

 **Education Review Office**  
Te Tari Arotake Mātauranga

---

**Annual Report**  
**2018/19**  
Te Pūrongo ā-Tau 2018/19

September 2019

**Education Review Office | Annual Report 2018/19**

Published 2019

© Crown copyright

ISSN 2463-7513 (print)

ISSN 2463-7521 (online)

# Table of contents

---

Chief Review Officer's Overview .....	4
About ERO .....	6
Evaluation of early learning services .....	9
Evaluation of schools and other education service providers .....	11
National Evaluation Programme .....	16
He Taura Here Tangata .....	18
ERO's work with Pacific learners .....	19
ERO's internal capability and capacity .....	20
Financial Statements and Service Performance .....	22

# Ki tā te Toihau Arotake Tirohanga

## Chief Review Officer's Overview

*“E whakapono ana ngā tāngata o Aotearoa ki tō tātou rāngai mātauranga”*

*Kua aro atu Te Tari Arotake Mātauranga i tēnei tau ki te whakatakoto i tētahi huarahi whakahaere e hāpai ai i a mātou ki te whakahou ake i te āhua o ā mātou mahi i te rāngai mātauranga.*

*Ko tā te mahi matua a Te Tari Arotake Mātauranga, he whakapūmau i te whai takohanga a te rāngai, ā, he hāpai hoki i te whakatairanga tonutanga. E taituarā ana tā mātou taura hou i te aronga ngohengohe ake ki ia kura me ia ratonga ako, kia hāngai pū ake ai ngā mahi a Te Tari Arotake Mātauranga ki te hunga e āta whai pānga nuitia ana, mā tētahi tino angamahi e pā ana ki te whakapai tonutanga.*

*Mā te whakapuaki i te ngohengohe o ngā wā arotake, kua kaha ake tā mātou whai wāhi atu ki ngā ratonga mātauranga i runga anō i te āhua tonu o te whanaketanga o tēnā me tēnā. Ina kātahi anō tētahi ratonga mātauranga kōhungahunga ka whakatuwheratia, e tika ana kia arotau ake, kia hāngai pū ake hoki te aronga ki taua ratonga mātauranga kōhungahunga, i ērā atu o ngā ratonga kua roa nei e whakahaerehia ana mā te ohumahi pakari. Ka mutu, ina kei te taumaha pea ētahi āhuatanga ki tētahi kura, e tika ana kia hāngai pū te āwhina me te whai takohanga ki taua kura tonu.*

*E whakawhanake ana Te Tari Arotake Mātauranga i tētahi Angamahi Whai Kōunga mō te Aromātai me te Whakapaitanga ki ngā Ratonga Mātauranga Kōhungahunga. Kei te pūtake o te angamahi ko ngā Arotake Manatu e aromātai ana i te herenga matua o ngā ratonga mātauranga kōhungahunga katoa kia haumaruru te taiao ako e whakaratohia ana. Kia whakatutukihia aua herenga, ka tautuhia e Te Tari Arotake Mātauranga te āheinga o te ratonga ki te whakapai tonu mā ngā Aromātai Kōunga e whai pānga ana ki te whānuitanga o ngā tūmomo āhuatanga ako. Tē aromātai i ngā ratonga mā ngā herenga noa o tētahi rāngi arowhai, engari kē, mā tētahi tukanga o te whakapai tonutanga i ia te wā e kōkiri ana i ngā ratonga mātauranga kōhungahunga ki te hiranga me te auaha.*

*E whakamātauhia ana taua Angamahi i tēnei wā, ā, e takune ana Te Tari Arotake Mātauranga ki te whakaputa whānui atu ā te tau pūtea e heke mai ana.*

*E whakatutuki tonu ana tā mātou Hōtaka Aromātai ā-Motu i ngā rarururu kua mau roa rawa ki te pūnaha. I te roanga*

*“New Zealanders have confidence in our education system”*

The Education Review Office has spent the year building an operating model that will enable us to reform the way we work with the education sector.

ERO's core business is to hold the sector accountable and support it to be better. Our new model supports a more flexible approach to individual schools and learning services, enabling ERO to be responsive on the ground around a strong framework of continuous improvement.

Through the introduction of flexible review times, we are better able to engage with education services at different stages in their performance cycle. An early learning service which has just opened requires timely and more intensive attention than a long-standing service with a stable workforce. Similarly a school which may be struggling in some areas needs focussed diagnosis and insights into key steps for improvement.

ERO is developing a Quality Framework for Evaluation and Improvement in Early Childhood Services (ELS). The base of the framework is Assurance Reviews that assess the fundamental requirement of all ELS to provide a safe learning environment. Once these requirements are met, ERO places the service on a pathway of continuous improvement through Quality Evaluations covering a broad range of learning areas. Instead of evaluating services against a tick-box of static requirements, this process of continuous improvement drives ELS towards excellence and innovation.

The Framework is currently being piloted and ERO intends to roll it out in the coming financial year.

Our National Evaluation Programme continues to address long-term systemic problems. Over the past year our reports on *Promoting Well-being through Sexuality Education* and *Bullying Prevention and Response in New Zealand Schools* gained significant national attention. This research is influential because it gathers a strong evidence base across many types and sizes of schools and learning services, creating a unified analysis of problems which can seem isolated to particular areas or groups, but are in fact common throughout New Zealand. We are also able to evaluate and promote what works as we identify effective actions and strategies.

*o te tau kua pahure ake nei, he nui te tahuri mai o te motu ki a mātou pūrongo e kīia nei ko Promoting Well-being through Sexuality Education me Bullying Prevention and Response in New Zealand Schools. He mea whakaaweawe ngā rangahau nei. Kua whakaemihia ki aua pūrongo, ko ngā whakaaturanga pakari, mai i te iti, te rahi, ā, i te whānuitanga anō hoki o ngā tūmomo kura me ngā tūmomo ratonga ako, hei tātari tahi i ngā raruraru e pōhēhētia nei mō te hāngai noa ki ētahi rohe, ki ētahi rōpū rānei, engari kē e kitea whānuitia ana puta noa i Aotearoa. Ka taea hoki e mātou te aromātai, te whakatairanga anō hoki tēnā e whai hua ana, i a mātou e tāutu ana i ngā mahi me ngā rautaki papai.*

*Ahakoia kāhore pea i te pērā rawa te tīahoaho mai, he whakahirahira anō hoki te whakahaere tonu a Te Tari Arotake Mātauranga i tana kohinga rorotu e kīia nei ko Teaching Strategies that Work. He mahi tēnei e tātari ana i ngā kura i whakatairanga ake ai i ngā paetae ki te wāhanga tuakana o ē rātou kura tuatahi. Ko ā mātou raraunga ā-ipurangi e tohu ana i te rorotu o tēnei kohinga: he hiahia nui nō ngā kaiako me ngā tumuaki ki ngā rautaki pakari e ahu mai ana i ngā whakaaturanga ki te whakatika i te tauira whānui o te heke iho, o te tū noa rānei o ngā paetae ki te wāhanga tuakana o ngā kura tuatahi.*

*Kei te tino manahau mātou i te hōtaka paetawhiti i whakarewa ai mātou i tēnei tau mō te whakaako i te reo Māori ki ngā kura auraki. E whai pānga ana aua mahi ki ā mātou mahi arotake ki ngā kura me ngā whare kōhungahunga rumaki reo Māori, ā, ki ngā mahi hoki e hōpara ana i ngā tūāhuatanga e whai pānga ana ki te angitu o te ākongā i ngā huarahi mātauranga rumaki reo Māori.*

