/19	Reviews of Early Childhood Learning Services	Actual 2019/20	Budget 2020
1,241	Number of early childhood learning services evaluations	<b>1,111</b>	1,350-1,600
100%	Level of compliance with approved standard procedures for a sample of early childhood learning service evaluations as assessed by a moderation panel	<b>96%</b>	>90%
88%	% of draft (near final) findings sent to early childhood learning services for confirmation of accuracy and comment will meet target for reporting to the Minister within 20 working days of the end of the last week on site	<b>65%</b>	>80%

ERO did not meet the quantity and timeliness criteria for early childhood learning services during 2019/20 as ERO suspended all onsite visits since March 2020 due to Covid-19 disruptions.



## Revenue and expenses

The cost of services for Quality of Education: Evaluations and Services – Early Childhood Learning Services for the year ended 30 June 2020 was:

Actual 2018/19 \$000	Reviews of Early Childhood Learning Services – Revenue and Expenses	Actual 2019/20 \$000	Unaudited Budget 2020 Main Estimates \$000	Unaudited Budget 2020 Supp. Estimates \$000
	<b>Revenue</b>			
9,708	Revenue Crown	<b>12,595</b>	12,595	12,595
35	Other Revenue	<b>41</b>	31	31
<b>9,743</b>	<b>Total Revenue</b>	<b>12,636</b>	<b>12,626</b>	<b>12,626</b>
<b>9,798</b>	<b>Total Expenses</b>	<b>11,905</b>	<b>12,626</b>	<b>12,626</b>

There are no major variances against budget for this output class.

## Performance against appropriation

ERO used the following performance measures for Quality of Education: Evaluations and Services – Early Childhood Learning Services for the year ended 30 June 2020.

Actual 2018/19 %	Reviews of Early Childhood Learning Services – Performance	Note	Actual 2019/20 %	Budget 2020 %
88%	% of early childhood learning service providers that indicate ERO's evaluations are making a contribution to their decisions about how to improve learner outcomes	3	<b>75%</b>	>80%
New measure for 2019/20	% of early childhood learning service respondents that indicate that their ERO evaluation has helped to identify or confirm opportunities for more effective practice	3	<b>86%</b>	>80%
New measure for 2019/20	% of early childhood learning service respondents that indicate that their ERO evaluation will help to build the early childhood learning service's capability in the medium to long term	3	<b>90%</b>	>80%

Note 3: We have used online surveys to measure this performance and only 42 people responded to the survey (2018/19: 116 responses). ERO did not survey these measures for the second half of the 2019/20 financial year due to the disruptions arising from Covid-19.

## Output class: Quality of Education: Evaluations and Services (Multi-Category expenses) – Schools and Other Education Service Providers

This class of outputs involves reporting on the performance of schools and other education service providers (excluding early childhood learning services).

These reviews include:

- ◆ education reviews of state schools – primary and secondary
- ◆ home schooling reviews
- ◆ private school reviews.

Education reviews address the following areas:

- ◆ student learning – engagement, progress and achievement as a central focus
- ◆ compliance issues
- ◆ national evaluation topics.

Homeschooling reviews are reviews of programmes for students granted exemption from attendance at school. They are carried out at the request of the Ministry of Education.

Private school reviews are carried out in order to meet the statutory requirement to review registered private schools under section 351 and Part 28 of the Education Act 1989.

Review reports inform the Crown, the governing bodies of schools, their staff and parents about the quality of education and management practices.

### Quantity, quality and timeliness

ERO estimated and provided the following numbers of Quality of Education: Evaluations and Services – Schools and Other Education Service Providers for the year ended 30 June 2020:

Actual 2018/19	Education Reviews of Schools and Other Education Service Providers	Note	Actual 2019/20	Budget 2020
727	Number of school education evaluations (including homeschools, Communities of Learning and private schools)	4,5	<b>597</b>	650-840
95%	Level of compliance with approved standard procedures for a sample of schools and other education service providers as assessed by a moderation panel		<b>93%</b>	>90%
89%	% of draft (near final) findings sent to schools and other education service providers for confirmation of accuracy and comment will meet target for reporting to the Minister within 20 working days of the end of the last week on site		<b>59%</b>	>80%

Note 4: Homeschooling reviews are carried out at the request of the Ministry. No homeschool evaluations were requested by the Ministry during 2019/20.

Note 5: The number of reports is dependent on the number of Communities of Learning as advised by the Ministry.

ERO did not meet the quantity and timeliness criteria for schools during 2019/20 as ERO suspended all onsite visits since March 2020 due to Covid-19 disruptions.

