

Report by the Chair of the Board of Directors

Introduction

Tena Koutou

Summary

In June 2001 the Hon Trevor Mallard the Minister of Education (the Minister), the Associate Minister of Education Hon Parekura Horomia and the directors of Paerangi Limited signed a memorandum of understanding (the MOU) to ensure the viability of education for Maori within the collective of Maori Boarding Schools. The primary objective of that agreement was the formalising of an education partnership to progress the Paerangi Business Case. An initial business case was jointly prepared by the Ministry of Education (the Ministry) and Paerangi Ltd and was presented to the Minister of Education on 30 June 2001. The initial business case sought approval for work at three levels, immediate, medium and long-term requirements.

Progression of the immediate to short term hostel maintenance requirements has been slower than expected. The round of responsive maintenance negotiations just completed was the first time the schools and their proprietors have been informed that the Ministry financial contribution to hostels will be limited, while the longer-term issues are addressed. Until quite recently the Proprietors and other stakeholders held expectations that the Crown via the Paerangi Business Case would be providing substantial capital for hostel redevelopment.

Instead the Minister decided that the Crown would provide by way of suspensory loans (dollar for dollar with proprietors contributions) up to a maximum of \$400.000 for responsive maintenance across the 2001/02 and 2002/03 government financial years.

In November 2001 Paerangi Limited and the Ministry agreed in principle to establish a working party to develop the Paerangi Business Case. The key role of the working party will be the formulation of a strategy to address the educational and financial viability of the schools. The working party will work with proprietors and schools to identify the future vision for Paerangi education and determine the optimal arrangements to achieve that vision.

The key tasks to be undertaken by the Working Party will include: developing criteria and broad future options for the proprietors and schools to consider individually and collectively; analysing whanau and interested stakeholders* responses to the broad options; assisting proprietors to develop business plans based on an agreed range of options; analysing stakeholder responses to the range of options; and preparing an option paper for the Minister to consider regarding the progression of the Paerangi business case.

Following the closure of St Stephens and Queen Victoria Schools, the Ministry began to work outside the Paerangi process with the St Stephens and Queen Victoria Schools Trust Board (SSQV Trust Board). The Ministry and the SSQV Trust Board have developed plans for a new School, Matariki in Auckland. The proposed new school will not be part of Paerangi Limited or the Paerangi Runanga. The SSQV Trust Board and the directors of Paerangi Limited have agreed that the company will acquire its

shares back from the SSQV Trust Board. In May 2002 the Board of Directors initiated a resolution of shareholders, resolving to amend the Constitution to allow for the Company to repurchase its own shares.

Strategic Environment

The Maori Boarding Schools participated in the Paerangi schooling improvement initiative from 1996/97 to 2000/01. The initiative was a partnership between the Ministry of Education and the Paerangi Runanga. The Runanga is comprised of representatives from Churches, Boards of Proprietors, Boards of Trustees, and principals of the Maori Boarding Schools.

The Paerangi initiative was an attempt to address problems within the schools particularly in the areas of student safety, curriculum delivery, academic results, utilisation of resources, governance, and school roll growth. Originally, the underpinning assumption of both the Ministry and the Paerangi Runanga in supporting further investment in the Maori Boarding schools was the continued operation of a network of eight schools and hostels. However, a number of factors, including continued risk to the financial and educational viability of eight (now six) relatively small schools and hostel buildings, crises in student safety and welfare, and the apparent inability and or willingness of proprietors to underwrite their current and future hostel ownership responsibilities, led the Minister of Education Hon Trevor Mallard (the Minister) to conclude that this assumption should be tested.

The Minister and Ministry of Education

The Minister/Ministry have signalled a view that addressing the strategic issues facing the schools will require the development of an agreed overall collective vision, goals and objectives. The Ministry now contends that the schools must move beyond roll growth and maintenance of the boarding element to unified strategic actions that lead to improved education outcomes and financial viability. Consequently the Ministry proposes that the strategic approach should focus on if and how- Paerangi schools can improve educational achievement.

