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**New Zealand Financial Management Reform:  
Organizational Changes in Secondary Schools  
Focusing on Structure, Resourcing, Budgeting, and  
Reporting**

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**A Thesis Submitted to the University of Waikato in  
Fulfillment of the Requirements of the Doctor of Philosophy in  
Accounting**

## Abstract

School reform associated with *Tomorrow's Schools* was ostensibly mobilised to engender various changes, the major ones being changes in financial management and accounting practices in schools. The reform sought, on the face of it, to give greater autonomy to the local administrators and, at the same time, impose on them a much wider accountability network. Its apparent mission was the inculcation of a culture of 'economic efficiency' and an associated traditional financial accounting measurement culture: forces seemingly alien to schools.

This study attempts to provide an insight into changes in the above practices engendered by the reforms - in particular, financial and accounting related changes associated with structure, resourcing, budgeting and reporting. It seeks to explore the changes and responses from case studies in four schools in the Waikato region. The case studies are supported by a questionnaire survey, the aim of which is to gain some preliminary insights for the subsequent, more in-depth case studies. In interpreting such empirical data, I discuss and analyse the various changes and the impacts (or issues) arising from the reform.

The thesis is consistent with a naturalistic and interpretive perspective which provides the basis for the description of the responses to the changes in the four technologies. It also pursues themes and raises questions consistent with critical theoretical analysis of organizational change.

Among the findings were the different impacts of the reform upon the schools, which arose mainly from the differences in their socio-economic backgrounds. There were also several similarities, for example, while the changes did have a significant impact upon the various structures and practices in the schools studied, many of the changes were absorbed by a small group consisting mainly of the administrative group, leaving the teachers to carry on undisturbed.

Finally, I also discuss the implications of the reform upon the future of the schools in terms of economic, social and cultural issues and their possible impacts upon the educational objectives.

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My work on this thesis would not have been possible without the help and assistance of several people.

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To my mother who, as my first teacher, taught me how to think and behave to be culturally acceptable

And to my father who, as the family 'accountant', kept track of the household expenditures and who provided me with the opportunity for education

Hidup dikandung adat  
Mati dikandung tanah

*In life we are embedded by culture  
In death we are embedded by the earth*

Malay Proverb

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## Chapter One

### Introducing the Study

#### 1. Background:

The reform of the administration of public sector schools, alongside other 'public sector reforms' including the health sector and probation service, has emerged as a phenomenon of considerable interest to researchers in many Western societies (Levacic, 1995, p. 1). The importance of the areas of education, along with health, is reflected in the amount of research carried out relative to other areas of the public sector (Broadbent and Guthrie, 1992). Broadbent and Guthrie, (1992) observed that:

*'... research concerning the health sector is growing. The situation in relation to the education sector is similar...Schools have also been subject to changes in their funding and management, and it is this that has generated research'. (Broadbent and Guthrie, 1992, p. 22)*

My background and experience makes researching education of particular interest to me<sup>1</sup>. I was particularly interested in gaining an insight into the changes that have taken place in schools, especially those associated with financial management and accounting. Interest in school reform is reflected in the many studies, that have already been carried out. In New Zealand, Wylie (1990), Mitchell et al.,(1993) and Gordon et al., (1994) have looked at the broad impacts of the reform. Several studies in the UK have been concerned with deeper issues. For example, the question of whether these changes are beneficial to children's education has been raised by Cave (1990), Barker, (1992), Broadbent and Guthrie, (1992), Davies and Anderson, (1992), Maden, (1992) and Humphrey et al., (1993). Allied to this, calls have been made for the benefits that the reform has promised to

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<sup>1</sup> I was for some years a teacher and an educational administrator before I took up accounting as a profession in Malaysia.

be scrutinized or demonstrated satisfactorily (Torrington and Weightman, 1983; Holt, 1987; Maden, 1989; Dixon, 1991). Research in the UK on the impacts of the reforms upon schools by Broadbent et al., (1990, 1992a) and by Wallace, (1992) suggests that the effects of the changes on children's education are limited. Not all the works have come up with similar findings; for example Broadbent et al., (1990, 1992a) and Edwards et al., (1996) have come to different conclusions with regard to the cultural impact of the reform. Among other research findings are those that indicate the immense complexity of the changes facing schools in the wake of the reform, and what is being lost or jeopardized by these changes - trust, commitment, co-operation and common purpose (Bowe et al., 1992). Questions have also been raised as to the affinity of the values represented in the reform with those which have traditionally been associated with schools (Gorz, 1989; Broadbent et al., 1992a; Keep, 1992; Bowe et al., 1992).

While the existing studies are important, they do not yet provide an adequate picture of how the reform is operationalised in terms of the new accounting regime and what its consequences are. Not very much is known about the changes that have occurred as a result of the reform associated with school accounting and financial management. This is especially true in New Zealand.

The above discussion emphasizes further the need for more accounting related research on school reform within the New Zealand context and thus, an opportunity to explore these accounting related changes.

The focus upon accounting related changes is based on the view that accounting is strongly implicated in the reform (Broadbent and Guthrie, 1992, p. 4; Humphrey et al., 1993, p.7; Ezzamel and Willmott, 1993, p.111). The importance of the part played by accounting under the reform was stressed by Humphrey et al., (1993). They cited Hopwood, (1985) as follows:

*'Accounting seemingly has been seen as a manifestation of sound economic management, appropriate organizational arrangement and a commitment to the objective of efficiency.'* (Hopwood, 1985, p. 15)

Its functioning in practice may, however, differentiate it from this perspective.

## 2. Aim of Study

In New Zealand financial management reform is not known by any specific name. It is, however, similar to what is known in the UK as Financial Management Initiatives (FMI) or as Financial Management Improvement Program (FMIP) in Australia. Broadbent and Guthrie, (1992) describe FMI as follows:

*'An important element of the FMI is its philosophy, which is one of introducing a particular type of "management" into the public sector. The model it imposes is one in which authority for "performance" is delegated much closer to operational areas. The managers at this level must plan their operations and account for their performance. To ensure "accountabilities" can be operationalized, the activity of the organization must be visible in some way. Accounting is one tool by which this visibility is often given'. (p. 11)*

Associated with the reformed structure mentioned above, are three 'technologies' - resourcing, budgeting and reporting. Technologies here are

the processes and systems which are introduced as integral parts of the reformed structures (Broadbent and Guthrie, 1992, p. 11). The three technologies alongside the reformed structure form the core of the new financial management and accounting. The changed structure is not strictly a technology but rather a framework within which the new technologies are introduced. However, in this study and for the purpose of convenience, structure is grouped alongside the above technologies.

2.1 *Technological Changes*: The technologies are not independent. Indeed, they are interrelated in the sense that the need to 'plan their operations' hinges strongly upon the availability of *resources* and upon the *budgets*. Among the intended features of the new system are that the *resources* from the government are to be supported with other income left to the entrepreneurial ability and management skills of each school. Inevitably, this could pose difficulties because school management has little training nor has it adequate experience for such activities. Also, searching for additional resources must involve extra work which may have to be carried out at the expense of the core objective of the school - the curriculum. There is also the problem that schools may not be able to compete equally in generating local income because they are not on equal socio-economic footings.