## Revenue and expenses

The cost of services for Quality of Education: Evaluations and Services – Schools and Other Education Service Providers for the year ended 30 June 2020 was:

Actual 2018/19 \$000	Reviews of Schools and Other Education Service Providers – Revenue and Expenses	Actual 2019/20 \$000	Unaudited Budget 2020 Main Estimates \$000	Unaudited Budget 2020 Supp. Estimates \$000
	<b>Revenue</b>			
15,501	Revenue Crown	<b>16,101</b>	16,101	16,101
64	Other Revenue	<b>55</b>	67	67
<b>15,565</b>	<b>Total Revenue</b>	<b>16,156</b>	<b>16,168</b>	<b>16,168</b>
<b>15,282</b>	<b>Total Expenses</b>	<b>14,912</b>	<b>16,168</b>	<b>16,168</b>

Total expenses were \$1,256,000 below budget for this output class due to fewer school evaluations undertaken than planned due to Covid-19 disruptions.

## Performance against appropriation

ERO monitors the following measures for Quality of Education: Evaluations and Services – Schools and Other Education Service Providers for the year ended 30 June 2020.

Actual 2018/19 %	Reviews of Schools and Other Education Service Providers – Performance	Note	Actual 2019/20 %	Budget 2020 %
84%	% of schools that indicate that ERO's evaluations are making a contribution to their decisions about how to improve learner outcomes	6	<b>86%</b>	>80%
89%	% of school respondents that indicate that their ERO evaluation had helped to identify or confirm opportunities for more effective practice	6	<b>91%</b>	>80%
86%	% of school respondents that indicate that their ERO evaluation will help to build the school's capability in the medium to long term	6	<b>86%</b>	>80%

Note 6: We have used online surveys to measure this performance and only 101 people responded to the survey (2018/19: 352 responses). ERO did not survey these measures for the second half of the 2019/20 financial year due to the disruptions arising from Covid-19.

**Output class: Quality of Education: Evaluations and Services (Multi-Category expenses) – National Evaluations and Other Services**

This class of outputs comprises:

- ◆ education evaluation reports
- ◆ policy services
- ◆ ministerial services
- ◆ contractual services.

Every year, ERO reports on matters such as delivery of the curriculum, governance and management structures, student achievement, delivery of teaching services and barriers to learning across a number of institutions. These education evaluations may also include case studies of good practice.

Education evaluation reports tend to follow specific themes. A theme may arise out of the Government’s education initiatives or may surface as an issue of strategic importance identified by ERO in its reviews of schools and early childhood learning services.

ERO is not primarily a provider of policy advice. From its regular presence in schools and early childhood learning services it is, however, in a position to make a useful contribution to assist the policy agencies. This service contributes to the Government’s policy priorities for schools and early childhood education service providers.

Ministerial services also include advice to the Minister on the implementation of recommendations arising from institutional evaluations and evaluation reports, or any other matter on which the Minister seeks additional information or feedback.

Contractual services include one-off reviews of institutions (or certain aspects of them), and analyses of particular matters under specific terms of reference agreed with ERO. Contractual reviews are conducted on a fee-for-service basis.

Policy services, ministerial and contractual services are subject to external demand factors making these activities difficult to forecast. No assessments of performance have been reported for these services as these activities only account for less than 10% of ERO’s total appropriation and, therefore, are not deemed to be material.

**Quantity, quality and timeliness**

ERO estimated and provided the following numbers of Quality of Education: Evaluations and Services – National Evaluations and Other Services for the year ended 30 June 2020:

Actual 2018/19	National Evaluations and Other Services	Note	Actual 2019/20	Budget 2020
14	Number of education evaluation reports and other publications		11	Up to 20
100%	National evaluations are consistent with approved plans and procedures		100%	100%

## Revenue and expenses

The cost of services for National Evaluations and Other Services for the year ended 30 June 2020 was:

Actual 2018/19 \$000	National Evaluations and Other Services	Actual 2019/20 \$000	Unaudited Budget 2020 Main Estimates \$000	Unaudited Budget 2020 Supp. Estimates \$000
<b>Revenue</b>				
2,953	Revenue Crown	<b>3,089</b>	3,089	3,089
956	Other Revenue	<b>970</b>	818	1,202
<b>3,909</b>	<b>Total Revenue</b>	<b>4,059</b>	<b>3,907</b>	<b>4,291</b>
<b>4,041</b>	<b>Total Expenses</b>	<b>3,784</b>	<b>3,907</b>	<b>4,291</b>

Other revenue was \$152,000 above budget due to higher levels of contractual services than anticipated.

## Capital expenditure (Permanent Legislative Authority)

### Description

Assets are purchased according to a planned assets replacement programme to maintain and upgrade capability essential to the operation of ERO. The major areas of capital investment for ERO are office accommodation, motor vehicles and computer equipment. ERO is not a capital intensive department.

Actual 2018/19	Capital Expenditure – Performance	Actual 2019/20	Unaudited Budget 2020 Main Estimates	Unaudited Budget 2020 Supp. Estimates
31%	Expenditure is in accordance with ERO's capital expenditure plan	<b>82%</b>	75%-100%	75%-100%

There are no major variances against budget for capital expenditure.

## Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2020

Actual 2018/19 \$000	Comprehensive Revenue and Expense	Note	Actual 2019/20 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
	<b>Revenue</b>				
28,162	Revenue Crown		31,785	31,785	33,489
1,080	Other Revenue	1	1,138	916	500
<b>29,242</b>	<b>Total Revenue</b>		<b>32,923</b>	<b>32,701</b>	<b>33,989</b>
	<b>Expenses</b>				
20,339	Personnel	2	21,648	24,933	26,148
7,840	Other Expenses	3	7,681	6,291	6,326
802	Depreciation and Amortisation	5,6	1,073	1,223	1,261
229	Capital Charge	4	234	234	234
<b>29,210</b>	<b>Total Expenses</b>		<b>30,636</b>	<b>32,681</b>	<b>33,969</b>
<b>32</b>	<b>Surplus</b>		<b>2,287</b>	<b>20</b>	<b>20</b>
-	<b>Other Comprehensive Revenue and Expense</b>		-	-	-
<b>32</b>	<b>Total Comprehensive Revenue and Expense</b>		<b>2,287</b>	<b>20</b>	<b>20</b>

Explanations of major variances against the original 2019/20 budget are provided in Note 14 to the Financial Statements.

## Statement of Changes in Equity

for the year ended 30 June 2020

Actual 2018/19 \$000	Statement of Changes in Equity	Actual 2019/20 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
3,746	Balance at 1 July	3,907	3,907	3,907
32	Total Comprehensive Revenue and Expense	2,287	20	20
	<b>Owner Transactions</b>			
161	Capital Injection	–	–	–
(32)	Repayment of Surplus to the Crown	(2,287)	(20)	(20)
<b>3,907</b>	<b>Balance at 30 June</b>	<b>3,907</b>	<b>3,907</b>	<b>3,907</b>

Explanations of major variances against the original 2019/20 budget are provided in Note 14 to the Financial Statements.

## Statement of Financial Position

as at 30 June 2020

Actual 30 June 2019 \$000	Statement of Financial Position	Note	Actual 30 June 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
	<b>Assets</b>				
	<b>Current Assets</b>				
4,652	Cash		6,354	2,105	3,716
40	Receivables	7	–	65	65
158	Prepayments		86	103	103
<b>4,850</b>	<b>Total Current Assets</b>		<b>6,440</b>	<b>2,273</b>	<b>3,884</b>
	<b>Non-Current Assets</b>				
3,935	Property, Plant and Equipment	5	4,683	4,627	3,804
320	Intangibles	6	393	1,303	1,202
<b>4,255</b>	<b>Total Non-Current Assets</b>		<b>5,076</b>	<b>5,930</b>	<b>5,006</b>
<b>9,105</b>	<b>Total Assets</b>		<b>11,516</b>	<b>8,203</b>	<b>8,890</b>
	<b>Liabilities</b>				
	<b>Current Liabilities</b>				
1,487	Payables and Deferred Revenue	8	1,306	1,325	1,325
106	Provisions	9	66	115	394
32	Repayment of Surplus to the Crown		2,287	20	20
1,613	Employee Entitlements	10	2,003	1,883	1,922
<b>3,238</b>	<b>Total Current Liabilities</b>		<b>5,662</b>	<b>3,343</b>	<b>3,661</b>
	<b>Non-Current Liabilities</b>				
1,504	Provisions	9	1,506	555	958
456	Employee Entitlements	10	441	398	364
<b>1,960</b>	<b>Total Non-Current Liabilities</b>		<b>1,947</b>	<b>953</b>	<b>1,322</b>
<b>5,198</b>	<b>Total Liabilities</b>		<b>7,609</b>	<b>4,296</b>	<b>4,983</b>
	<b>Equity</b>				
3,907	Taxpayers' Funds		3,907	3,907	3,907
<b>3,907</b>	<b>Total Equity</b>		<b>3,907</b>	<b>3,907</b>	<b>3,907</b>
<b>9,105</b>	<b>Total Liabilities and Equity</b>		<b>11,516</b>	<b>8,203</b>	<b>8,890</b>

Explanations of major variances against the original 2019/20 budget are provided in Note 14 to the Financial Statements.



## Statement of Cash Flows

for the year ended 30 June 2020

Actual 2018/19 \$000	Statement of Cash Flows	Actual 2019/20 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
	<b>Cash Flows from Operating Activities</b>			
	<b>Cash provided from:</b>			
28,162	Crown	31,785	31,785	33,489
2,174	Other	802	896	500
	<b>Cash applied to:</b>			
(20,393)	Personnel	(21,118)	(24,845)	(26,038)
(7,972)	Suppliers	(7,710)	(6,506)	(6,494)
(229)	Capital Charge	(234)	(234)	(234)
<b>1,742</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>3,525</b>	<b>1,096</b>	<b>1,223</b>
	<b>Cash Flows from Investing Activities</b>			
	<b>Cash provided from:</b>			
68	Sale of Property, Plant and Equipment	431	225	32
	<b>Cash applied to:</b>			
(902)	Purchase of Property, Plant and Equipment	(1,995)	(1,410)	(338)
–	Purchase of Intangible Assets	(227)	(350)	(350)
<b>(834)</b>	<b>Net Cash Outflow from Investing Activities</b>	<b>(1,791)</b>	<b>(1,535)</b>	<b>(656)</b>
	<b>Cash Flows from Financing Activities</b>			
	<b>Cash provided from:</b>			
161	Capital Injections	–	–	–
	<b>Cash applied to:</b>			
(185)	Repayment of Surplus to the Crown	(32)	(20)	(250)
<b>(24)</b>	<b>Net Cash Outflow from Financing Activities</b>	<b>(32)</b>	<b>(20)</b>	<b>(250)</b>
<b>884</b>	<b>Net Increase/(Decrease) in Cash</b>	<b>1,702</b>	<b>(459)</b>	<b>317</b>
<b>3,768</b>	<b>Cash at Start of the Year</b>	<b>4,652</b>	<b>2,564</b>	<b>3,399</b>
<b>4,652</b>	<b>Cash at the End of the Year</b>	<b>6,354</b>	<b>2,105</b>	<b>3,716</b>