The Ministry has attempted to encourage the schools to think of themselves as a collective by supporting the establishment of the Paerangi Runanga and Paerangi Ltd. Both structures have enabled the progression of collective action (such as for the development of the KAWM initiative in the schools and the responsive maintenance suspensory loans). However there is still difficulty in seeking to deal with the Maori Boarding schools as a network. Historically the schools have maintained close relationships. Never the less they have never operated as a formal network. The schools continue to operate independent of each other. Therefore the feasibility of the notion of a collective Business Case will need to be tested.

The Ministry has signalled that its future approach to the Paerangi schools will take place in the following context:

- If it is not possible for the schools to act in concert then the assumption is that they will either be acting in three smaller network groups based around the churches, or individually. However, there are indications that the latter assumption is not acceptable to the Minister;

- The Ministry's expectation is for significant change in the schools, including if necessary their planned strategic closure and possible re-opening under a different guise:
- Size does matter. The current configuration can not be justified on either economic or educational grounds:
- It is unlikely that the Ministry will indefinitely continue to financially support the schools either through school support assistance or the provision of large numbers of scholarships to Maori students 'at risk' emotionally, educationally, or in socio-economic terms. The extra funding resource received by these schools and the numbers of students receiving scholarship support is out of proportion to the relative size and number of schools.

Paerangi Limited

The political and policy context of the Paerangi process has developed to a point where it is markedly different from the environment, which existed at the time of the inception of Paerangi Limited. Paerangi Limited and the Paerangi Runanga exist (via their constitution and shareholder mandate) to strengthen Maori Christian boarding education within the Maori Boarding Schools. It was on that basis that the directors of Paerangi Limited signed the MOU.

Neither the Paerangi Runanga nor the Paerangi stakeholders envisaged that the Paerangi process or Paerangi Limited would be a vehicle for reconfiguring or restructuring the Maori Boarding Schools. The expectations of stakeholders were fuelled by financial and other support from the Ministry for roll growth. Such roll growth was supported regardless of the financial viability and increased cost structures.

Paerangi stakeholders also hold expectations in regard to the form and function of the Maori Boarding Schools. By invoking the Treaty principle of partnership both the Crown and Paerangi Limited have acknowledged the tino rangatiratanga (autonomy and identity) of the collective of Maori Boarding schools (the Paerangi Runanga). The identity of the Maori Boarding Schools is inextricably linked with te reo Maori, matauranga Maori and their special character (Maori Christian boarding education). The Collective of Maori Boarding Schools (Paerangi Runanga) therefore expects the Crown to exercise kawanatanga to respect and protect their identity. It turn the Crown expects the Paerangi stakeholders in particular the Proprietors to fulfil their obligations in terms of the Private Schools Conditional Integration Act 1976 and that the schools will remain educationally and financially viable.

To date the Proprietors have demonstrated a reluctance and or inability to fulfil their obligations in regard to hostel maintenance and redevelopment.

Proprietors will need to make definitive statements to the stakeholders of the Paerangi schools, Paerangi Limited and eventually the Minister concerning their ability and/or willingness to work in partnership regarding the future of the Maori Boarding Schools. They will need to contribute to the development and maintenance of the schools and their hostels. If they are unable or unwilling to do that, then the levels of

their support and future involvement in the schools must at the very least be clarified for further consideration.

Future Direction

I believe it is time to call a Hui of the Paerangi Runanga. The purpose of the proposed Hui will be for the Paerangi stakeholders to consider the strategic direction of the Paerangi process. The re-positioning of the schools depends on the resolution of the issues outlined above. The development of a viable business plan will depend on a high level of co-operation between Paerangi Limited and the Crown and the leadership and support given to Paerangi Limited, the Paerangi Runanga and the Paerangi Working Party.

There may be grounds for criticism of the Ministry's management of the Paerangi process. However we should not allow our frustration to cause us to lose sight of our objectives. There is a pressing need for a concerted and positive effort to address and resolve issues of ownership, governance, management, co-operation and educational and financial viability of the schools. If the current structures, legislation and models are not adequate then there is opportunity to develop and advocate for new ones. The challenge for Paerangi Limited and the Paerangi Runanga will be balancing the expectations of the Ministry with those the Paerangi Stakeholders.