*Nō te 21 o Poutū-te-rangi Te Tari Arotake Mātauranga i whakarewa ai i te whakahoutanga o te Pacific Strategy 2019-2022. Ko tā mātou whāinga, ko te hāpai i ngā whakapaitanga ki te pūnaha mātauranga, kia toipoto ake ai te āhua o ngā paetae a ngā ākongā nō te Moana-nui-a-Kiwa me ēā o ākongā kē atu. Ka whakaraupapa hoki i te āhua o ngā mahi ka taea e Te Tari Arotake Mātauranga te whai atu, hei hāpai i ngā pūnaha mātauranga o ē tātou kiritata kei ngā whenua o te Moana-nui-a-Kiwa.*

*Putā noa i tēnei tau, kua whai wāhi atu hoki Te Tari Arotake Mātauranga ki ngā arotake a te Kāwanatanga i roto i te mātauranga, inarā, ki te arotakenga o Te Taumata Mātauranga ā-Motu kua Taea, te Early Learning Strategic Plan, te rautaki ohumahi a te pūnaha mātauranga, me ngā mahi a te Rōpū Mahi Motuhake o Ngā Kura mō Āpōpō.*



**Nicholas Pole**

Te Manahautū me te Toihau Arotake | Chief Executive and Chief Review Officer

Mahuru 2019 | September 2019

Less visibly but no less importantly, ERO continued its popular *Teaching Strategies that Work* series which analyses schools that have lifted achievement in the upper primary. Our web analytics tell us that the series is popular: educators are hungry for robust evidence-based strategies for addressing this common pattern of declining or static achievement.

We are particularly excited about the multi-year work programme we have launched this year on the teaching of te reo Māori in English medium settings. This work complements our review work in Māori medium settings and an exploration into the factors that contribute to learner success through Māori medium pathways.

ERO launched an updated *Pacific Strategy 2019-2022* on 21 March. Our goal is to support improvement in the education system to close the achievement gap between Pacific and other students. It also outlines the contribution ERO can make to the education systems of our Pacific regional neighbours.

ERO has provided input through the year into the Government reviews into education, particularly to the review of NCEA, the *Early Learning Strategic Plan*, the Education Sector Workforce Strategy and the work of the Independent Taskforce on Tomorrow's Schools.

# About ERO

## ERO's role

---

The Education Review Office Te Tari Arotake Mātauranga (ERO) promotes equity and drives improvement in our education system through its institutional reviews, and its national research and evaluation programme.

ERO aims to ensure that New Zealanders can have confidence in our kōhanga reo, early learning services, kura and schools, and to lift performance in those areas and of those providers that need it most. Independent and objective monitoring by ERO is critical to the integrity of the education system.

## ERO's core functions

---

ERO is the New Zealand government's external education evaluation agency. It was established as a government department in October 1989 under the State Sector Act 1988. The Chief Executive of ERO is the Chief Review Officer.

Under Part 28 of the Education Act 1989, ERO is required to review the performance of pre-tertiary education providers in relation to the educational services they provide. Review Officers are statutory officers designated under the Act. They exercise powers of entry, investigation and reporting. Government policy settings, resourcing changes, Ministerial reviews and ERO's strategic leadership and development have all influenced the department's development and approach to external evaluation.

In summary, ERO's core functions in 2018/19 included:

- ◆ **National evaluations:** of system-level issues either requested by the Minister of Education or instigated by the Chief Review Officer.
- ◆ **Education evaluations:** scheduled external evaluation reviews of schools, kura, kōhanga reo, and 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 35I 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.

## ERO's 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.



### 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.



### 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 judgments 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.



### 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 local, 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 the Treaty of 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 children. 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.



# Evaluation of early learning services

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

The Review and Improvement group has been trialling an Assurance Review process, as part of our development of a new Quality Framework for Evaluation and Improvement in Early Learning Services. The Assurance Review process will be used in services ERO is reviewing for the first time or which have previously been classified as “Not Well Placed” or “Requiring Further Development”.

As well as strengthening basic accountability, Assurance Reviews are part of ERO’s move away from set return times to more responsive timing and targeting of reviews, depending on the evolving situation of each service. They will be fully implemented over the second half of 2019.

Assurance Reviews focus on services’ compliance with regulatory standards, 6-9 months after full licensing. This is a period when centres are often focused on building occupancy and staffing, and may be less attentive to maintaining required systems and standards. Assurance Reviews assist these services by providing assurance that legal requirements are being maintained, identifying compliance matters to be addressed, and scaffolding services into a Quality Evaluation process that focuses on improvement for equity and excellence.

In the coming year, we will be replacing our current Education Reviews with a process of Quality Evaluations. They will focus on raising quality through ongoing, sustained improvement. The evaluations will be based on *Ngā Ara Whai Hua: Quality Framework* our new approach for evaluation and improvement in early childhood services. We expect that from the beginning of 2020, Ngā Ara Whai Hua will provide a framework for quality and continuous improvement in early childhood services (centre-based initially). We expect this framework to be used by parents, service providers and ERO evaluators as a basis for judging quality in early childhood provision.

The indicators of quality on which this approach is based draw together research and evaluation evidence about effective practice in early childhood education that promote valued learning outcomes. They are designed to focus early childhood services and ERO evaluators on the most important elements that help children to develop the knowledge, skills, attitudes, dispositions and working theories for lifelong learning. The indicators are also a resource for service internal evaluation, and for supporting continuous improvement in the sector.



### 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 2018/19

- 1,241 early learning service (ELS) evaluations, achieving prescribed targets
- worked with 27% of the 4,630 licensed ELS
- involving 54,460 licensed places
- 100% of ERO's reviews complied with our internal quality standards
- ERO met all the timeliness standards for ELS reporting

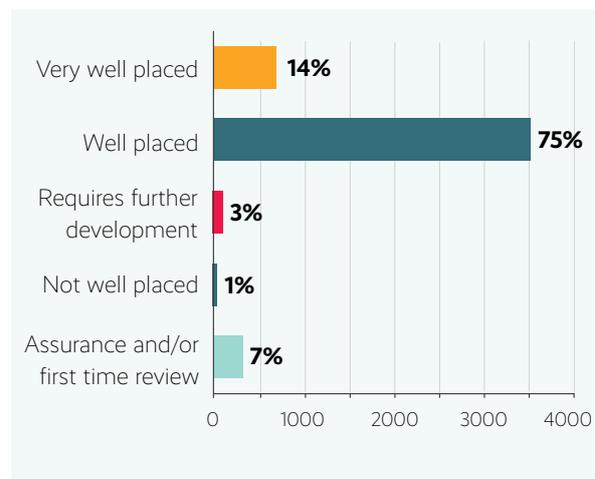


#### What we found from our surveys in 2018/19

Over 85% of survey responses received from Early Learning Services indicate that they believed that ERO's external evaluation:

- had (or would) contribute to decisions about how to improve learning outcomes (85%);
- complemented and supported their own self-review (87%);
- was either quite useful or very useful (95%); and
- had identified or confirmed relevant next steps for the ECE service (90%).

#### Early Learning Services Status at end of June 2019



# Evaluation of schools and other education service providers

ERO's approach to external evaluation of schools is designed to build each school's internal evaluation capability to contribute to a cycle of ongoing improvement. Our approach leverages our *School Evaluation Indicators: Effective practice for improvement and learner success* (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, and how effectively the school focusses on improvement for equitable and accelerated student achievement, and reduced disparity.



## The Year

ERO has been embedding its new operating model, developing a stronger brokerage role to support improvement so that every school, service and classroom will be a great place for all children's learning.

Evaluation return times were removed from school reports from the beginning of 2019, and reviews are now scheduled on an annual basis using a range of information about the school, and what may have changed since our last review. This enables more nuanced targeting of our review effort in response to real time change within individual schools. It also separates the review cycle from the historical judgement that we may have made. We have replaced "return times" with a summary judgement of performance along a continuum from "Needs Development", "Developing", "Well Placed", to "Strong". We want to be very clear, in our reports and discussions with schools, about why they are placed where they are and what is required to further improve.