Explanations of major variances against the original 2019/20 budget are provided in Note 14 to the Financial Statements.

## Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2020

ERO has no contingent liabilities and assets (30 June 2019: nil).

## Statement of Commitments

as at 30 June 2020

Actual 30 June 2019 \$000	Statement of Commitments	Actual 30 June 2020 \$000
	<b>Capital Commitments</b>	
453	Motor Vehicles	35
<b>453</b>	<b>Total Capital Commitments</b>	<b>35</b>
	<b>Non-Cancellable Operating Lease Commitments</b>	
1,339	Not later than one year	1,446
4,407	Later than one year and not later than five years	5,366
1,783	Later than five years	869
<b>7,529</b>	<b>Total Non-Cancellable Operating Lease Commitments</b>	<b>7,681</b>
<b>7,982</b>	<b>Total Commitments</b>	<b>7,716</b>

ERO has entered into a capital commitment by placing an order for a motor vehicle that has not been paid for nor recognized as a liability.

ERO leases all of its office premises in New Zealand, which have a non-cancellable leasing period of up to nine years. The non-cancellable leases have varying terms, an escalation clause and renewal rights. There are no restrictions placed on ERO by any of its leasing arrangements. The amounts disclosed above as future commitments are based on the current rental rates.

## Statement of Accounting Policies

for the year ended 30 June 2020

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### Reporting entity

ERO is a government department as defined by section 2 of the Public Finance Act 1989 (PFA) and is domiciled and operates in New Zealand. The primary objective of ERO is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, ERO has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of ERO are for the year ended 30 June 2020 and were approved for issue by the Chief Executive on 6 November 2020.

### 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 ERO have been prepared in accordance with the requirements of the PFA, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions.

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards with reduced disclosure concessions. ERO meets the criteria of Tier 2 reporting as its expenditure in the last two financial years is below \$30 million and is not publicly accountable.

These financial statements comply with PBE accounting standards.

### Presentation currency and rounding

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

### Summary of significant accounting policies

The following are the accounting policies, which may have a material effect on the measurement of the financial position of ERO and the results of its operations.

#### Revenue

Revenue from the Crown is measured based on ERO's funding entitlement for the reporting period. 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.

There are no conditions attached to the funding from the Crown. However, ERO 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.

ERO also derives revenue from the provision of services to third parties and rent recoveries. Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised at the time of completion of the service or in accordance with the terms of specific contracts and is reported in the financial period to which it relates. Rental revenue under an operating sublease is recognised as revenue on a straight-line basis over the lease term.

#### Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates.

**Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

**Cash**

Cash includes cash on hand and funds on deposit with banks. ERO is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

**Receivables**

Short-term receivables are recorded at the amount due less an allowance for credit losses.

**Financial instruments**

ERO is party to financial instruments entered into in the course of its normal operations. These include cash, receivables and payables. All financial instruments are measured at face value and are recognised in the Statement of Financial Position. All associated revenue and expenses are credited to or charged against the Statement of Comprehensive Revenue and Expense.

**Property, plant and equipment**

Property, plant, and equipment consists of leasehold improvements, furniture and office equipment, computer hardware and motor vehicles.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset’s service potential and that can be measured reliably is capitalised.

Capitalisation thresholds applied for individual assets or group of assets are set out as follows:

Capitalisation Thresholds	\$
Computer Hardware	1,500
Motor Vehicles	15,000
Office Equipment	1,500
Furniture and Fittings	1,500
Leasehold Improvements	1,500

**Additions**

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

**Disposals**

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

## Depreciation

Depreciation is charged on property, plant and equipment on a straight-line basis over their estimated useful lives, which will write off the cost of the assets to their estimated residual value.

The estimated useful life, residual values and associated depreciation rates applied to each class of property, plant and equipment are as follows:

Depreciation of Property, Plant and Equipment	Estimated Useful Life (Years)	Depreciation Rates (%)	Residual Values (%)
Computer Hardware	4	25	–
Motor Vehicles	4-5	20-25	25
Office Equipment	5	20	–
Furniture and Fittings	10	10	–
Leasehold Improvements	Up to 10	10-20	–

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

## Intangible assets

Intangible assets with finite lives are stated at cost less amortisation and any impairment losses.