Heoi Ano

Te Aorere Riddell
Chairman
Board of Directors
Paerangi Limited

Paerangi Ltd

P O Box 974
Wellington

Date: 23/01/03
Time: 11:55 AM

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Balance Sheet As at 31 December 2002

Report Options:

No Consolidation Level with Sub Totals

		This Year Balance	Last Year Balance	Y.T.D. Activity	P.T.D. Activity
		\$	\$	\$	\$
7	ASSETS				
7-1	CURRENT ASSETS				
7-10100	Cash On Hand	100.00	100.00		
7-102	BANK ACCOUNTS				
7-10210	Cheque Account	-2,807.06	11,756.26	-2,344.06	-15,119.73
7-10230	Savings Account	107,706.52	100,000.00	47,016.15	-20,000.00
7-10250	Visa Clearing Account	2,275.90		2,275.90	2,000.00
	BANK ACCOUNTS	107,175.36	111,756.26	46,947.99	-33,119.73
7-120	ACCOUNTS RECEIVABLE				
7-12070	Accruals			-120,000.00	
7-170	INCOME TAX				
7-17030	Resident With-holding Tax		-300.75		
7-17060	Tax penalties	394.60			
	INCOME TAX	394.60	-300.75	0.00	0.00
7-18000	GST Paid and Refunds Due	23,391.97	33,925.27	21,498.78	2,030.49
	CURRENT ASSETS	131,061.93	145,480.78	-51,553.23	-31,089.24
7-2	FIXED ASSETS				
7-206	PLANT & EQUIPMENT				
7-20600	Kitchen equipment 7/01	273.44	273.44		
7-20601	Less depreciation	-45.12			
7-20602	Fridge 7/01	266.88	266.88		
7-20603	Less depreciation	-44.04			
7-20604	Microwave 7/01		221.55		
	PLANT & EQUIPMENT	451.16	761.87	0.00	0.00
7-207	FURNITURE & FITTINGS				
7-20700	Unistat workstation 7/01	333.00	333.00		
7-20701	Less depreciation	-37.46			
7-20702	Alpha high back chair 7/01	315.56	315.56		
7-20703	Less depreciation	-35.50			
7-20704	Black table 7/01	237.15	237.15		
7-20705	Less depreciation	-26.68			
7-20706	Credenza & Hutch 7/01	670.00	670.00		
7-20707	Less depreciation	-75.38			
7-20709	Less depreciation	-32.06			
7-20710	Adjustable shelving whiteboard	285.00			
	FURNITURE & FITTINGS	1,633.63	1,555.71	0.00	0.00
7-208	OFFICE EQUIPMENT				
7-20800	Telecom equip 7/01	332.67	332.67		
7-20801	Less depreciation	-98.80			
7-20802	Brother fax 7/01	434.67	434.67		
7-20803	Less depreciation	-129.10			
7-20804	Digital camera 8/01	357.60	357.60		
7-20805	Less depreciation	-52.45			
7-20806	Quantum 3 9/01	581.25	495.00	86.25	86.25
7-20807	Less depreciation	-99.00			
7-20808	Computer software 11/01	1,455.45	1,455.45		
7-20809	Less depreciation	-242.58			
	OFFICE EQUIPMENT	2,539.71	3,075.39	86.25	86.25

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Balance Sheet
As at 31 December 2002

Report Options:

No Consolidation Level with Sub Totals

	This Year Balance	Last Year Balance	Y.T.D. Activity	P.T.D. Activity
	\$	\$	\$	\$
FIXED ASSETS	4,624.50	5,392.97	86.25	86.25
ASSETS	135,686.43	150,873.75	-51,466.98	-31,002.99
TOTAL ASSETS	135,686.43	150,873.75	-51,466.98	-31,002.99
LIABILITIES				
8-1 CURRENT LIABILITIES				
8-103 ACCOUNTS PAYABLE				
8-10310 Trade Creditors	3,734.42		3,734.42	-7,271.85
8-10340 PAYE Payable	-2,933.38	-10,806.32	-5,971.22	-2,933.38
8-10370 Accruals			-906.33	
ACCOUNTS PAYABLE	801.04	-10,806.32	-3,143.13	-10,205.23
8-18000 GST Collected and Payable	31,225.65	31,644.32	31,225.65	
CURRENT LIABILITIES	32,026.69	20,838.00	28,082.52	-10,205.23
LIABILITIES	32,026.69	20,838.00	28,082.52	-10,205.23
9 EQUITY				
9-1 SHAREHOLDERS FUNDS				
9-10800 Retained Earnings	183,209.24			
SHAREHOLDERS FUNDS	183,209.24	0.00	0.00	0.00
NET Y.T.D. INCOME	-79,549.50	130,035.75	-79,549.50	-20,797.76
EQUITY	103,659.74	130,035.75	-79,549.50	-20,797.76
TOTAL LIABILITIES AND EQUITY	135,686.43	150,873.75	-51,466.98	-31,002.99

