

Rangiora High School 2015 Audited Annual Accounts – Summary Comments

These notes should be read in conjunction with the 2015 Audited Annual Accounts. Note all figures have been rounded to \$000s.

Background

In February 2015 the Ministry of Education appointed a Commissioner to Rangiora High School to govern the School in place of the Board of Trustees. At the time the intervention occurred a large amount of the spending for the 2015 Financial Year had been committed to by the outgoing Board and could not be adjusted without significant impact on the School (in particular Board funded staffing costs).

The Commissioner has established a Finance Committee which includes herself, the Principal/Acting Principal, Executive Officer, a representative of the School's external Accounting Service Provider and an external Financial Adviser. This Committee meets on a regular basis to review the School's financial performance and to oversee budget setting, investment management and capital expenditure.

The Finance Committee is currently working to develop a detailed financial strategy for the School, including an investment strategy. The School community will be closely consulted as part of this process.

When reading the 2015 annual financial statements it is important to note that there have been some changes to the way that some items in the accounts have been treated due to changes in accounting standards that School is required to comply with. For example, some operating leases have now been changed to be considered as finance leases and such a change has had an impact on assets and depreciation. These changes in treatment (which affected many schools) mean that comparisons between 2014 and 2015 need to be made with caution in some cases.

Importantly, the School once again received an unqualified Audit Opinion, which means that the auditors considered that the school's financial records and statements were fairly and appropriately presented, and in accordance with all relevant accounting standards.

To improve communication and transparency regarding the annual financial statements the Finance Committee has agreed to provide the following detailed commentary and explanation on the key areas in the financial statements.

Overall Result

The School incurred a net deficit for the 2015 year of \$474,000. This was against a budgeted deficit of \$261,000.

A large component of the deficit arises from non-cash items (depreciation of \$443k and cyclical maintenance provision increase of \$227k) so from an operating perspective the School was cash positive by \$88k. There was however significant investment in some capital items and this was funded from some of the School's investment funds.

Overall the School's asset and equity positions remain very strong and the school had \$8.9M in investment funds as at 31 December 2015.

Further explanation of the key items in the financial statements are as follows.

Assets (Property, Plant and Equipment)

Closing Value 2015 - \$2,693k (2014 - \$1,784k)

Additions during year - \$1,365,000 (2014 - \$263,000)

In 2015 actual spending on assets totalled \$850k while \$515k of asset additions arose from leased equipment which due to a change in the accounting standards is now required to be considered an asset.

The main areas of expenditure were classroom furniture, equipment (esp ICT related items) and buildings and improvements.

The Finance Committee considers the expected benefits from all requested capital expenditure including reports detailing the condition of existing facilities, any health and safety aspects, and the anticipated benefit to the School particularly as it relates to students and their learning.

Government Grants

There was a \$455k increase in government grant income including an additional \$156k Ministry funded teacher entitlement as well as a \$194k increase in the Ministry notional lease and \$141k additional teacher relief and Heat/Light/Water reimbursements. These were partially offset by small reductions in Operations, Bus Network and Other Government grants.

International Student Revenue and Expenses

The school received additional income in this area from additional short stay group income. This was offset by the funding of two additional teachers from these funds.

Learning Resource Expenses

Expenditure on learning resources show as a decrease from the prior year by some \$100k. This is largely due to reduced costs on PE and Uniforms (down \$40k from what was required in 2014) and also a reduction in some field trip costs and other costs (totalling some \$30k+). There were no specific areas where expenditure was significantly reduced.

ICT costs reduced with the changed treatment of leases (recognised as finance leases for 2015 when these were operating leases in 2014).

Staff Development was increased to allow for additional resources to be applied in the Innovative Learning Environment areas.

Administration

The reduction in BOT fees and expenses was the result of the Commissioner's appointment in early 2015.

There was an increase in legal fees which were mainly associated with finalisation of a new lease with the Nursery School and some intervention issues.

The increase in Employee Benefits reflects some additional costs arising from employee changes that occurred during the year as well as additional staff recruitment costs.

The large increase in Service Providers, Contractors and Consultancy expenses is largely from intervention costs. In particular, Intervention Services cost \$231k and one-off Investigation costs were \$67k.

The Commissioner's costs (excluding all travel and accommodation, which are reimbursed by the Ministry of Education) and any costs associated with the statutory intervention have been met by the School.

Property

The annual increase to the Cyclical Maintenance provision combined with the required adjustment to the total provision has increased this area by \$314k. This provision now more accurately reflects the expected financial costs of the urgent maintenance that is required in the School.

The increase in property values has resulted in the \$194k increase in the MOE Notional Lease cost. We note that this is offset by the corresponding amount shown in MOE Grant Revenue.

Employee Benefits increased by \$62k with extra hours for additional areas to clean and additional holiday pay and other provisions.

Depreciation has increased as a result of the changed treatment of leased equipment as well as depreciation charged on the 2015 asset purchases.

Budget Variations

In addition to the significant variances between the 2014 and the 2015 years as outlined above, the following notes relate to significant variances between the 2015 actual and budgeted figures that are not otherwise explained above.

Government Grants (Income), Learning Resources (Expenditure) and Property (Expenditure)

The 2015 budget figures for MOE funded teacher salaries (both income and expenditure) and the Notional Lease (both income and expenditure) were based on the 2014 figures as they were the best information to base the budget on at the time. These amounts are not directly controlled by the School.

Locally Raised Funds

The Activity and Curriculum recovery income stream budgets were based on the 2014 figures. These areas have also had some reallocation of budgets to meet the Ministry's new reporting model.

Learning Resources

The \$166k variance in "Extra Curricular" spending is the result of both a reallocation of budgets to align with the new Ministry model as well as \$128k relief costs that were in excess of budget.

Rangiora High School

Finance Committee