Acquired intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and when the development expenditure can be reliably measured.

Where an intangible asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Capitalisation thresholds applied for individual assets or group of intangible assets are set out as follows:

Capitalisation Thresholds	\$
Computer Software	1,500
Review Procedures	20,000

## Amortisation

Amortisation is charged on intangible assets on a straight-line basis over their estimated useful lives. The estimated useful lives and associated amortisation rates applied to these assets are as follows:

Amortisation of Intangibles	Estimated Useful Life (Years)	Amortisation Rates (%)
Computer Software	4	25
Review Procedures	5	20

## Impairment of property, plant and equipment and intangible assets

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

### Non cash-generating assets

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

Property, plant, and equipment and intangible assets held at cost that have a finite useful life 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 the present value of the asset's remaining service potential. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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

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

The type of assets used by ERO does not give rise to adjustments for impairment. ERO's assets will either be written off due to physical damage or obsolescence or are repaired.

### Payables

Short-term payables are recorded at their fair value.

### Employee entitlements

Provision is made in respect of ERO's liability for accrued salary, annual leave, special leave, sick leave, retirement leave and long service leave. All associated expenses are charged against the Statement of Comprehensive Revenue and Expense.

### Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured 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, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where ERO has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

### Long-term employee entitlements

Employee entitlements 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 retirement gratuities, are calculated on an actuarial basis. The calculations are based on:

- ◆ likely future entitlements accruing to staff, 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.

### Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, 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.

### Superannuation schemes – defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

### Provisions

ERO recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either constructive or legal) as a result of past events. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount or timing of the obligation.

Provisions are measured at the present value of the expenditures expected to settle the obligations.

### Reinstatement of premises

ERO has some reinstatement obligations at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by ERO. In many cases, ERO has the option to renew these leases, which affects the timing of the expected cash outflows to make good the premises. The provision is measured at the expected cost to settle the obligation.

### Equity

Equity is the Crown's investment in ERO and is measured as the difference between total assets and total liabilities.

### 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 statement of commitments.

Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the statement of commitments at the lower of the remaining contractual commitment and the value of those penalty or exit costs (i.e. the minimum future payments).

### Goods and services tax (GST)

All items in the financial statements and appropriation statements are stated exclusive of GST, except for receivables and payables, 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 recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, 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

ERO, as a government department, is exempt from the payment of income tax. Accordingly, no provision for income tax has been provided.

### Cost allocation

Direct costs are costs incurred by output delivery management units.

Direct costs are attributed to the three classes of outputs based on time spent on each class from ERO's time recording system. For the year ended 30 June 2020, 65% of total output costs were direct costs (30 June 2019: 69%).

Indirect costs are the costs of corporate management and support services that cannot be identified with a specific output in an economically feasible manner. Indirect costs are allocated to output-delivery management units (excluding Policy Services and Ministerial Services) through the most appropriate cost driver as a proxy for consumption. Indirect costs amounted to 35% of total output costs for the year ended 30 June 2020 (30 June 2019: 31%).

The cost of education evaluation reports includes a transfer of time from institutional reporting activities. This transfer represents time spent by review officers in institutions collecting overview information.

The costs of Policy Services and Ministerial Services are based on the estimated hours at the average charge-out rate.

There have been no changes in cost allocation policies from the previous reporting period.

### Critical accounting estimates and assumptions

In preparing these financial statements, ERO has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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 provision for reinstatement, retirement leave and long service leave.

#### Provisions

Notes 9 and 10 provide an analysis of the exposure in relation to estimates and uncertainties surrounding reinstatement obligations of leased premises, retirement leave and long service leave liabilities.

### Budget and forecast figures

The 2020 budget figures are for the year ended 30 June 2020 and were published in the 2018/19 annual report. They are consistent with ERO's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2019/20.

The 2021 forecast figures are for the year ending 30 June 2021, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2020/21.

The forecast financial statements have been prepared as required by the PFA to communicate forecast financial information for accountability purposes.

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

The 30 June 2021 forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were approved for issue by the Chief Executive on 18 March 2020. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

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

### Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Office's purpose and activities and are based on a number of assumptions on what may occur during the 2020/21 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised.

The main assumptions, which were adopted as at 18 March 2020 were as follows:

- ◆ ERO's activities will remain substantially the same as for the previous year
- ◆ personnel costs are based on 236 full time equivalents
- ◆ operating costs are based on historical experience adjusted for any known expected increase or decrease in expenditure items
- ◆ estimated year-end information for 2019/20 is used as the opening position for the 2020/21 forecasts.