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Profit/Loss Report For Period Ending : 31 December 2002

	CURRENT YEAR				LAST YEAR			
	Year to Date		Period to Date		Year to Date		Period to Date	
	\$	%	\$	%	\$	%	\$	
2	INCOME							
2-3	OTHER INCOME							
2-31000	Ministry Grants	129,492.46	98.47			253,154.68		
	OTHER INCOME	129,492.46		0.00		253,154.68		0.00
2-5	FINANCIAL INCOME							
2-50000	Interest Received	2,016.15	1.53					
	FINANCIAL INCOME	2,016.15		0.00		0.00		0.00
	INCOME	131,508.61	100.00	0.00	100.00	253,154.68		0.00
	GROSS PROFIT / (LOSS)	131,508.61		0.00		253,154.68		0.00
4	OPERATING EXPENSES							
4-2	OVERHEADS							
4-20400	Annual audit fees	3,500.00	1.66					
4-20500	Assets under \$200	26.66	0.01			1,543.21		
4-20600	Accounting, Secretarial	1,427.54	0.68	155.56	0.75	850.99	169.31	
4-20700	Bank Charges	279.17	0.13	56.68	0.27	270.00	140.65	
4-21000	Computer Expenses	1,783.71	0.85			922.61		
4-21200	Directors fees	9,558.59	4.53	696.67	3.35	3,338.66	1,079.50	
4-21700	Fringe Benefit Tax	3,303.56	1.57			604.73		
4-21900	Equipment Hire	6,121.64	2.90	683.65	3.29	4,120.07	805.03	
4-22000	General Expenses	1,083.14	0.51	334.90	1.61	1,253.65	-780.75	
4-22300	Insurance	296.78	0.14			1,231.56		
4-22500	Laundry and Cleaning	136.23	0.06			605.02		
4-22800	Meeting costs	22,298.49	10.57	5,750.35	27.65	338.23	338.23	
4-23200	Postage and Couriers	1,060.27	0.50			327.69	31.51	
4-23600	Printing, Stationery, office	3,378.44	1.60	153.91	0.74	3,697.74	1,522.06	
4-23700	Professional fees	17,265.49	8.18	4,419.68	21.25	133.18	133.18	
4-23800	Rent and Rates	8,296.21	3.93	914.74	4.40	16,055.86	5,872.36	
4-24000	Salaries - Admin	82,615.47	39.14	4,582.54	22.03	49,298.47	6,216.15	
4-24100	Sub contractors	654.21	0.31			7,850.00		
4-24200	Subscriptions	35.52	0.02			100.00		
4-24400	Staff Recruitment & training	3,136.98	1.49			7,380.00		
4-24600	Telephone & communications	5,967.62	2.83	767.21	3.69	6,308.45	1,110.83	
4-25000	Travel & Accomodation	26,975.61	12.78	1,042.27	5.01	9,345.18	2,801.09	
4-26000	Vehicles Expenses - Admin	3,230.96	1.53			2,505.33	1,386.20	
4-26100	Vehicle lease	8,621.60	4.08	1,239.60	5.96	5,038.30	898.66	
	OVERHEADS	211,053.89		20,797.76		123,118.93		21,724.01
4-5	FINANCIAL EXPENSES							
4-50100	Interest - Overdraft	4.22	0.00					
	FINANCIAL EXPENSES	4.22		0.00		0.00		0.00
	OPERATING EXPENSES	211,058.11	100.00	20,797.76	100.00	123,118.93		21,724.01
	NETT PROFIT / (LOSS)	-79,549.50		-20,797.76		130,035.75		-21,724.01