In terms of resourcing, I intend to explore how the new system functions in practice and how schools attempt to cope with the new funding system. The study is also concerned with how the schools perceive the new resourcing system in terms of their educational objectives.

One of the main tasks associated with the reform appears to be the management of the *budget*. In the past, schools generally had to deal with smaller budgets. (The change in the funding policy will to be discussed in Chapter Two). The bulk of the school budget prior to the 'reform' was handled at central level. Also there were then, it would seem, on the face of it, more restrictions in the way money was to be spent. For example, ostensibly expenditures were specifically categorized according to various items or 'purposes authorised by the regulations' (see Department of Education, 1977, p. 33). Thus, before the reform the budget was more used as a controlling tool. Now each school is left to look after its own budget in order to meet the needs of its planned programmes and activities. This involves budget skills in which the schools might not be expected to have much training and experience.

An issue I intend to examine here is concerned with the way the budget is managed in practice in relation to the resource constraint. I intend to explore what changes have occurred, how the budget is constructed, and how it is being used as a planning and controlling tool in terms of educational values and objectives.

The change in *structure* is inextricably linked with the perceived need to impose a wider accountability and to engender a greater visibility. Thus, schools have to 'account for their performance' through a new system of *reporting*. Structure has two aspects - external and internal. The external structure is the structure linking the school to the interested parties and those it is accountable to. The ostensible concern in New Zealand was that schools must be made more accountable, not only to the Ministry, but also to the parents and the community (*Tomorrow's Schools*). The new

'simplified' structure is intended to serve as a framework for the transmission of the new culture throughout the school system. Decentralization might be expected to cause work to be pushed down to the operational level, resulting in an increase in the school workload. This is likely to impact upon the formal organizational structure or what is referred to here as the internal structure. The internal structure provides for communication to flow up and down and throughout the organization, and serves as a chain of command and as a framework for empowerment and control. According to Chenhall et al., (1981) the formal organizational structure is:

*'...concerned with the specification of different roles for individual organizational members, or tasks for groups of individuals, to ensure that the activities of the organization are carried out'. (p. 88)*

The issue of interest here is concerned with the changes that have occurred to the school structures, in particular, the internal structure and the impact of these changes on the schools concerned.

The new *reporting* system is associated with the changes in the external structure discussed earlier. Financial information is to be delivered in a formal and traditional fashion within the policy framework spelt out in the Education Act 1989 and Public Finance Act 1989. There seem to be some issue-raising features in the Act. For example, all crown entities including schools are required to measure the 'full cost', which is the 'cost of producing outputs measured in accrual accounting terms; and includes full allocation of overhead and non-cash costs...' (Public Finance Act, 1989, p. 8). In addition, schools are required to determine and report commitments, contingent liabilities and performance. Among the performance information to be produced in the

various reports is information about school mission, goal, objectives, activities and performance or outputs<sup>2</sup>. But there may be problems related to financial and performance reporting, first because financial reporting depends on the availability of skills in accounting, and second, because performance relating to services such as education may not easily be measured. Regular reporting to the parents and to the community on school activities may be time consuming and costly. In addition, there is the question of who uses school reports and to what extent the reports are useful.

School reporting need not necessarily reflect a similar standard, although it is subject to the same legislative requirements. Earlier studies in New Zealand which focused upon the tertiary education institutions (TEI) by Dixon, (1992), and Coy et al., (1993, 1994) revealed that the annual reports were not of the same quality, in particular, in terms of their qualitative information. School reporting requirements under the reform are little different from the requirements for other public sector bodies because, like these other bodies, schools are also classified as public entities under the Public Finance Act (1989). The possibility of differences in reporting among schools is always there, even if the differences arising from special reporting exemptions are not considered. Certain reporting exemptions are given under the Public Finance Act (1989), in a special clause, whereby the Board of Trustees may, with the consent of the Minister, dispense with any statement which it considers inappropriate for the school to report.

In this study I am concerned with exploring how the schools react to the new requirements of reporting. I will examine how the schools report to the Ministry, the parents and the community. Reporting to the Ministry is more

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<sup>2</sup> I will elaborate the concept of 'outputs' under the reform in the next chapter

specific in the sense that it is spelt out in the Act in terms of what to report, how to report and when to report. So there seems to be less scope for much variation. But reporting to the parents and the community is not clearly specified, except for the requirement that it should regularly be done. Reporting is ostensibly meant to serve at least three purposes - to fulfill the accountability requirement; to provide information for decision making; and to serve as a basis for feedback for policy formulation and control. I intend to see how school reporting is serving these needs.

*2.2 Technological Change Impacts:* The reform has introduced new ideas and new practices in place of what schools have been doing and thinking in the past. It involves a new philosophy and a new culture (Pollitt, 1990; Hood, 1991; Broadbent and Guthrie, 1992). Thus, financial management reform cannot be understood merely by looking at the technical aspects of the changes but also at the social and cultural roots of the organization. As argued by various researchers (e.g. Hopwood, 1985a; Burchell et al., 1985; Laughlin, 1987), accounting is not only a technical activity but a social one as well. Thus, in addition to exploring the schools' perception relating to the changes of the above accounting related technologies, there is also a need to consider school perception of and reactions to the new culture and the new philosophy. I intend to explore this in relation to each of the technologies discussed above.

The importance of the cultural system within organizations has long been recognized not only by management researchers such as McGregor, (1960) and Schein, (1987) but also by accounting writers such as Hopwood, (1974), Bourn and Ezzamel, (1986), Broadbent et al., (1991, 1992a, 1992b,

1994) and Laughlin et al., (1994). Schein, (1987) defines organizational culture as:

*'...basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously, and that define in a basic 'taken for granted' fashion an organization's view of itself and its environment. These assumptions and beliefs are learned responses to a group's problems of survival in its external environment and its problems of internal integration'. (Schein, 1987, p. 6)*

School culture is associated with the way its members perceive the school, its objectives and what it means to them. Organizational culture might be labelled or interpreted in various terms and ways, for example, as the 'lifeworld' (Broadbent et al., 1991;1992a), as 'interpretive schemes' (Shutz, 1967; Giddens, 1979; Ranson et al., 1980; Hinings and Greenwood, 1988; Broadbent, 1992; Laughlin, 1994), as 'institutional history' (Bowe et al., 1992).

The new culture focuses upon economic rationality and consumer choice. The kind of technologies introduced are meant to generate changes and make schools more concerned with a standardized level of efficiency and effectiveness. There is the concern that the reform may be undermining long-held values in the pursuit of restrictively specified standards of efficiency and effectiveness (Humphrey et al., 1993, p. 7). The question of interest to me is how schools react to the introduction of the technologies associated with the new culture and what issues arise as a result.