## Work in high priority schools

ERO has continued its evaluation work to support a small number of targeted high priority schools, as part of what was formerly called the School Turnaround programme. The aim of this is to promote more rapid change and improvement in these schools. ERO is developing tools for school leaders and teachers to use for in-depth diagnostic and improvement processes, and working with the Ministry of Education to broker the supports that each school requires to lift their performance based on our diagnostic assessments.

In the coming year, ERO will increase the number of schools we are working with in this way based on the learning we have gained from this pilot.

### **Our approach in Māori medium settings**

Evaluations in Māori medium settings are led by a dedicated Māori immersion review team (Te Uepū ā-Motu). In the case of kura and wharekura our methodologies reflect the distinctive philosophies and approaches in Te Aho Mātua 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.

As part of the new operating model ERO has formed a new team, Evaluation and Review Māori, to conduct evaluation and research, and develop evaluation methodology for Māori medium settings. This will support the work of Te Uepū ā-Motu at the national and systemic level. A major focus for this group in this last year has been an exploration into the factors that contribute to learner success for those learners who progress through a Māori medium pathway. This team has also undertaken formative work to support better understanding of the quality of teaching of te reo Māori in English medium settings.

### **Leadership partners**

ERO has begun the work of establishing an initiative called Leadership Partners. This will provide successful school leaders with an opportunity to train and join review teams as partners in ERO's external evaluations of schools.

We see mutual benefits for the sector and ERO from current practitioners adding valuable insights to reviews, while developing better understanding of evaluation for improvement through direct experience of ERO's processes. This initiative should more strongly support principals and senior leaders in their own internal self-review, and expose senior leaders to a range of schools and alternative strategies and approaches being pursued by their colleagues. ERO will rollout this initiative over the next 12 months.

### **ERO's partnership with AYT – supporting internal self-review and continuous improvement**

ERO has long argued that external reviews of individual schools need to be complemented with processes of internal self-review, although our ongoing work with schools would suggest that this is an area of weakness in the system. Over recent years we have offered workshops to help schools better understand the process of internal evaluation/review, and shared ERO's Indicator Framework as a basis for schools to self-assess their own performance.

During the past year, through a partnership with AskYourTeam, we have worked to develop a new tool and approach to better support internal self-review. This approach 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. To date we have piloted this approach with 21 schools with positive feedback.

### **Exemplar reports**

Exemplar reports are written to provide a picture of good teaching and learning practice in relation to specific topics or areas of the curriculum. Schools and services are selected for a special review that exemplifies their performance in relation to the topic being reported on. Exemplar reports may arise from, complement and inform ERO's national evaluation reports. In the past financial year ERO has produced 36 exemplar reports of schools/ ELS which are demonstrating best practice in a very wide range of areas, from positive partnerships with parents to responding to diversity.



### What we achieved in 2018/19

- 727 school, kura, private school and home school evaluations
- Worked with 28% of schools and kura
- Assurance of 4,000 teacher practice certificates
- 1 report for Communities of Learning
- ERO met all its timeliness targets for school reporting

### What we found from our surveys in 2018/19

- For 2018/19 more than 80% of survey responses from schools indicate that principals and boards believed that ERO's external evaluation:
  - » had (or would) contribute to decisions about how to improve learning outcomes (82%);
  - » had helped to identify or confirm opportunities for more effective practice (85%);
  - » had prompted further discussion and action to accelerate student achievement (83%); and
  - » will help build school capability in the medium to long-term (83%).

**ERO return time movements  
July 2018 – February 2019**

**Evaluations completed**

**Total evaluations completed 410**

*Next review*

▶ 1-2 year review	17%
▶ 3 year return	70%
▶ 4-5 year return	13%
▶ Other	1%



**All 1-2 year evaluations completed 73**

*Next review cycle*

▶ 1-2 year review	55%
▶ 3 year return	45%
▶ 4-5 year return	0%



**All 3 year evaluations completed 270**

*Next review cycle*

▶ 1-2 year review	11%
▶ 3 year return	81%
▶ 4-5 year return	8%



**All 4-5 year evaluations completed 60**

*Next review cycle*

▶ 1-2 year review	0%
▶ 3 year return	48%
▶ 4-5 year return	52%



**New school assurance reviews 7**

*Review finding*

▶ 3 year return	43%
▶ Other	57%

**ERO summative judgements  
March 2019 – June 2019**

**Evaluations completed**

**Total evaluations completed 248**

*Review finding*

▶ Needs development or intensive work	18%
▶ Developing or well placed	70%
▶ Strong	12%
▶ Other	1%



**All 1-2 year evaluations completed 68**

*Review finding*

▶ Needs development or intensive work	55%
▶ Developing or well placed	45%
▶ Strong	0%



**All 3 year evaluations completed 133**

*Review finding*

▶ Needs development or intensive work	9%
▶ Developing or well placed	83%
▶ Strong	8%



**All 4-5 year evaluations completed 46**

*Review finding*

▶ Needs development or intensive work	0%
▶ Developing or well placed	55%
▶ Strong	45%



**New school assurance reviews 1**

*Review finding*

▶ Developing or well placed	100%
▶ Other	

**Commentary**

From Term 1 of this year we have dropped the use of return times in our reporting on early learning services (ELS) and schools. This enables more nuanced targeting of our review effort in response to what we are seeing within services, and to real time change within individual schools and early learning services. It also separates the review cycle from the historical judgement that we may have made.

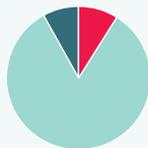
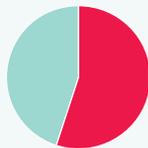
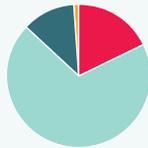
In schools we have strengthened our evaluative judgements based upon schools' performance against the School Indicators. We consider student outcomes across learning, engagement and wellbeing and the school conditions that support these outcomes. Overall school performance is judged as being Strong,

Well Placed, Developing, or Needs Development. These evaluative findings support our 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.

Given the changes in our approach to performance judgements, the above tables show the shift in performance for the two periods July 2018 to February 2019, when we continued to use return times, and the subsequent four months where we have strengthened our evaluative judgements. The third table attempts to synthesise these judgements into a single table.

### ERO evaluation judgements – state and state-integrated schools – synthesised July 2018 – June 2019

#### Judgement

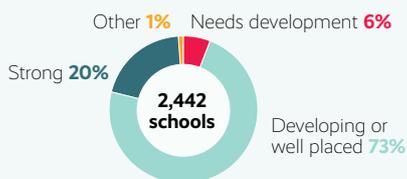


#### Total evaluations completed

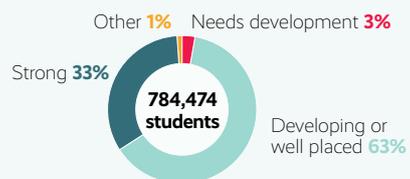
Total evaluations completed (full year)		658
<i>Review finding</i>		
▶ Needs development or intensive work		18%
▶ Developing or well placed		70%
▶ Strong		12%
▶ Other		1%
<b>Needs development or intensive evaluations completed</b>		<b>141</b>
<i>Review finding</i>		
▶ Needs development or intensive work		55%
▶ Developing or well placed		45%
▶ Strong		0%
<b>Developing or well placed evaluations completed</b>		<b>403</b>
<i>Review finding</i>		
▶ Needs development or intensive work		9%
▶ Developing or well placed		83%
▶ Strong		8%
<b>Strong evaluations completed</b>		<b>106</b>
<i>Review finding</i>		
▶ Needs development or intensive work		0%
▶ Developing or well placed		55%
▶ Strong		45%
<b>New school assurance reviews</b>		<b>8</b>
<i>Review finding</i>		
▶ Developing or well placed		50%
▶ Other		50%

### Evaluation status for state and state-integrated schools at the end of the 2018/19 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

# National Evaluation Programme

## Helping to lift system performance

ERO's national evaluation programme is intended to promote debate and influence improvement in the education system. This work is designed to provide topical, timely, and practical recommendations for policy makers, education agencies, education providers and practitioners.