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### 1. Other revenue

Actual 2018/19 \$000	Other Revenue Note	Actual 2019/20 \$000
954	Sale of services	965
101	Rental revenue from sub-leases	101
25	Other	72
<b>1,080</b>	<b>Total Other Revenue</b>	<b>1,138</b>

### 2. Personnel costs

Actual 2018/19 \$000	Personnel Costs Note	Actual 2019/20 \$000
19,584	Salaries and wages	20,554
719	Employer contribution to superannuation schemes	755
(52)	Increase in employee entitlements	282
88	Other	57
<b>20,339</b>	<b>Total Personnel Costs</b>	<b>21,648</b>

Salaries and wages are recognised as an expense as employees provide services.

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

### 3. Other expenses

Actual 2018/19 \$000	Other Expenses Note	Actual 2019/20 \$000	Unaudited Budget 2020 \$000
2,468	Leasing and Rental Costs	1,849	1,704
778	Consultancy	1,326	374
2,208	Domestic Travel	1,764	1,993
59	International Travel	66	42
62	Fees paid to Auditors for Financial Statements Audit	71	72
2,265	Other	2,605	2,106
<b>7,840</b>	<b>Total Operating Costs</b>	<b>7,681</b>	<b>6,291</b>

### 4. Capital charge

ERO pays a capital charge to the Crown based on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2020 was 6% (30 June 2019: 6%).

## 5. Property, plant and equipment

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

Property, Plant and Equipment Note	Computer Hardware \$000	Motor Vehicles \$000	Office Equipment \$000	Furniture & Fittings \$000	Leasehold Improvements \$000	P, P & E Total \$000
<b>30 June 2019</b>						
Cost	1,055	2,012	407	743	2,821	<b>7,038</b>
Accumulated Depreciation	(722)	(1,130)	(256)	(164)	(831)	<b>(3,103)</b>
<b>Balance at 30 June 2019</b>	<b>333</b>	<b>882</b>	<b>151</b>	<b>579</b>	<b>1,990</b>	<b>3,935</b>
<b>30 June 2019</b>						
Balance at 1 July 2019	333	882	151	579	1,990	<b>3,935</b>
Additions	447	1,370	40	51	87	<b>1,995</b>
Disposals – Costs	(121)	(1,350)	(8)	–	–	<b>(1,479)</b>
Disposals – Accumulated Depreciation	104	1,005	7	–	–	<b>1,116</b>
Depreciation	(145)	(239)	(44)	(79)	(377)	<b>(884)</b>
<b>Balance at 30 June 2020</b>	<b>618</b>	<b>1,668</b>	<b>146</b>	<b>551</b>	<b>1,700</b>	<b>4,683</b>
<b>30 June 2020</b>						
Cost	1,381	2,032	439	794	2,908	<b>7,554</b>
Accumulated Depreciation	(763)	(364)	(293)	(243)	(1,208)	<b>(2,871)</b>
<b>Balance at 30 June 2020</b>	<b>618</b>	<b>1,668</b>	<b>146</b>	<b>551</b>	<b>1,700</b>	<b>4,683</b>

## 6. Intangibles

Movements for each class of intangible asset are as follows:

Intangibles Note	Computer Software \$000	Review Procedures \$000	Intangibles Total \$000
<b>30 June 2019</b>			
Cost	1,325	1,384	2,709
Accumulated Amortisation	(1,306)	(1,083)	(2,389)
<b>Balance at 30 June 2019</b>	<b>19</b>	<b>301</b>	<b>320</b>
<b>30 June 2019</b>			
Balance at 1 July 2019	19	301	320
Additions	262	–	262
Amortisation	(33)	(156)	(189)
<b>Balance at 30 June 2020</b>	<b>248</b>	<b>145</b>	<b>393</b>
<b>30 June 2020</b>			
Cost	1,587	1,384	2,971
Accumulated Amortisation	(1,339)	(1,239)	(2,578)
<b>Balance at 30 June 2020</b>	<b>248</b>	<b>145</b>	<b>393</b>

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

## 7. Receivables

Short-term receivables are recorded at the amount due less an allowance for credit losses. ERO has applied the simplified expected credit loss model of recognising lifetime expected credit losses for receivables and no loss allowance has been recognised. ERO predominately transacts with public service entities with no credit risks.

Actual 30 June 2019 \$000	Receivables Note	Actual 30 June 2020 \$000
40	Receivables from contractual services	-
<b>40</b>	<b>Total Receivables</b>	<b>-</b>

## 8. Payables and deferred revenue

Actual 30 June 2019 \$000	Payables and Deferred Revenue Note	Actual 30 June 2020 \$000
526	Creditors	261
392	Accrued Expenses	672
449	Income in Advance for Contractual Services	141
<b>1,367</b>	<b>Payables and Deferred Revenue under exchange transactions</b>	<b>1,074</b>
120	Tax Payables – GST, FBT and PAYE	232
<b>120</b>	<b>Payables and Deferred Revenue under non-exchange transactions</b>	<b>232</b>
<b>1,487</b>	<b>Total Payables and Deferred Revenue</b>	<b>1,306</b>

The carrying value of creditors and other payables approximate their fair value as they are normally settled within three months.

## 9. Provisions

### Leasing incentives

Leasing incentives received as an inducement to enter into an operating lease are recognised evenly over the term of the lease as a reduction in the rental expense.