### 3. Research Question

On the basis of the above discussion, the objective of this study may be summarized in terms of the following research question:

***What changes have occurred in structure, resourcing, budgeting and reporting resulting from the reform, and what are the impacts of these changes upon school culture?***

Thus I intend to focus upon the changes in the technologies introduced under the reform, and their cultural impacts upon schools. In addition, I intend to interpret the findings and discuss their implications upon the schools studied.

In seeking answers to the research question, the study is open to various methodologies or approaches (Burrell and Morgan, 1979; Chua, 1986). These various approaches boil down to two basic methodologies - positivism and naturalism (Lincoln and Guba, 1985). Both these methodologies have been adopted in various social and accounting research (Chua, 1986). Positivism is more concerned, amongst other things, with the testing of a hypothesis which is not, however, the aim of this study. On the basis of the above research question, naturalism or the interpretive approach, seems to be the more appropriate approach. This shall be further discussed in Chapter Three.

#### **4. Scope and Limitations**

This study is mainly concerned with the changes associated with accounting and financial management reform from the findings in four case study schools supported by a questionnaire survey. It has focused little on, for example, curricular and pedagogical reform. The study was not longitudinal, and continuous and detailed observations in a range of situations were not possible. Its approach is 'middle range', with the

intention mainly of exploring the changes within specific contexts. The study has little intention of coming up with any generalized statements.

## 5. Research Contribution

The main contribution of this study is associated with a deeper understanding of the changes in accounting and financial management reform in the schools. Research on school reform especially related to changes in accounting practices is rather limited. So far research interest in school reform has been more focused upon curricular and pedagogical aspects and much of the research was carried out mainly by educationalists. The contribution of this study is in two areas - extending the existing research and shedding new light upon the reform. In terms of the latter, this is especially true by way of the analysis of the changes in the different technologies showing the different impacts arising mainly from the differences in their socio- economic backgrounds.

## 6. Thesis Outline

In the next chapter I will look at the background of school reform covering the underlying economic, social and political factors that have led to the changes and the new policies associated with the changes

I will then review the existing research on school reform in terms of approaches, findings and conclusions. Having addressed the approaches used in the existing research and on the basis of recent development, I will discuss at length the most appropriate methodology and methods to be adopted in terms of the research aims and objectives.

The survey, which is intended to provide some preliminary insights into the changes in the four technologies, shall be discussed in Chapter Four. Both qualitative and quantitative methods have been adopted in the survey, with the former forming the major part of the project.

In Chapter Five, I will discuss the case studies which are aimed at gaining a deeper understanding of the reform and which form the main part of the research. Four schools from two different socio-economic backgrounds make up the case studies (involving a cross section of the school staff).

In Chapter Six the findings from the case studies and the survey are put together and discussed from the interpretive perspective shaped by Critical Theory.

The thesis closes with a summary and a conclusion in Chapter Seven. This includes a discussion of the implications of the major findings associated with the economic, social and cultural issues upon the educational objectives. It also covers a discussion of the limitations of the study and the implications of the study upon future research.

## 7. Summary

The changes associated with accounting are considered important because accounting is strongly implicated in the reform. The results from studies carried out so far on the reform in the UK have influenced accounting

practices in schools. Little research has been done in new Zealand in this area, for this reason this study is timely.

The present chapter has outlined 'what' is to be researched. The study intends to explore what changes have taken place in the financial management and accounting technologies, what their impacts are upon school culture and, concomitantly, on the future of school education.

## Chapter Two

### **Background and Nature of School Reform**

#### 1. Introduction

School reform in NZ is associated with the changes in education policies which came into force towards the end of the 1980s.

This chapter is concerned with the changes in government policies that affect schools before and after the reform. Specifically, the focus is on the policies associated with the four technologies with which this study is concerned - structure, resourcing, budgeting and reporting. The chapter will begin with a background to public sector reform. It will then focus on the changes in the policies associated with the four technologies. The chapter will then end with a summary.

#### 2. Public Sector Reform

Reform in schools cannot be understood in isolation but must be seen within the context of reform in the public sector as a whole. This is because school reform is part of the big picture, being 'part of a wave of such initiatives in the public sector' (Broadbent et al., 1992a, p.53).

The decade of the 1980s saw public sector reforms in many countries of the world. Among the earlier 'reformers' were the United States (US), the United Kingdom (UK), Canada, and several European countries including Denmark and France (Metcalf and Richards, 1987, p.1). In Australia the reform began with the passing of the Public Services Reforms Act, 1984 (Zifcak, 1994, p. 23). Two years later New Zealand followed suit with the passing of the State Owned Enterprises Act, 1986 (Ball, 1989, p.2; McCulloch and Ball, 1992, p. 7).

Several reasons are given for the reforms (Massey,1993, pp.7-8). These reasons are complex and include the interplay of social and political factors (Russell and Sherer, 1991; Massey, 1993; Zifcak, 1994). Two basic reasons most often attached to public sector reforms are: first, adverse economic conditions, and second, public sector overload (Metcalf and Richards, 1987, p. 1; Broadbent and Guthrie, 1992, p. 3). These issues were recognized and picked up by political enthusiasm for reform which later came to be known by various names such as “Thatcherism” in the context of the UK (Russell and Sherer, 1991), “Reagonomics” in the United States (Pollitt, 1990) and “Rodgernomics” in New Zealand (Boston et al. , 1991). This section shall mainly focus upon the basic issues: economic setbacks and public sector overload.

The adverse economic conditions, consisting of external and internal factors, had impacted upon New Zealand much more than the did upon the UK (Dale and Ozga, 1993). The external factors influencing these adverse economic conditions, were brought about mainly by the world economic crisis following the precipitous oil price increases of 1973 by OPEC (Tizard, 1974 p.8; Pollitt, 1990, p.30). The OPEC decision was made worse by the huge growth in world money supply during the 1970s (Tizard, 1974, Ibid). The internal factors influencing these adverse economic conditions were attributed to bureaucracy, which I will discuss later in this section.

The adverse economic situation overseas impacted upon NZ primarily through the rapid rise in import prices. Economic difficulties never before experienced in NZ were recorded, starting in the 1970s (Chatterjee, 1992, p.227). The terms of trade which were favourable in 1973, began to deteriorate and the current account surplus in mid 1973 of \$273 million turned into a deficit of \$522 million (Tizard, 1974, p.13) by mid 1974. A double digit inflation of 11.5% was experienced in NZ in 1974 (Ibid). This situation continued into the 1980s causing the average rate of economic growth to be only about half of the

OECD countries between 1950 to 1985, approximately only 1.4 percent, compared to 2.9 percent for the OECD countries (Scobie and Janssen, 1993, p. 5). Thus, when the newly elected government took over in 1974, 'it was faced with an economy with a slow economic growth, very high deficits, high debt, and a highly sheltered private sector' (McCulloch and Ball, 1992, p. 7).