Our national evaluation studies identify the key features of high performing institutions, and what is required in a high performing education system. They also identify what works for schools and early learning services and showcase effective practice in teaching and learning.

Over recent years, ERO has developed a critical role in the generation and dissemination of knowledge about best practice and what works to improve education outcomes for learners. Through our national reporting, ERO is providing an evidence base for discussion and iterative change.

## The year

Many of our national evaluations this year have identified the importance of the wider social and health sectors working together for positive outcomes for all our learners, but particularly for our most vulnerable children and young people. They also highlight the importance of targeted professional learning, both internal and external to the service or school, to develop teacher capability to implement an authentic and meaningful curriculum focused on learning and wellbeing.

ERO produced two particularly significant national evaluations, on sexuality education, and bullying prevention and response, which generated strong public interest. In sexuality education, the education system is struggling to keep up with rapid societal change. For bullying, schools are taking the lead, but it is clear that the whole community context is relevant and should be engaged holistically to address our comparatively high rates of bullying. Both reports highlight the importance of wellbeing for children and young people's sense of belonging at school and in their community.

We monitored the implementation of *Te Whāriki (2017)*, the early childhood curriculum, with two evaluations at the beginning and middle of the financial year. We continued our popular *Teaching Strategies that Work* series with three reports on lifting achievement in the upper primary through: successful strategies to lift achievement in writing, developing rich curriculum enquiry, and strong parent partnerships. We conducted a national evaluation of activity centres, which cater for secondary school students (Years 9-13) who are at risk of disengaging from mainstream schooling and at risk of low educational, social and vocational outcomes. ERO also published an evaluation of Teen Parent Units (TPUs) which investigated the quality of education provided by TPUs and the extent to which they supported positive outcomes for TPU students and their children.

### ERO completed the following contracted work

- Senior Secondary Curriculum for Ministry of Education
- NCEA observational study for Ministry of Education
- Pacific Bilingual Units for Ministry of Education
- A report on Digital Technologies Curriculum Content for the Ministry of Education





**ERO produced 13 national evaluations in 2018/19**

They were:

- What Drives Learning in the Senior Secondary School?
- Awareness and Confidence to work with Te Whāriki (2017)
- Building Genuine Learning Partnerships with Parents
- Promoting Wellbeing Through Sexuality Education
- Sexuality Education (set of 5 mini publications)
- Provision for Students in Activity Centres
- Keeping Children Engaged and Achieving Through Curriculum Inquiries
- Engaging with Te Whāriki (2017)
- Collaboration in Practice: insights into implementation
- Bullying Prevention and Response in New Zealand Schools
- Bullying Prevention and Response: student voice
- Keeping Children Engaged and Achieving in Writing
- Preparedness to Implement Te Whāriki (2017)

# He Taura Here Tangata

ERO's approach, He Taura Here Tangata, continues to inform development of our Māori strategy, implementation plans, monitoring and evaluation.

The strategy will be published in December 2019 and will influence the work of ERO both internally and with kōhanga reo, early learning services, kura and schools, the education sector, and across government.

The strategy acknowledges, recognises and supports ERO's:

- ◆ contribution to government strategies that focus on addressing system inequities for Māori
- ◆ important and unique relationship between whānau, hapū, iwi, Māori and the Crown
- ◆ active response to the Treaty of Waitangi
- ◆ increasing commitment to te reo Māori and the contribution we can make as an education evaluation agency
- ◆ promotion of Māori success as Māori.

In the past year, we have focused on gathering baseline information to strengthen ERO's vision and the intent of the Māori strategy. It is a whole of organisation strategy that acknowledges the work of the English and Māori medium paradigm.

Internally our work has included:

- ◆ **Whānau, hapū, iwi and Māori relationships** Our new operating model and the establishment of three regions has created geographical changes which impact and evolve our relationships with different hapū and iwi. We have been focussed this year on deepening our understanding of those relationships.
- ◆ **Te Reo Māori** We are providing a responsive te reo Māori programme of support for staff, to help grow their confidence in the language and when working with external stakeholders.
- ◆ Our leadership team has participated in workshops on Courageous Conversations about Race.
- ◆ **Māori success as Māori** As a result of ERO's operating model review and implementation, Evaluation and Review Māori has been developed. It includes an additional function that reflects national evaluation and acknowledges methodology and research in this area.

Externally our work has included:

- ◆ **Equity and excellence** Our reviews of all schools continue to focus on equity and excellence. In these reviews we continue to investigate how schools focus on those learners who are at risk of poor outcomes and whose learning needs to be accelerated.
- ◆ **The Treaty of Waitangi** We have completed an initial investigation into the visibility of the Treaty in schools' teaching of New Zealand history and social studies.
- ◆ **Te Reo Māori provision in English medium settings** We have developed draft indicators for use in English medium settings and these have been trialled in a small case study sample group. We have completed six case studies and they are providing relevant baseline information for further work in this space.
- ◆ **Māori success as Māori** The Māori immersion evaluation, research and methodology team has begun a project, *Whaia ngā ara painga ki angitu ai* and *Poutiria te reo Mauriora*, which aims to capture and promote Māori children and young people enjoying and achieving education success as Māori. It will produce a series of film clips, case studies, and two national reports: *Māori learners education success in Māori immersion* and *Parents and Whānau engagement in Māori immersion education*.

## ERO's work with Māori medium services

Māori medium education is acknowledged for the choice it provides whānau, hapū and iwi. ERO continues to evaluate the quality of education and provide information through regular reporting. The Māori immersion review and evaluation team has reviewed 138 Kōhanga Reo and 28 Kura in 2018/19.

Much of ERO's work this past year, as ever, has involved strengthening relationships with te ao Māori which we have consistently built and maintained since our inception 30 years ago. We are proud of our work alongside Māori medium providers.

# ERO's work with Pacific learners

The past ten years have seen significant acceleration in the educational achievement of Pacific learners. However, there is still work to be done to achieve parity with other groups.

Last year ERO refreshed its Pacific strategy with five new goals:

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-focussed education and social sector evaluations across Aotearoa and the Pacific region.
5. As an organisation, ERO is competent to deliver on each of the above goals.

The strategy was launched in March 2019 and includes an action plan with nine key objectives to drive improving outcomes for Pacific learners.

Reflecting ERO's strengthened emphasis on Pacific learners, we also:

- ◆ trialled a targeted approach with Pacific early learning services who were identified as needing support in their ERO review report. Increasing contact with services over the two year longitudinal period promoted services' accountability and supported positive relationships with ERO
- ◆ explored the current provision of Pacific bilingual education in New Zealand
- ◆ identified schools which are accelerating achievement above and beyond the current trajectory for Pacific learners.

An important refocus of implementing ERO's Pacific strategy is to reconnect with Pacific communities across the country, to enable communities to revisit and understand ERO's purpose, and to provide opportunities for them to share their challenges and successes in supporting their children's education.



# ERO's internal capability and capacity

The year has been spent implementing ERO's new operating model to amplify its benefits across the organisation.