### Reinstatement provision

ERO has entered into leases on its premises in Auckland, Christchurch, Hamilton, Napier, Whanganui, Wellington and Dunedin. As part of the lease agreements, ERO has some reinstatement obligations at the termination of the leases.

Actual 30 June 2019 \$000	Provisions Note	Actual 30 June 2020 \$000
	<b>Current Portion</b>	
106	Leasing Incentives	66
<b>106</b>	<b>Total Current Portion at end of year</b>	<b>66</b>
	<b>Non-Current Portion</b>	
337	Leasing Incentives	293
1,167	Reinstatement	1,213
<b>1,504</b>	<b>Total Non-Current Portion at end of year</b>	<b>1,506</b>
<b>1,610</b>	<b>Total Provisions at end of year</b>	<b>1,572</b>
	<b>Leasing Incentives</b>	
549	Balance at Start of Year	443
–	Additional Provision during the Year	22
(106)	Provision used during the Year	(106)
<b>443</b>	<b>Total Leasing Incentives Provision at end of year</b>	<b>359</b>
	<b>Reinstatement</b>	
332	Balance at Start of Year	1,167
835	Additional Provision during the Year	46
<b>1,167</b>	<b>Total Reinstatement Provision at end of year</b>	<b>1,213</b>
<b>1,610</b>	<b>Total Provisions at end of year</b>	<b>1,572</b>

## 10. Employee entitlements

Actual 30 June 2019 \$000	Employee Entitlements Note	Actual 30 June 2020 \$000
	<b>Current Liabilities</b>	
1,192	Annual Leave, Special Leave and Sick Leave	1,387
269	Retirement Leave and Long Service Leave	282
152	Accrued Salaries	334
<b>1,613</b>	<b>Total Current Portion</b>	<b>2,003</b>
	<b>Non-Current Liabilities</b>	
456	Retirement Leave and Long Service Leave	441
<b>456</b>	<b>Total Non-Current Portion</b>	<b>441</b>
<b>2,069</b>	<b>Total Employee Entitlements at end of year</b>	<b>2,444</b>

The present value of retirement leave and long service leave obligations depend on factors that are determined on an actuarial basis using several assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The discount rates and salary inflation factor used are those advised by the Treasury.

If the risk-free discount rates were to differ by 1% from ERO's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$27,035 higher/lower.

If the salary inflation factor were to differ by 1% from ERO's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$26,669 higher/lower.

## 11. Related parties

ERO is a wholly owned entity of the Crown.

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

### Related party transactions required to be disclosed

ERO has no related party transactions required to be disclosed. Any related party transactions have been entered into on an arm's length basis by ERO.

**Key management personnel compensation**

Key management personnel include the Chief Executive and six members of the Executive Leadership Team.

Actual 2018/19	Key Management Personnel Compensation	Actual 2019/20
1,428	Remuneration (\$000s)	<b>1,439</b>
6.0	Full-time Equivalent Staff	<b>5.9</b>

The Minister of Education does not have responsibility for planning, directing and controlling the activities of ERO. The Minister's remuneration and other benefits have therefore been excluded from the above disclosure.

**12. Financial instruments**

The early adoption of PBE IFRS 9 Financial Instruments has resulted in some changes to the recognition and measurement of financial assets and financial liabilities for financial statements prepared for periods beginning on or after 1 January 2018.

Cash and cash equivalents, and trade and other receivables were previously designated as amortised cost in 2018/19. There are no changes in the designation of these financial assets for ERO in 2019/20 arising from the implementation of PBE IFRS 9.

In adopting this standard, ERO has applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables). This has resulted in greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of impairment. The adoption of PBE IFRS 9 has had no material impact on the financial statements and comparative figures have not been restated.

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

Actual 30 June 2019 \$000	Financial Instruments Note	Actual 30 June 2020 \$000
	<b>Financial assets measured at amortised cost</b>	
4,652	Cash	6,354
40	Receivables	–
<b>4,692</b>	<b>Total financial assets measured at amortised costs</b>	<b>6,354</b>
	<b>Financial liabilities measured at amortised cost</b>	
918	Payables (excluding Income in Advance)	924



### 13. Events after balance date

There have been no significant events after balance date.

### 14. Explanation of major variances against budget

Variances Against Budget Note	Actual 2019/20 \$000	Unaudited Budget 2020 \$000	Variance to Budget 2020 \$000
<b>Statement of Comprehensive Income and Expense</b>			
Personnel	21,648	24,933	(3,285)
Other Expenses	7,681	6,291	1,390
<b>Statement of Financial Position</b>			
Cash	6,354	2,105	4,249
Intangibles	393	1,303	(910)
Non-Current Provisions	1,506	555	(951)
<b>Statement of Cash Flows</b>			
Personnel	21,118	24,845	(3,727)

The major variances to budget were as follows:

- ◆ Personnel was \$3,285,000 below budget due to staff vacancies arising from the uncertainties of the Government decisions about ERO in response to the Independent Review of Tomorrow's School (\$1,992,000) and disruptions arising from Covid-19 (\$1,293,000).
- ◆ Other Expenses was \$1,390,000 above budget due to an increase in expenditure associated with aligning ERO's operations to the Government decisions in response to the Independent Review of Tomorrow's School. This work includes the development of an enhanced methodology with a focus on continuous improvement. ERO also accelerated its expenditure on video and audio conferencing tools and brought forward the replacement of its mobile phone fleet from 2020/21.
- ◆ Cash was \$4,249,000 above budget due to staff vacancies described above, less travel incurred due to disruptions arising from Covid-19 (\$207,000) and the timing of ERO's Office 365 roll-out.
- ◆ Purchase of Intangibles was \$910,000 below budget due to the timing of computer systems expenditure carried forward into 2020/21.
- ◆ Non-current provisions were \$951,000 above budget due to the provision to re-instate premises made in June 2019. This provision was not reflected in the opening position in the Main Estimates for 2019/20 as this exercise was completed earlier back in March 2019.
- ◆ Cash applied to Personnel was \$3,727,000 lower than budget due to staff vacancies described above.

**15. Impact of Covid-19 pandemic**

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. Following this, on Wednesday 25 March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial four-week period. At Alert Level 4, ERO withdrew from on-site reviews of institutions and this continued for the remainder of the financial year.

Many ERO staff already worked remotely pre-Covid-19, so systems were in place to enable the employees to work from home, helping to keep them safe and ensuring business continuity.

An assessment of the impact of Covid-19 on ERO’s Statement of Financial Position is set out below, based on information at the time of preparing these financial statements.

Statement of Financial Position	Covid-19 Assessment
Revenue	This is mainly Revenue Crown, which was not impacted by Covid-19.
Cash	No impact to the carrying value of cash on hand.
Receivables	No impact to the expected credit loss model when calculating impairment losses. ERO deals with customers with little or no credit risk.
Prepayments	No impact to the carrying value of prepayment as these relate to software licensing from the All-of-Government panel of suppliers.
Property, Plant and Equipment, and intangibles	No impact on the impairment of these type of assets. ERO purchases property plant and equipment mainly from the All-of-Government panel of suppliers.
Intangibles	No impact on the impairment of these type of assets. ERO purchases intangibles mainly from the All-of-Government panel of suppliers.
Payables	No accrued costs related to the expected impact of Covid-19 have been made.

In the 2020/21 financial year, ERO plans to return to reviewing schools and early learning services and to recruit staff for vacancies not filled during the Covid-19 disruptions. ERO has developed review programmes under each of the different Alert Level restrictions should that arise in the future. In June 2020, the Minister of Finance approved for ERO to retain part of its 2019/20 surplus into 2020/21 to help with its 2020/21 review programme.

## Appropriation Statements

The following statements report information about the expenses and capital incurred against each appropriation administered by ERO for the year ended 30 June 2020.

### Statement of Budgeted and Actual Expenses and Capital Expenditure

incurred against Appropriations for the year ended 30 June 2020

Expenditure after remeasurements 2018/19 \$000	Vote Education Review Office Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations	Expenditure before remeasurements 2019/20 \$000	Remeasurements 2019/20 \$000	Expenditure after remeasurements 2019/20 \$000	Approved Appropriation 2019/20 \$000
	<b>Vote Education Review Office</b>				
	<b>Multi-Category Appropriation</b>				
	<b>Quality of Education: Evaluations and Services</b>				
9,829	Early Childhood Learning Services	11,905	14	11,919	12,626
15,322	Schools and Other Education Service Providers	14,912	14	14,926	16,168
4,059	National Evaluations and Other Services	3,784	7	3,791	4,291
<b>29,210</b>	<b>Total Quality of Education: Evaluations and Services</b>	<b>30,601</b>	<b>35</b>	<b>30,636</b>	<b>33,085</b>
	<b>Permanent Legislative Authority (PLA)</b>				
672	Capital Expenditure – PLA	2,257	–	2,257	2,765
<b>29,882</b>	<b>Total Annual and Permanent Appropriations</b>	<b>32,858</b>	<b>35</b>	<b>32,893</b>	<b>35,850</b>

The appropriation figures are those presented in the Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2020, as amended by the Supplementary Estimates.

The Capital Expenditure-Permanent Legislative Authority appropriation is limited to the purchase or development of assets by and for the use of ERO, as authorised by section 24(1) of the Public Finance Act 1989. No amount is appropriated for Capital Expenditure-Permanent Legislative Authority.

**Statement of Expenses and Capital Expenditure incurred without Appropriation or Other Authority, or in excess of an Existing Appropriation or Other Authority**  
for the year ended 30 June 2020

ERO has not incurred expenses in excess of or without appropriation by Parliament (30 June 2019: nil).

**Statement of Departmental Capital Injections without, or in excess of, Authority**  
for the year ended 30 June 2020

ERO has not received any capital injections during the year, without, or in excess of, authority (30 June 2019: nil).









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