The second reason, namely the oversized public sector, has been explained in terms of two separate theories: an economic theory and a social theory. According to the economic theory, the oversized public sector was attributed to the enthusiasm of social policy, based on the Keynesian theory that control of the economy could be maintained through the management of public spending (Upton, 1989, p. 39). This enthusiasm caused certain services like education and health care to be provided free at heavily subsidized prices, so that they were available to all, regardless of income. In addition the aged, the sick and those considered to be disadvantaged were assisted with benefits and pensions. As such the state made extensive transfer payments. The scope of government intervention was interpreted to be very considerable, to the extent that it was not considered appropriate (Holmes, 1977, p. 15). The oversized public sector was recognized by political and economic commentators, describing the total effect as 'overload' (NZ Planning Council [NZPC] 1978, p. 64).

One social theory, namely public choice theory, argued that bureaucracy was responsible for public sector overload. The principle behind public choice theory is that human behaviour is dominated by self-interest. Individuals are rational utility maximizers (Boston, 1991, p. 2). On this basis, public choice theory rejects all concepts related to societal well-being and public good. Concepts such as 'public service' and 'social justice' are dismissed either because they have little relevance or because they are often used to give legitimacy to the demands of sectional interest groups (Tullock 1984; Kelman 1987; Mansbridge 1990 as cited in Boston, 1991, p. 2). However, public choice

theory does not see self-interest as inherently undesirable. For example, self-interest in the economic market place, being open to competition, should be expected to produce socially desirable outcomes (Boston, 1991, p. 3). On the other hand, self-interest in the public sector has been argued to have 'damaging consequences' (ibid). I shall discuss these consequences below.

The impact of bureaucrats' self interest upon the budget is analysed in a study by Niskanen, (1971). Niskanen developed a positive theory that focused on the relations between a government bureau and its environment, particularly the environment of representative government, and the consequences of these relations for the bureau's budgets and outputs. In the situation that lacks competition, what do bureaucrats maximize? Niskanen argued that bureaucrats would go for pay, power and prestige and these preferences would lead them to maximize the size of the bureau's budget leading to a waste of resources. A similar view was expressed by Gray and Jenkins, (1985), branding civil servants as 'merely budget maximizers'. Dunleavy, (1991) argued that bureaucrats would waste resources because 'unlike private entrepreneurs who would not supply goods beyond the point at which their price equalled their cost, the welfare of the bureaucrats rose continuously as agency budgets increased' (Miranda,1994, p. 59). Citing Borcharding et al., (1982), Miranda, (1994) further argued that, driven by these preferences, bureaucrats would push their programmes more strongly than their private counterparts and join with those in the legislature who would find such excess supplies congenial to their constituents' interest. As a consequence, the state would grow well beyond what would be considered necessary disrupting, among other things, economic growth and causing powerful interest groups to capture a disproportionate share of the national income (Boston, 1991, p. 3). The public bureaucrats, it was further argued, were able to do this because of their monopoly of information vis-a-vis oversight authorities.

In the UK, the concern about increasing public sector spending caused the emergence in 1970, of a new philosophy, identified as the “Selsdon” view, which advocated for a cut back in public expenditure, thereby facilitating cuts in taxation and a reduction in the role of the government in the economy (Upton, 1989, p.42). There are various views that express the reasons for the damaging impacts of excessive public sector spending. Among these are the New Cambridge School, the crowding out theory, and the monetarist school. The New Cambridge School expounded a theory that the size of the balance of payments deficit was directly related to the Public Sector Borrowing Requirement - implying that an elimination of the deficits on the external account required reduced government spending (Cripps and Godley, 1976, as cited in Upton,1989, p.42).

The crowding out theory (Bacon and Eltis,1976; Brunner and Meltzer,1976) advocated that in the long term, an expansion of the public sector would not stimulate overall economic activity, since an enlarged public sector could be achieved only at the expense of a reduction in the activity in the private sector (Upton, 1989, *ibid*).

Most ‘leading’ monetarists of the 1970s subscribed to the crowding out theory and to the view that market forces should not be inhibited by governmental regulation (Upton,1989, p- 44). Monetarism attributed inflation to excess growth in the money supply. Such excess was said to be often caused by excessive public spending which may be financed by expanding the stock of money or quasi-money in the economy. This theory, therefore, also links the reduction in the size of the public sector to the elimination of inflation.

Some of the other consequences of excessive government intervention in the economy, are noted by Zifcak,(1994) from various earlier works. For example, Friedman and Friedman, (1980) argued that government control had ‘deadening effects’ in that continued ‘government intervention at the expense

of market competition threatened not only to destroy economic prosperity but also to reduce human freedom' (Zifcak,1994, p.9). Attacks were also targeted at central planning. Hayek,(1988) argued that central planning was politically dangerous and economically inefficient. It was politically dangerous because it reduced individual liberty, increased the power of the state, weakened the role of Parliament, and undermined the rule of law by investing government officials with considerable discretion. Central planning was considered economically inefficient because it dampened competition, increased the prevalence of monopolies and stifled entrepreneurialism (Zifcak,1994, p.9). Thus, the critics of the bureaucratic system associated a non-competitive situation with a culture with little concern for cost and value. With the emerging concept regarding the role of the public sector, both in the US and the UK, the central civil service had borne a large share of political and popular discontent with bureaucracy (Pollitt, 1990, p.37).

The pressure for change mainly came from a re-emerging force called the 'New Right' (Pollitt,1990, p.49; Massey,1993 p.6). In the UK they attacked excessive bureaucracy in central and local governments, the National Health Service, and left wing bias in teaching and works (Massey, Ibid). In the US and the UK, but particularly in the UK, they scorned those who still adhered to the belief that social problems would be solved by better government planning. The public sector administration was accused of relying too much on ad hocery and pragmatism and too little on science, planning and rational analysis (Johnson,1985, p.418). It was further pointed out that the social costs of remedying government 'failures' could exceed those initially imposed by the market.

On the basis of the above bureaucrat 'failures', the New Right movement as well as the management theorists argued that government affairs would be conducted more effectively if the tenets of the private sector management (managerialism) were adopted. The main features of managerialism include:

the pursuit of economy in administration, the projection of efficiency into the implementation of policy and the routine functions of the public service, the use of performance indicators to measure effectiveness, the desire to change the culture, the promotion of a more entrepreneurial approach to management and a belief in the need to impose new kinds of accountability, including accountability to customers and citizens (Massey, 1993, p. 30). The reform became a reality when the politicians 'picked up the thread berating the civil service for its inefficiency and lauding the productivity of private entrepreneurial initiatives' (Zifcak, 1994, p.10).

It was against this background that New Zealand public sector reform and along with it, school reform was introduced.

### 3. School Reform

3.1 *Background:* The striving for economic efficiency and effectiveness associated with the 'New Right' movement was transmitted into school reform. Thus according to the New Right, the State-run education system may be associated with dependency (where the school is dependent upon the system), complacency (unresponsiveness to the demands of society), bureaucracy (where initiatives for change are hampered by 'red-tape'), and protectionism (where educational quality, judged by 'professionals' whose central concern may not be in the national or the consumers' interests) (Bowe et al., 1992, p.66).