## Strengthening Evaluation and Professional Practice

ERO has strengthened the infrastructure that supports evaluation methodology and professional practice. The newly established Methodology and Professional Practice Team leads and supports the development continuum for external evaluation, from ERO's frameworks and approaches (what we do) to the quality and effectiveness of our evaluation practice (how we do things in the field).

Over the past year, methodology development has focussed on the early childhood education sector, particularly centre-based services in English medium. The development of *Ngā Ara Whai Hua: Quality Framework* has been completed. A new Assurance Review methodology is being implemented. ERO's indicators of quality in early childhood education contexts have been reviewed and revised.

A new role, Professional Practice Leader, has been established in each region. These professional leaders support and promote the effective implementation of evaluation frameworks and methodologies, and coach, mentor and support reviewers/evaluators to achieve and maintain high quality evaluation practice. They are also tasked with identifying capability development needs, and opportunities to further develop ERO's provision of responsive professional practice.

A new group of evaluators has been selected to complete internal inquiry and research projects. Evaluators continue to participate in, and complete post-graduate qualifications through the University of Melbourne.

The approach to individual learning and performance development has also been reviewed.

## Corporate services

The new operating model has brought about substantial changes for ERO's staff, including the repositioning of ERO offices from four regions to three – Auckland, Central North Island and Southern.

We have created a new business enablement team to focus on national consistency of processes, quality/accuracy of data/information input into ERO's systems, and to better target and manage the workload of our support staff.

We continue to improve our corporate capability and infrastructure, including accessing internet services offered by the Ministry of Education, remote access for staff working away from the office, and completing the shift of all our servers to two data centres to improve our business continuity.

Much of the work in strengthening our technology infrastructure has enabled ERO to be well prepared for the planned upgrade to Microsoft Office 365 in the first half of the 2019/20 year.

We enhanced the delivery of ERO's business using technology to better support and standardise the work of our highly distributed workforce.

## Building a positive workplace culture

We have refreshed our Leadership Strategy to support the operating model changes and expanded opportunities for coaching and coaching development.

We reviewed our Code of Conduct and policies and procedures, to ensure alignment with standards for government departments developed by the State Services Commission. We established a national health and safety governance group and issued a brochure on speak up/speak out. We worked with the PSA to create a plan for diversity and inclusion (as below), and signed up to the Government's Accessibility Charter.



Our te reo programme for staff is building their confidence in bicultural contexts, and helping to create an internal environment which attracts diversity, as does our Leadership Partners initiative.

We ran another engagement survey using Ask Your Team in April/May and included in it some questions focussed on health and safety and well-being. We will analyse and reflect on the results, and carry out any required actions in the coming year.

### **Relationship with the Public Service Association (PSA) and Gender Pay**

ERO and the PSA continued to meet regularly at national and local level as part of our Working Relationship Agreement. We worked with the PSA on a diversity plan, with a focus on meeting the government's gender pay goals and working towards reducing ERO's gender pay gap of 10.4%.

We began negotiating a new collective employment agreement in June 2019. As part of the negotiation settlement, the parties will revisit and renew the workplace relations agreement and our Health and Safety in the workplace framework.

### **ERO's carbon foot print**

ERO's core work requires substantial travel by road and air. Our business enablement investment is partly driven by a desire to reduce travel through better systems and enhanced technology.

In the past year we received 15 petrol hybrid cars as part of our approach to reducing greenhouse emissions by 20% as the vehicle fleet is replaced. The remainder of the fleet will be replaced by the end of 2020 and we anticipate fuel savings of 26-40% by then. This places ERO well on the way to meet Cabinet's recently agreed emissions targets.

# Financial Statements and Service Performance

## Statement of Responsibility

---

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 2019 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 2020 and its operations for the year ending on that date.



**Nicholas Pole**

Chief Executive

30 September 2019

## Independent Auditor's Report

To the readers of Education Review Office's annual report for the year ended 30 June 2019.

The Auditor-General is the auditor of Education Review Office (the Department). The Auditor-General has appointed me, Jacques Coetzee, 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 33 to 51, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2019, 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 notes to the financial statements that include statement of accounting policies and other explanatory information;
  - ◆ the performance information prepared by the Department for the year ended 30 June 2019 on pages 26 to 32 and
  - ◆ the statements of expenses and capital expenditure of the Department for the year ended 30 June 2019 on pages 52 to 53.
- ◆ the performance information of the Department on pages 26 to 32:
    - ▶ presents fairly, in all material respects, for the year ended 30 June 2019:
      - » what has been achieved with the appropriation; and
      - » the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
    - ▶ complies with generally accepted accounting practice in New Zealand.
  - ◆ the statements of expenses and capital expenditure of the Department on page on pages 52 to 53 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

### Opinion

In our opinion:

- ◆ the financial statements of the Department on pages 33 to 51:
  - ▶ present fairly, in all material respects:
    - » its financial position as at 30 June 2019; and
    - » its financial performance and cash flows for the year ended on that date; and
  - ▶ comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of the 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.
- ◆ 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 2018/19 and Supplementary Estimates of Appropriation 2018/19 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 4 to 22, 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 (Revised): 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.



### Jacques Coetzee

Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand

## Service Performance

for the year ended 30 June 2019

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 2019 are reported against the forecast information contained in the Estimates of Appropriation 2018/19 and of those as amended by the Supplementary Estimates. Explanations of major variations from the Estimates of Appropriation 2018/19 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 2019.

Actual 2017/18	Quality of Education: Education and Services	Note	Actual 2018/19	Forecast Standard 2018/19
2,068	Total number of evaluations of service providers and national evaluations		<b>1,981</b>	>1,850
83%	% of education service providers that indicate ERO's evaluations are making a contribution to their decisions about how to improve learner outcomes	1	<b>85%</b>	>80%
94%	Key audiences report that ERO's national evaluations are informative and useful for identifying or planning improvement within the system or its component parts	1,2	<b>95%</b>	>80%

Note 1: We have largely used online surveys to measure this performance.

Note 2: For 2017/18 ERO conducted a survey of school principals about nine different national reports using paper-based and online surveys. In 2018/19, early learning centre owners, managers and staff were surveyed online about two of ERO's national evaluation reports. These reports looked at the implementation of New Zealand's early childhood curriculum, Te Whāriki, which was updated in April 2017. ERO's survey about its first two reports published in 2018, achieved a response rate of just over 10%. About 95% of respondents who had read the reports indicated that they were useful or very useful for planning improvements.

## 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 2019:

Actual 2017/18	Reviews of Early Childhood Learning Services	Actual 2018/19	Forecast Standard 2018/19
1,291	Number of early childhood learning services evaluations	<b>1,241</b>	1,200-1,460
99%	Level of compliance with approved standard procedures for a sample of early childhood learning service evaluations as assessed by a moderation panel	<b>100%</b>	>90%
89%	% 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>88%</b>	>80%

ERO met all the quantity, quality and timeliness criteria for early childhood learning services during 2018/19.

### Revenue and expenses

The cost of services for Quality of Education: Evaluations and Services – Early Childhood Learning Services for the year ended 30 June 2019 was:

Actual 2017/18 \$000	Reviews of Early Childhood Learning Services – Revenue and Expenses	Actual 2018/19 \$000	Unaudited Budget 2018/19 Main Estimates \$000	Unaudited Budget 2018/19 Supp. Estimates \$000
	<b>Revenue</b>			
9,589	Revenue Crown	<b>9,708</b>	9,708	9,860
188	Other Revenue	<b>35</b>	27	29
<b>9,777</b>	<b>Total Revenue</b>	<b>9,743</b>	<b>9,735</b>	<b>9,889</b>
<b>9,710</b>	<b>Total Expenses</b>	<b>9,798</b>	<b>9,735</b>	<b>9,889</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 2019.