Under the reform philosophy education was seen as an economic commodity. Parents are assumed to be attracted to schools that produce relatively good results. On this basis, each school must now compete for the sale of its 'product'. To facilitate competition the zoning system was removed. This means that 'parents will be able to enroll their child at any school that has the physical capacity...to accept them provided that it is appropriate for the age and aptitude of the child...The assumption behind this legislation is that the

operation of open-market competition for pupils will ensure that good schools will flourish and bad schools will be forced out of the market' (Cave, 1990, p. 2). In a similar note the NZ Treasury (1987) argued that the state's role in education should move away from 'provision' and focus more on providing parents with information so they could make choices about which schools they wished to send their children to.

Citing Sutcliffe,(1989) and Duffy,(1990), Keep (1992) explained that:

*'The aim of this competition, based on opting out, open enrolment and local management of schools, is both to make schools more responsive to the wishes of parents, and also to expose inefficient schools... LMS is about putting schools in the market-place, and the hard discipline of the market-place is that the weak go to the wall (p.103).*

On the basis of this philosophy schools were introduced to a new orientation spelt out in terms of cost, economy, and the concept of competitive market (Bowe et al., 1992; Keep, 1992; Waslander and Thrupp, 1995). This was operationalised through the setting up of study groups, the passing of several legislations and the issuance of various policy documents. The important study groups in the NZ education reform are those associated with the Treasury (1987), the Meade Report (1988) on early childhood education, the Picot Report (1988) on primary and secondary education, and the Hawke Report (1988) on post compulsory education and training. Among the legislations associated with the reform are the State Sector Act (1988), the Public Finance Act (1989), and the Education Act (1989).

Of direct relevance to NZ school reform are two documents: the Treasury (1987) and the Picot Report (1988). The Treasury (1987) had argued that: education was not fostering equity, participation or achievement; it was marked by 'middle class capture'; and the inputs were not producing the outputs (i.e. the Government was not getting value for money). The Picot

Report (1988) is important because it provided the framework for school reform in NZ (Oliver, 1993).

3.2 *The Picot Report*: Consistent with the arguments of Treasury, the Picot Report (1988) identified several weaknesses of the former school education system, for example: decision making was too centralized at the departmental level; there was lack of information and choice; there was a lack of effective management practices; and there was a feeling of powerlessness (Mitchell et al., 1993; Jacobs, 1995). The report proposed a new structure based on several central features (Oliver, 1993). These were:

- *simplicity,*
- *decision making at appropriate levels,*
- *national education objectives,*
- *coordinated decision making,*
- *clear responsibilities and goals,*
- *control over resources,*
- *accountability, openness and responsiveness.*

Towards the establishment of the simplified structure, it was proposed that the Departments of Education and the education boards be disbanded and their functions converted into competitive education service centres. The Department should be restructured within the new Ministry, whose function should be confined to providing advice to the Minister of Education. It was further proposed that each school should have a board of trustees to be directly responsible for establishing policies, and for the efficient and effective running of the school. This would enable decisions to be made at the appropriate level. On the basis of the Picot recommendations, the Ministry of Education, in the same year, spelt out its policy position in a document

entitled *Tomorrow's Schools: The Reform of Education Administration in New Zealand*<sup>1</sup>.

3.3 *Tomorrow's Schools*: The policies in *Tomorrow's Schools* were subsequently incorporated within the major revisions of the Education Act 1989 and its subsequent amendments in 1989, 1990, 1991, 1993 and 1994. With the publication of *Tomorrow's Schools* the government then began the implementation of many of the proposals made by the Picot Taskforce (Edwards, 1991, p.32).

Two fundamental changes emerged from Picot's recommendations: first, the setting up of a new structure; and second, the decentralization of resources and decision making. Associated with the new structure was wider accountability. Increased decentralization and wider accountability lead to changes in the way of looking at budgeting, accounting and reporting. The new accounting associated with the measurement and reporting of total inputs and outputs (performance) was related to the criterion that school success depends on economic efficiency and effectiveness.

The next section is concerned with the changes in school structure, resourcing, budgeting and reporting.

#### 4. Change in Structure

4.1 *Background*: The change in structure may be discussed at two levels: external structure and internal structure. Both the external and internal structures have been discussed in Chapter One.

4.2 *Change in External Structure*: The change in external structure had resulted from the removal of the Department of Education (and also of the

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<sup>1</sup> Throughout this thesis, the term *Tomorrow's Schools* shall be used.

education boards). This is slightly different from the UK reform where the local authority in charge of education (LEA) is still in existence, although its functions are much reduced. The removal of the Department of Education provided a direct link between the schools and the Ministry. A new and 'leaner' Ministry of Education emerged from the former multi-function Department of Education. The function of the new Ministry was to provide policy advice to the Minister, including the responsibility for setting national guidelines for education and curriculum objectives, the approval of the charter by which each school would contract with the state, the funding of institutions, and the ownership of educational property (Edwards, 1991).

Before the reform, the structure consisted of a three level administrative system, namely the Ministry with the Department of Education under it, the education board, and the board of governors (Oliver, 1993, p. 5). The education boards were in the districts and they served as the agents of the Department of Education. School supervision was then provided by the inspectorate, which was under the control of the Department of Education. This control was provided through its regular inspections and reports on schools and through its operation of a system of grading and promoting teachers (Oliver, 1993, p.5).

With the abolition of the Department, the inspectorate was also disbanded, and a new independent body, the Education Review Office (ERO), was established with the aim of ensuring that schools were accountable for meeting the objectives stated in the charter as agreed upon between the Ministry and each school. ERO is somewhat similar to a body which had existed in the UK called Office for Standards in Education (OFSTED), established for the purpose of reviewing and evaluating public and private institutions (Smith, 1995).

ERO's role was to evaluate schools on the basis of a framework which covers pupil achievement, learning and teaching, assessment and evaluation, leadership and management, and community participation (Mitchell et al., 1993, p.96). It conducts two main types of reviews or audits: the assurance audit, and the effectiveness review. The former evaluates school and trustee compliance with legislation, Ministry regulations, and specific undertakings under the charter. The latter identifies the achievement and progress of the pupils. For this purpose, teachers are required to measure and quantify many aspects of the pupils' activities and to match the measurement to specific learning objectives (Jacobs, 1995, p.8).

Specifically ERO's functions are to carry out reviews and audits as follows (Oliver, 1993, pp. 15-16) :

*Assurance Audits:*

These refer to the audits of individual schools to ensure their compliance with contract requirements including the quality of service delivery. Three types of assurance audits will be in place:

- (i) regular assurance audits to examine the performance of the governance/ management body against legislative or regulatory requirements and its contracts for services;
- (ii) discretionary assurance audits following regular audits which disclose poor performance or community concern;
- (iii) specific compliance audits to audit the operation of specific areas of performance which are not addressed in regular assurance audits or the implementation of changes in Government policy.

*Effectiveness Reviews:*

These are direct reviews of educational institutions to evaluate the contributions made to pupils' achievement, in terms of both standards and progress, by the quality

of the teaching services, and the management systems and practices of the institution. These reviews are to provide in-depth evaluations of the institution's effectiveness, including the identification of good practices and barriers in learning. They will also examine evidence of outcomes (achievements), the quality of service delivery (provision of learning opportunities), the quality of management systems, policies and practices, and the relationship between these aspects of performance.

*Evaluation Services:*

These outputs comprise national impact evaluations of the effects of curriculum policy, management structures and systems in operation on pupils' achievement and the delivery of teaching services.

Officers of this agency would visit institutions every three years and report on the degree of attainment of the chartered objectives and the quality of administrative action. ERO's report would be a public record.

4.3 *Change in Internal Structure:* The change in policy associated with the internal structure is mainly concerned with the change in the governing body. The former Board of Governors (BOG) consisted of six elected members - five parents and one teacher. Appointed members included up to two by the education board and others appointed from among the local authorities, the local employers and old pupils' association (Department of Education, 1977, p. 5). There was no pupil representative. There was then some sense of central control over the BOG because of the presence of the representative(s) from the education board. Nevertheless, the BOG already had some governing roles in that they were given the power to appoint staff and had autonomy in finance and other areas (Oliver, 1993, p. 5). However, that power was rather limited in comparison to that of the present Board of Trustees (BOT). The former boards were not empowered to employ any one, other than office and general staff required for the administration and the

running of the schools (Department of Education, 1977, p.54). However, the freedom to recruit office and general staff was also limited in the sense that their wages and salaries, classified under a reimbursement grant, were controlled by the department.

The new BOT is in many respects simpler, in the sense that the 1989 Education Act does not spell out who should be coopted. It consists of five elected parents, one teacher representative, one pupil representative and other coopted members who 'should as far as reasonably practicable reflect the ethnic and socio-economic composition of the school's student body and the country's gender balance' (Ministry of Education, 1989, Chap 2, p.2). The new Board of Trustees would be responsible for the overall policy direction of its school, whereas the day to day management would be under the control of the principal. The new board would collaborate with the principal, staff members, and the community to prepare the charter on which funding would be based. It would be accountable for the degree of achievement of the institution's chartered objectives. Funding would be received by the board. It would approve the institution's budgets and be responsible for the preparation of the audited accounts. In connection with the budgets and the accounts, *Tomorrow's Schools* states:

*Final responsibility for how funding is allocated will lie with the board: the board will approve budgets that have been prepared by the principal and staff (para. 1.1.29);*

*The board will be responsible for the preparation and audit of the institution's accounts (para. 1.1.30).*

The BOT is given greater freedom in the sense that it has to function on the basis of the chartered objectives which it is responsible for determining (in agreement with the Ministry). It is given freedom to use the fund as it thinks appropriate in meeting the charter objectives, except that the teaching salaries are not to be used for operational purposes and vice versa (Section 80

Education Act 1989). However, since 1995, Section 80 has been slightly relaxed allowing schools to use the operational grant, the TFEA<sup>2</sup> grant, and locally raised income for employing additional teachers. There appears to be more flexibility in the UK where schools are allowed to use the teaching portion of the Aggregate School Budget (ASB) grant (which is equivalent to the NZ bulk funding) for operational purposes and vice versa (see Knight, 1993, p.117).

## 5. Change in Resourcing Policy

5.1 *Background:* Under the former system, secondary schools were already provided with a certain amount of funding, called 'discretionary grants' which the governing board had discretion to spend 'within prescribed limits'. This grant was based on roll numbers for normal day classes (including attached intermediate departments) and the number of weekly teaching half days for technical or continuation day or evening classes. The grant was to be used for the day to day running of the school, such as for cleaning, repairs and maintenance, teaching materials, and library books. The Secondary School Grants Regulations 1974 required a minimum percentage of the grant to be credited to a renewal reserve account for the purpose of meeting the cost of replacement of plant and permanent equipment. Various other types of expenditures classified under reimbursement grants such as the wages of cleaners, salaries of ancillary staff, maintenance of buildings, and the transport of children needed departmental approval 'in most cases'. (Department of Education, 1977, pp.30-31).

In addition to the above grants, schools were in the past allowed to raise funds locally via various sources such as the continuing education class fee/levy, donations, interests and rents (ibid, p.31). However, the board did not have the

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<sup>2</sup> Stands for Targeted Funding for Educational Achievement

authority to make a compulsory levy on parents for general school use. Thus, no charges were to be made for class materials and the like which were essential to the teaching of the curriculum. Nor were charges permitted which violated the principles of free education. Subscriptions from pupils for sports or other activities were only allowed under certain conditions (ibid, p.32).

5.2 *The New Funding System*: The change in the funding policy was based on the Picot Report and the Government policy decisions contained in *Tomorrow's Schools*. Funding is to be 'within the allocation of money available',<sup>3</sup> that is, on the basis of 'cash limits'. The result was the introduction of the system of bulk funding (or direct resourcing). Bulk funding consists of two separate components: the teaching salaries grant and the operational grant (Mitchell et al., 1993; Jacobs, 1995). Both are determined on the basis of a funding formula. The teaching salaries grant is to be paid on the basis of a nationally determined formula taking account of notional staff rolls for each school, the institution's individual needs, and nationally negotiated pay scales (Mitchell et al., 1993, p. 91). This grant has been controversial (Mitchell et al., 1993, p.93) and full implementation has been deferred.

5.2.1 *The Operational Grant*: The operational grant covered administration, ancillary support, maintenance, and the non-salary aspects of teaching (Mitchell et al., 1993, p.93). This includes short term maintenance<sup>4</sup>, provision of textbooks and teaching materials, salaries and wages of non-teaching staff, electricity, telephone and water charges, tax liabilities, fees and expenses of the Board of Trustees, including training and costs associated with staff development. The formula for the operational grant is made up of several components, some based on the pupil roll (for example vandalism) while others are determined on the basis of property value (for example

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<sup>3</sup> See Ministry of Education Circular entitled 'Operational Funding for New Zealand Schools' dated June 1996. Important Ministry circulars are in Appendix G

<sup>4</sup> All maintenance which can be expected to occur within a ten year cycle, e.g. internal and external painting, repair of broken windows, vehicle repair, swimming pool maintenance

maintenance). Among the components of the operational grants are: base funding; per-pupil funding; relief teacher funding; vandalism; maintenance; minor capital works; heat, light, and water; and community education.

5.2.2 *Supplementary Funding*: In addition to the operational grant there is discretionary and supplementary funding. Among the major components of the supplementary funding are the Maori Language Programmes funding and the TFEA grant<sup>5</sup>. The Maori Language Programmes funding is based on the immersion level and the number of Maori pupils. The TFEA system is 'intended to assist schools to remedy areas of educational disadvantage which are found in particular communities...The TFEA pool was derived from the previous equity funding, and learning assistance allowance...' (Ministry of Education, 1996).