Actual 2017/18 %	Education Reviews of Early Childhood Learning Services – Performance	Note	Actual 2018/19 %	Forecast Standard 2018/19 %
90%	% 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>88%</b>	>80%
84%	% of early childhood learning services evaluated previously within the 2 year review cycle moving to the 3 year review cycle	4	<b>94%</b>	60%-65%

Note 3: We have largely used online surveys to measure this performance.

Note 4: ERO found that 94% of early learning services that were previously given a return time within 2 years for their review made sufficient improvements to be placed on a 3 year return time. More information about the cycle of reviews is described in the section Evaluation of schools and other service providers.

## 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.

Home schooling 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 35I 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 2019:

Actual 2017/18	Education Reviews of Schools and Other Education Service Providers	Note	Actual 2018/19	Forecast Standard 2018/19
763	Number of school education evaluations (include 12 home schools, 36 exemplars and 21 private schools)	5	<b>727</b>	650-840
97%	Level of compliance with approved standard procedures for a sample of schools and other education service providers as assessed by a moderation panel		<b>95%</b>	>90%
81%	% 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>89%</b>	>80%
29	Number of Communities of Learning reports	6	<b>1</b>	Up to 100
100%	Communities of Learning reports are consistent with approved presentational standards and agreed terms of reference		<b>100%</b>	100%

Note 5: Home schooling reviews are carried out at the request of the Ministry. ERO met these demands and supplied the requested reviews to the Ministry.

Note 6: The number of reports is dependent on the number of Communities of Learning as advised by the Ministry.

ERO met all the quantity, quality and timeliness criteria for schools and other education service providers during 2018/19.

## 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 2019 was:

Actual 2017/18 \$000	Education Reviews of Schools and Other Education Service Providers – Revenue and Expenses	Actual 2018/19 \$000	Unaudited Budget 2018/19 Main Estimates \$000	Unaudited Budget 2018/19 Supp. Estimates \$000
	<b>Revenue</b>			
15,372	Revenue Crown	<b>15,501</b>	15,501	15,349
462	Other Revenue	<b>64</b>	56	68
<b>15,834</b>	<b>Total Revenue</b>	<b>15,565</b>	<b>15,557</b>	<b>15,417</b>
<b>15,247</b>	<b>Total Expenses</b>	<b>15,282</b>	<b>15,557</b>	<b>15,417</b>

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

## 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 2019.

Actual 2017/18 %	Education Reviews of Schools and Other Education Service Providers – Performance	Note	Actual 2018/19 %	Forecast Standard 2018/19 %
82%	% of schools that indicate that ERO's evaluations are making a contribution to their decisions about how to improve learner outcomes	7	<b>84%</b>	>80%
New measure for 2018/19	% of school respondents that indicate that their ERO evaluation had helped to identify or confirm opportunities for more effective practice	7	<b>89%</b>	>80%
New measure for 2018/19	% of school respondents that indicate that their ERO evaluation will help to build the school's capability in the medium to long-term	7	<b>86%</b>	>80%
65%	% of schools evaluated previously on the 1-2 year review cycle moving to the 3 year review cycle	8,9	<b>45%</b>	60-65%
8%	% of schools evaluated previously on the 3 year review cycle moving to the 4-5 year review cycle	8,9	<b>8%</b>	12-15%

Note 7: We have largely used online surveys to measure this performance.

Note 8: More information about the cycle of reviews is described on page 14 in the section Evaluation of schools and other service providers.

Note 9: From 1 March 2019, ERO education reports no longer include "return times" but include a clear judgement about school or service performance. Schools will be assessed using the same criteria employed in determining return times, but instead categorised along a continuum: needs development; developing; well placed; and strong. The length of time since any previous review and the findings of that review will still be an important consideration, but will include more current information to better enable ERO to target our resources and determine the nature of our reviews. ERO's judgement will be supported by comment on the key strengths of the schools and the next steps for sustained improvement and future learner success.

## 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 2019:

Actual 2017/18 %	National Evaluations and Other Services	Note	Actual 2018/19 %	Forecast Standard 2018/19 %
14	Number of education evaluation reports and other publications		13	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 2019 was:

Actual 2017/18 \$000	National Evaluations and Other Services	Actual 2018/19 \$000	Unaudited Budget 2018/19 Main Estimates \$000	Unaudited Budget 2018/19 Supp. Estimates \$000
	<b>Revenue</b>			
2,924	Revenue Crown	2,953	2,953	2,953
1,156	Other Revenue	956	782	1,653
<b>4,080</b>	<b>Total Revenue</b>	<b>3,909</b>	<b>3,735</b>	<b>4,606</b>
<b>4,537</b>	<b>Total Expenses</b>	<b>4,041</b>	<b>3,735</b>	<b>4,606</b>

Other revenue received for contractual services was \$174,000 above budget due to higher levels of activity than anticipated. Total expenses were also above budget due mainly to an increase in expenditure associated with contractual services for which ERO received revenue.

**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 2017/18	Capital Expenditure – Performance	Actual 2018/19	Unaudited Budget 2018/19 Main Estimates	Unaudited Budget 2018/19 Supp. Estimates
73%	Expenditure is in accordance with ERO's capital expenditure plan	31%	75%-100%	75%-100%

Capital expenditure was below budget in 2018/19 due mainly to the timing of computer systems and motor vehicles purchases carried forward into 2019/20.

## Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2019

Actual 2017/18 \$000	Comprehensive Revenue and Expense	Note	Actual 2018/19 \$000	Unaudited Budget 2018/19 \$000	Unaudited Forecast 2019/20 \$000
	<b>Revenue</b>				
27,885	Revenue Crown		28,162	28,162	31,785
1,809	Other Revenue	1	1,080	865	916
<b>29,694</b>	<b>Total Revenue</b>		<b>29,242</b>	<b>29,027</b>	<b>32,701</b>
	<b>Expenses</b>				
21,233	Personnel	2	20,589	21,562	24,933
7,197	Other Expenses	3	7,590	6,152	6,291
854	Depreciation and Amortisation	5,6	802	1,089	1,223
225	Capital Charge	4	229	224	234
<b>29,509</b>	<b>Total Expenses</b>		<b>29,210</b>	<b>29,027</b>	<b>32,681</b>
<b>185</b>	<b>Surplus</b>		<b>32</b>	<b>-</b>	<b>20</b>
-	<b>Other Comprehensive Revenue and Expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>185</b>	<b>Total Comprehensive Revenue and Expense</b>		<b>32</b>	<b>-</b>	<b>20</b>

Explanations of major variances against the original 2018/19 budget are provided in Note 14 to the Financial Statements.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

## Statement of Changes in Equity

for the year ended 30 June 2019

Actual 2017/18 \$000	Statement of Changes in Equity	Actual 2018/19 \$000	Unaudited Budget 2018/19 \$000	Unaudited Forecast 2019/20 \$000
3,746	Balance at 1 July	3,746	3,746	3,907
185	Total Comprehensive Revenue and Expense	32	-	20
	<b>Owner Transactions</b>			
-	Capital Injection	161	-	-
<b>(185)</b>	<b>Repayment of Surplus to the Crown</b>	<b>(32)</b>	<b>-</b>	<b>(20)</b>
<b>3,746</b>	<b>Balance at 30 June</b>	<b>3,907</b>	<b>3,746</b>	<b>3,907</b>

Explanations of major variances against the original 2018/19 budget are provided in Note 14 to the Financial Statements.