The TFEA grant is determined from two factors: projected pupil number and the socio-economic needs of each school. The socio-economic needs factor is calculated on the basis of an indicator called the Socio-Economic Status (SES) Decile. This indicator is based on Census data for the areas from which each school draws pupils, along with school ethnicity and educational qualifications, household crowding, and income support payments received. After combining the data, all schools are ranked into deciles. A decile is a ten percent grouping or tenth, with schools drawing from the lowest socio-economic groups being closest to decile one and schools drawing from the highest socio-economic groups being closest to decile ten (Ministry of Education, 1996, Statistical Annex, School Listings, p.29). The TFEA grant is then distributed on the basis of the SES Decile ranking.

The TFEA grant has already undergone a major change since its inception in 1995. It was initially provided only for schools within the lowest 4 SES

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<sup>5</sup> The TFEA system replaced what was called 'equity funding' beginning 1995.

Decile. But from 1996 all schools, except those within the very top SES Decile (SES Decile 10), were entitled to the grant paid on the basis of a sliding scale (Ministry of Education Circular 1996/18).

5.2.3 *Major Capital Works*: Expenditures not devolved included capital costs associated with extension or addition of the existing buildings, major vandalism, rewiring, and reroofing. The incurrance of these expenditures are to be decided by the Ministry as and when necessary (Ministry of Education, 1989).

5.2.4 *Borrowing Powers*: Regarding the power to borrow funds, there is a big difference between the situation before and after the reform. Under the former system the Education Act 1964 made provisions for schools to borrow with certain conditions. One such condition was that prior written consent from both the Minister of Education and the Minister of Finance was necessary. In addition, the governing board had no power to incur a bank overdraft (Department of Education, 1977). The prior consent from the Ministers implies that the debts incurred by schools were guaranteed by the Government.

Under the reform, the Board of Trustees is given more borrowing freedom in the sense that no prior permission from any sources is needed. However, borrowing from overseas is not allowed and any borrowing committed by the board is not guaranteed by the Government. Several guidelines are given to the board in connection with borrowing. In general boards should not borrow to meet current expenditure. However, if there is an urgent need for a short term overdraft, they should ensure that the overdraft is cleared within the next installment of the Ministry grant. In addition for any borrowing made by the board it must, first, set aside sufficient funds in its annual budget to meet the costs of repayment, and second, it should not enter into any loan agreement

which would result in more than 10% of the annual operating grant from the Ministry being committed to repayment of the principal and interest (Ministry of Education, 1989).

5.2.5 *Locally Raised Income*: Consistent with the market driven policy and the setting of an overall cash limit within which schools are to deliver their curriculum, schools have now to depend more on self generating income than ever before. The Ministry actually encourages schools to seek additional income from various sources such as trading and fundraising, although it does not state whether the additional income is to augment government funding or be used to compensate for under funding (see Ministry of Education, 1989). The LMS in the UK is similarly perceived to be 'about minimizing expenditure on education, and by transferring responsibility downwards, avoiding the odium of such cuts' (Edwards et al., 1995, p.309).

## 6. Change in Budgeting Policy

6.1 *Background*: The governing boards were and are expected to have their income and expenditures properly planned and controlled. Under the former system, governing boards were reminded of 'the responsibility to ensure that school funds were used to the best advantage and at the same time take such measures as were necessary to ensure prudent supervision of the board's financial affairs' (Department of Education, 1977, p.35). The boards were also reminded of the need for the preparation of monthly statements as a means of exercising budgetary control. There was a need for the board 'to keep the expenditure within the available income' and that it 'is prudent to budget for a small surplus to allow for unforeseen expenditure and some items of permanent equipment (Ibid).

6.2 *New Budgeting Policy*: Under the reform, the board is required to ensure that the budgets are directly linked with the requirement stated in the school's charter. Thus, in preparing the annual budget, the Board of Trustees

must identify its objectives for the year (placed in a list of priorities), and the total funds required to achieve each objective. In cases where not enough funds are available, schools may choose several alternatives, for example, either to restrict the number of activities, or reduce its expected achievements. These imply the adoption of comprehensive budgeting. To help with financial management, the boards are advised to forecast the year's cash flow.

## 7. Change in Reporting Policy

7.1 Background: In terms of accountability to external parties, schools were in the past also to involve the parents and the community. The then Board of Governors was elected by the parents of pupils attending the school (Department of Education, 1977, p. 5). It was also ruled that the members of the board were to serve the community (Ibid, p. 13). However, parental and community control was not then the intention and, hence, reporting to the parents and the community was not mandatory. The absence of community control under the former system is reflected in the proposal by Ruth Richardson, an Opposition speaker on education. During her 1987 election campaign, she argued that it was imperative that schools joined the market economy. She further proposed, that schools should have 'local control rather than local involvement...' (Oliver, 1993, p.7).

Before the reform annual reporting was confined to financial accounts only. The statements were to be audited and submitted to the Department of Education. In this connection, section 64 (1) of the Education Act 1964 states:

*The governing body of every secondary school shall cause to be forwarded to the Director-General, before the last day of May in each year, a report for the previous year containing a statement of accounts in the form approved by the Director-General setting out its income and expenditure for the year ending with the thirty-first day of January preceding, and its assets and liabilities, and such other information as the governing body considers appropriate.*

Schools were also subject to departmental inspections in addition to the inspection by the Audit Office. The aim of the departmental inspection was to ensure 'the accuracy of accounting and accounting procedures' (Department of Education, 1977, p. 35). There was little requirement for performance measurement and reporting, or for any formal reporting to the parents and the community.

7.2 New Reporting Requirements: Associated with the new external structure discussed earlier, is the imposition of a wider accountability and wider reporting requirements upon schools. The wider accountability may be seen in terms of two dimensions: first, there is now need for school objectives and performance measures (outputs) to be published (Hay, 1991, p. 31) in addition to the report on the use of funds. Second, schools are now made accountable to the parents and the community, in addition to being accountable to the Ministry. The reporting of school objectives and performance is associated with the Public Sector Accounting Concepts (PSAC) issued by the New Zealand Society of Accountants<sup>6</sup> (NZSA).

Under the reform, the Board of Trustees is required to develop an accounting structure and information system which will enable it to provide internal and external reporting. No such structure and system were emphasized under the old system. Flexibility is now given in the sense that the work associated with accounting and reporting may alternatively be contracted out to the Education Service Centres or any professionals in the private sector, if no such facilities are available on site. In connection with internal reporting, the Board is required to provide a system for monthly management reports to enable it to monitor expenditure against budget. The system of management reporting is aimed at enabling the Board to note the progress towards the achievement of school objectives.