*The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.*

## Statement of Financial Position

as at 30 June 2019

Actual 30 June 2018 \$000	Statement of Financial Position	Note	Actual 30 June 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Forecast 2020 \$000
<b>Assets</b>					
<b>Current Assets</b>					
3,768	Cash		4,652	2,662	2,105
855	Receivables	7	40	45	65
114	Prepayments		158	98	103
<b>4,737</b>	<b>Total Current Assets</b>		<b>4,850</b>	<b>2,805</b>	<b>2,273</b>
<b>Non-Current Assets</b>					
3,974	Property, Plant and Equipment	5	3,935	4,024	4,627
494	Intangibles	6	320	1,231	1,303
<b>4,468</b>	<b>Total Non-Current Assets</b>		<b>4,255</b>	<b>5,255</b>	<b>5,930</b>
<b>9,205</b>	<b>Total Assets</b>		<b>9,105</b>	<b>8,060</b>	<b>8,203</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
2,099	Payables and Deferred Revenue	8	1,487	1,325	1,325
106	Provisions	9	106	238	115
185	Repayment of Surplus to the Crown		32	–	20
1,782	Employee Entitlements	10	1,613	1,902	1,883
<b>4,172</b>	<b>Total Current Liabilities</b>		<b>3,238</b>	<b>3,465</b>	<b>3,343</b>
<b>Non-Current Liabilities</b>					
775	Provisions	9	1,504	355	555
512	Employee Entitlements	10	456	494	398
<b>1,287</b>	<b>Total Non-Current Liabilities</b>		<b>1,960</b>	<b>849</b>	<b>953</b>
<b>5,459</b>	<b>Total Liabilities</b>		<b>5,198</b>	<b>4,314</b>	<b>4,296</b>
<b>Equity</b>					
3,746	Taxpayers' Funds		3,907	3,746	3,907
<b>3,746</b>	<b>Total Equity</b>		<b>3,907</b>	<b>3,746</b>	<b>3,907</b>
<b>9,205</b>	<b>Total Liabilities and Equity</b>		<b>9,105</b>	<b>8,060</b>	<b>8,203</b>

Explanations of major variances against the original 2018/19 budget are provided in Note 14 to the Financial Statements. The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

## Statement of Cash Flows

for the year ended 30 June 2019

Actual 2017/18 \$000	Statement of Cash Flows	Actual 2018/19 \$000	Unaudited Budget 2018/19 \$000	Unaudited Forecast 2019/20 \$000
	<b>Cash Flows from Operating Activities</b>			
	<b>Cash provided from:</b>			
27,885	Crown	28,162	28,162	31,785
671	Other	2,174	875	896
	<b>Cash applied to:</b>			
(21,439)	Personnel	(20,643)	(21,435)	(24,845)
(6,224)	Suppliers	(7,722)	(6,398)	(6,506)
(225)	Capital Charge	(229)	(224)	(234)
<b>668</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>1,742</b>	<b>980</b>	<b>1,096</b>
	<b>Cash Flows from Investing Activities</b>			
	<b>Cash provided from:</b>			
23	Sale of Property, Plant and Equipment	68	135	225
	<b>Cash applied to:</b>			
(2,284)	Purchase of Property, Plant and Equipment	(902)	(750)	(1,410)
(7)	Purchase of Intangible Assets	–	(350)	(350)
<b>(2,268)</b>	<b>Net Cash Outflow from Investing Activities</b>	<b>(834)</b>	<b>(965)</b>	<b>(1,535)</b>
	<b>Cash Flows from Financing Activities</b>			
	<b>Cash provided from:</b>			
–	Capital Injections	161	–	–
	<b>Cash applied to:</b>			
(34)	Repayment of Surplus to the Crown	(185)	(40)	(20)
<b>(34)</b>	<b>Net Cash Outflow from Financing Activities</b>	<b>(24)</b>	<b>(40)</b>	<b>(20)</b>
<b>(1,634)</b>	<b>Net Increase/(Decrease) in Cash</b>	<b>884</b>	<b>(25)</b>	<b>(459)</b>
<b>5,402</b>	<b>Cash at Start of the Year</b>	<b>3,768</b>	<b>2,687</b>	<b>2,564</b>
<b>3,768</b>	<b>Cash at the End of the Year</b>	<b>4,652</b>	<b>2,662</b>	<b>2,105</b>

Explanations of major variances against the original 2018/19 budget are provided in Note 14 to the Financial Statements.

*The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.*

## Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2019

ERO has no contingent liabilities and assets (30 June 2018: nil).

## Statement of Commitments

as at 30 June 2019

Actual 30 June 2018 \$000	Statement of Commitments	Actual 30 June 2019 \$000
	<b>Capital Commitments</b>	
	– Motor Vehicles	453
	<b>– Total Capital Commitments</b>	<b>453</b>
	<b>Non-Cancellable Operating Lease Commitments</b>	
1,346	Not later than one year	1,339
4,570	Later than one year and not later than five years	4,407
2,882	Later than five years	1,783
<b>8,798</b>	<b>Total Non-Cancellable Operating Lease Commitments</b>	<b>7,529</b>
<b>8,798</b>	<b>Total Commitments</b>	<b>7,982</b>

ERO has entered into a capital commitment by placing an order for fourteen motor vehicles 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.

*The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.*

## Statement of Accounting Policies

for the year ended 30 June 2019

---

### 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 2019 and were approved for issue by the Chief Executive on 30 September 2019.

### 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).

### Standard early adopted

In line with the Financial Statements of the Government, ERO has elected to adopt early PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Information about the adoption of PBE IFRS 9 is provided in Note 12.

### 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, rent and insurance 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. Insurance revenue is recognised when the right to receive payment is established with ERO's insurers.

#### 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 2019, 69% of total output costs were direct costs (30 June 2018: 74%).

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 31% of total output costs for the year ended 30 June 2019 (30 June 2018: 26%).

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.

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 2019 budget figures are for the year ended 30 June 2019 and were published in the 2017/18 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 2018/19.

The 2020 forecast figures are for the year ending 30 June 2020, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2019/20.

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 2020 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 10 April 2019. 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 2020 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 2019/20 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 10 April 2019, were as follows:

- ◆ ERO's activities will remain substantially the same as for the previous year
- ◆ personnel costs are based on 225 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 2018/19 is used as the opening position for the 2019/20 forecasts.

The actual financial results achieved for 30 June 2019 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 2019

### 1. Other revenue

Actual 2017/18 \$000	Other Revenue note	Actual 2018/19 \$000
1,096	Sale of services	954
62	Rental revenue from sub-leases	101
648	Revenue from insurance	–
3	Other	25
<b>1,809</b>	<b>Total Other Revenue</b>	<b>1,080</b>

### 2. Personnel costs

Actual 2017/18 \$000	Personnel Costs note	Actual 2018/19 \$000
20,329	Salaries and wages	19,834
710	Employer contribution to superannuation schemes	719
135	Increase in employee entitlements	(52)
59	Other	88
<b>21,233</b>	<b>Total Personnel Costs</b>	<b>20,589</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 2017/18 \$000	Other expenses note	Actual 2018/19 \$000	Unaudited Budget 2018/19 \$000
1,599	Leasing and Rental Costs	2,468	1,611
699	Consultancy	528	374
2,188	Domestic Travel	2,208	1,874
103	International Travel	59	42
62	Fees paid to Auditors for Financial Statements Audit	62	60
2,546	Other	2,265	2,191
<b>7,197</b>	<b>Total Operating Costs</b>	<b>7,590</b>	<b>6,152</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 2019 was 6% (30 June 2018: 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 2018</b>						
Cost	900	1,798	393	736	2,844	<b>6,671</b>
Accumulated Depreciation	(658)	(1,215)	(217)	(89)	(518)	<b>(2,697)</b>
<b>Balance at 30 June 2018</b>	<b>242</b>	<b>583</b>	<b>176</b>	<b>647</b>	<b>2,326</b>	<b>3,974</b>
<b>30 June 2018</b>						
Balance at 1 July 2018	242	583	176	647	2,326	<b>3,974</b>
Additions	213	428	19	7	5	<b>672</b>
Disposals – Costs	(58)	(214)	(5)	–	(28)	<b>(305)</b>
Disposals – Accumulated Depreciation	57	160	5	–	–	<b>222</b>
Depreciation	(121)	(75)	(44)	(75)	(313)	<b>(628)</b>

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>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>						
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>

## 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 2018</b>			
Cost	1,325	1,384	2,709
Accumulated Amortisation	(1,289)	(926)	(2,215)
<b>Balance at 30 June 2018</b>	<b>36</b>	<b>458</b>	<b>494</b>
<b>30 June 2018</b>			
Balance at 1 July 2018	36	458	494
Additions	–	–	–
Amortisation	(17)	(157)	(174)
<b>Balance at 30 June 2019</b>	<b>19</b>	<b>301</b>	<b>320</b>
<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>

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 transact with public service entities with no credit risks.

Actual 30 June 2018 \$000	Receivables note	Actual 30 June 2019 \$000
207	Receivables from contractual services	40
648	Receivables from Insurance	–
<b>855</b>	<b>Total Receivables</b>	<b>40</b>

## 8. Payables and deferred revenue

Actual 30 June 2018 \$000	Payables and deferred revenue note	Actual 30 June 2019 \$000
518	Creditors	526
1,146	Accrued Expenses	392
157	Income in Advance for Contractual Services	449
<b>1,821</b>	<b>Payables and deferred revenue under exchange transactions</b>	<b>1,367</b>
278	Tax Payables – GST, FBT and PAYE	120
<b>278</b>	<b>Payables and deferred revenue under non-exchange transactions</b>	<b>120</b>
<b>2,099</b>	<b>Total payables and deferred revenue</b>	<b>1,487</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 2018 \$000	Provisions note	Actual 30 June 2019 \$000
<b>Current Portion</b>		
106	Leasing Incentives	106
<b>106</b>	<b>Total Current Portion at end of year</b>	<b>106</b>
<b>Non-Current Portion</b>		
443	Leasing Incentives	337
332	Reinstatement	1,167
<b>775</b>	<b>Total Non-Current Portion at end of year</b>	<b>1,504</b>
<b>881</b>	<b>Total Provisions at end of year</b>	<b>1,610</b>
<b>Leasing Incentives</b>		
375	Balance at Start of Year	549
280	Additional Provision during the Year	–
(106)	Provision used during the Year	(106)
<b>549</b>	<b>Total Leasing Incentives Provision at end of year</b>	<b>443</b>
<b>Reinstatement</b>		
345	Balance at Start of Year	332
7	Additional Provision during the Year	835
–	Unused Provision reversed during the Year	–
(20)	Provision used during the Year	–
<b>332</b>	<b>Total Reinstatement Provision at end of year</b>	<b>1,167</b>
<b>881</b>	<b>Total Provisions at end of year</b>	<b>1,610</b>

## 10. Employee entitlements

Actual 30 June 2018 \$000	Employee entitlements note	Actual 30 June 2019 \$000
<b>Current Liabilities</b>		
1,335	Annual Leave, Special Leave and Sick Leave	1,192
290	Retirement Leave and Long Service Leave	269
157	Accrued Salaries	152
<b>1,782</b>	<b>Total Current Portion</b>	<b>1,613</b>
<b>Non-Current Liabilities</b>		
512	Retirement Leave and Long Service Leave	456
<b>512</b>	<b>Total Non-Current Portion</b>	<b>456</b>
<b>2,294</b>	<b>Total Employee entitlements at end of year</b>	<b>2,069</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 \$25,701 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 \$25,463 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 seven members of the Executive Leadership Team.

Actual 2017/18	Key management personnel compensation	Actual 2018/19
1,799	Remuneration (\$000s)	<b>1,428</b>
8	Full-time Equivalent Staff	<b>7</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 2017 /18. There are no changes in the designation of these financial assets for ERO in 2018/19 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 2018 \$000	Financial instruments note	Actual 30 June 2019 \$000
<b>Financial assets measured at amortised cost (2018: Loans and Receivables)</b>		
3,768	Cash	4,652
855	Receivables	40
<b>4,623</b>	<b>Total financial assets measured at amortised costs</b>	<b>4,692</b>
<b>1,664</b>	<b>Financial liabilities measured at amortised cost</b> Payables (excluding Income in advance)	<b>918</b>

### 13. Events after balance date

There have been no other significant events after balance date.

### 14. Explanation of major variances against budget

Variances against budget note	Actual 2018/19 \$000	Unaudited Budget 2018/19 \$000	Variance to Budget 2018/19 \$000
<b>Statement of Comprehensive Income and Expense</b>			
Personnel	20,589	21,562	(973)
Other Expenses	7,590	6,152	1,438
<b>Statement of Financial Position</b>			
Cash	4,652	2,662	1,990
Intangibles	320	1,231	(911)
<b>Statement of Cash Flows</b>			
Cash applied to Suppliers	7,719	6,398	1,321

The major variances to budget were as follows:

- ◆ Personnel was \$973,000 below budget due to staff vacancies.
- ◆ Other Expenses was \$1,438,000 above budget due mainly to an increase in provision to re-instate premises when these leases terminate and an increase in expenditure associated with contractual services that ERO receives revenue for,
- ◆ Cash was \$1,990,000 above budget due mainly to higher revenue levels from contractual services than anticipated,
- ◆ Purchase of Intangibles was \$911,000 below budget due to the timing of computer systems expenditure carried forward into 2019/20.
- ◆ Cash applied to Suppliers was \$1,321,000 higher than budget due to an increase in other expenses described above.

## 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 2019.

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

incurred against Appropriations for the year ended 30 June 2019

Expenditure after remeasurements 2017/18 \$000	Vote Education Review Office Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations	Expenditure before remeasurements 2018/19 \$000	Remeasurements 2018/19 \$000	Expenditure after remeasurements 2018/19 \$000	Approved Appropriation 2018/19 \$000
	<b>Vote Education Review Office</b>				
	<b>Multi-Category Appropriation</b>				
	<b>Quality of Education: Evaluations and Services</b>				
9,716	Early Childhood Learning Services	9,798	31	9,829	9,889
15,253	Schools and Other Education Service Providers	15,282	40	15,322	15,417
4,540	National Evaluations and Other Services	4,041	18	4,059	4,606
<b>29,509</b>	<b>Total Quality of Education: Evaluations and Services</b>	<b>29,121</b>	<b>89</b>	<b>29,210</b>	<b>29,912</b>
	<b>Permanent Legislative Authority (PLA)</b>				
2,549	Capital Expenditure – PLA	672	–	672	2,185
<b>32,058</b>	<b>Total Annual and Permanent Appropriations</b>	<b>29,793</b>	<b>89</b>	<b>29,882</b>	<b>32,097</b>

The appropriation figures are those presented in the Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2019, 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 2019

ERO has not incurred expenses in excess of or without appropriation by Parliament (30 June 2018: nil).

### Statement of Departmental Capital Injections

for the year ended 30 June 2019

Actual Capital Injections 2017/18	Other expenses note	Actual Capital Injections 2018/19 \$000	Approved Appropriation 2018/19 \$000
	Vote Education Review Office		
	– <b>Education Review Office – Capital Injections</b>	<b>161</b>	<b>161</b>

### Statement of Departmental Capital Injections without, or in excess of, Authority

for the year ended 30 June 2019

ERO has not received any capital injections during the year, without or in excess of, authority (30 June 2018: nil).







Level 1, 101 Lambton Quay, Wellington

Contact us at: [info@ero.govt.nz](mailto:info@ero.govt.nz)

[www.ero.govt.nz](http://www.ero.govt.nz)