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<sup>6</sup> Now known as NZ Institute of Chartered Accountants

7.2.1 *Annual Reporting*: The objective of external reporting is to ‘provide a means of holding the board accountable for its trusteeship of the school’s assets and also help the board in planning its future course’ (Ministry of Education, 1989, p. 6-3). The Board of Trustees must ensure that financial reporting conforms to the standards set out in the NZSA’s Statements of Public Sector Accounting Standards. The accounting system should also provide for (ibid) :

*reporting in terms of Public Sector Accounting Concepts (PSAC);*  
*ad hoc reporting;*  
*budgeting data;*  
*comparison of budget and actual income and expenses; and*  
*accounting for separate activities (e.g. tuck shop, hostel).*

Conformity to PSAC is emphasized under the reform. PSAC is considered important because it ‘places an emphasis on the achievement of goals and objectives and promotes the use of value for money rather than just assessing in the control of spending. In doing so it becomes an accountability tool for boards of trustees’ (Ibid). This type of reporting is considered beneficial to schools because it helps to show the community how well the school has performed.

Performance reporting is made mandatory through legislation. On the basis of the Public Finance Act 1989, schools are required to prepare a statement of objectives and a statement of service performance, apart from the usual income statement, the balance sheet and the statement of cash flows. The statements associated with performance reporting do not have a counterpart in ownership-oriented private sector financial reporting (McCulloch and Ball, 1992, p. 11). Public sector performance is interpreted in terms of two

important concepts: outputs and outcomes. These concepts are discussed separately below.

The reporting requirements are spelt out in section 41 of the Public Finance Act (1989) as follows:

- (a) A statement of the financial position of the Crown entity at its balance date*
- (b) An operating statement reflecting the revenue and expenses of the Crown entity for the financial year*
- (c) A statement of cash flows reflecting cash flows of the Crown entity for the financial year*
- (d) A statement specifying the financial performance to be achieved by the Crown entity during the financial year as established at the beginning of the financial year*
- (e) Where the Crown entity is named or described in the Fifth Schedule to this Act, a statement of objectives specifying the classes of outputs to be produced by the Crown entity during the financial year as established at the beginning of the financial year*
- (f) Where the Crown entity is named or described in the Fifth Schedule to this Act, a statement of service performance reporting the classes of outputs produced by the Crown entity during the financial year as compared with the classes of outputs established at the beginning of the financial year and specified in the statement of objectives*
- (g) A statement of commitments of the Crown entity as at the balance sheet date*
- (h) A statement of contingent liabilities of the Crown entity as at the balance date*
- (i) A statement of accounting policies*
- (j) Such other statements as are necessary to fairly reflect the financial operations of the Crown entity for the financial year and its financial position at the end of the financial year*

- (k) *In relation to each statement required by paragraph (a) of this subsection and, where appropriate, by paragraph (j) of this subsection, budgeted figures for the financial year*
- (l) *In relation to each statement required by paragraph (a) to (c) , paragraph (g) and paragraph (h) of this subsection and where appropriate, by paragraph (j) of this subsection, comparative actual figures for the previous year*

Under the Public Finance Act (1989), schools fall within the description of education agencies and are included within the Fifth Schedule of the Act. The term ‘Crown entity’ referred to above also includes schools. Section 90 of the Education Act 1989 states:

*Every Board (of Trustees) is a Crown entity for the purposes of the Public Finance Act 1989.*

The Public Finance Act (1989) gives certain flexibilities to the above reporting requirement for the school Board of Trustees. Section 41A states:

*Subject to subsection (2) of this section, with the consent of the Minister, given on any conditions the Minister thinks fit (which may include a requirement that the financial statements of any Board of Trustees constituted under Part IX of the Education Act 1989 include other statements, figures, or accounts in place of the statements dispensed with), a Board as constituted under Part IX of the Education Act 1989 may dispense with preparing any of the statements referred to in section 41(2) of this Act.*

*The Minister shall not give a consent under subsection (1) of this section unless satisfied on reasonable grounds that in all the circumstances the preparation of all the statements referred to in subsection (1) of this section -*

- (i) *Is not essential because the remaining statements for the financial year can reflect the financial position and operations of the Board; and*
- (ii) *would be unduly onerous on the Board.*

In a later circular, the Ministry set out the minimum requirement for the reporting of service performance. It provided for a minimum of three objectives to be set before the beginning of the year (Appendix 1, Ministry of Education Circular, 1992/50). When a statement of service performance is prepared it will be necessary for the school to establish a comparison between the objectives set and what has been achieved using a measurement criterion. The measurement criterion is the comparison between the planned and the actual outputs of quantity, cost, and the time over which the service was provided.

*7.2.2 Reporting to the Parents and Community:* Under the reform the community is structurally linked with the school through the BOT, and reporting to the parents and the community has now become mandatory. This is based on the concept that 'individual learning institutions would become the basic units of education administration and in which professionals and communities would become partners in the enterprise of identifying clear objectives to reflect local and national needs and for which each institution would be held accountable' (Edwards, 1991, p.31). Thus accountability to the community demands that the BOT make regular reports of its performance related to each of the chartered objectives which it has at the outset established with the agreement of the Ministry. These chartered objectives cover curricula (national and local), community partnership, finance, equity, property management, personnel matters, pupil attendance, and the Treaty of Waitangi (Oliver, 1993). In addition to performance reporting which is required to be made in the annual reports, principals are separately accountable for measuring pupil performance, for reporting regularly to parents and caregivers on the progress of the pupils and to state in the report that the operation of the school will be regularly reviewed by the ERO (Oliver, 1993; Jacobs, 1995). In terms of performance reporting *Tomorrow's Schools* stated as follows:

*Each institution will set its own objectives, within the overall national guidelines set by the state. These objectives will reflect the particular needs of the community in which the institution is located, and will be clearly set out in a 'charter' drawn up by the institution. The charter will act as a contract between the community and the institution and the institution and the state.*

*The board of trustees will be required to report regularly to its community on the objectives of the institution's charter and how well they are being achieved. It will also be expected to ensure that the community is informed regularly of the educational achievements of the institution as a whole (1.1.9).*

*An independent Parent Advocacy Council will be established, to promote the interest of parents at all levels of education (2.4.1).*

7.3 Outputs and Outcomes: The difficulty of measuring service performance is well recognized (Edwards, 1991, p. 35). One reason for this difficulty is the elusive concept associated with service performance or outputs. For the purpose of specificity, the reform makes a distinction between the concepts of outputs and outcomes. This distinction forms the basis of performance accountability and is central to the accountability relationship between the state and the department (McCulloch and Ball, 1992).

Ball (1989)<sup>7</sup> defines outputs and outcomes as follows:

*'Outputs are goods and services produced by departments. Outputs may be of a variety of types, including policy advice, administration of grants, provision of specific (e.g. education) services'.*

*'Outcomes are the impacts on, or consequences for, the community of the interventions of the Government. Thus a lowered incidence of disease is an example of an outcome, as is a lowered crime rate, or an increase in economic welfare'.*

For schools, outputs are defined as 'the services provided by the board of trustees for its students or for the Ministry of Education' (Ministry of Education Circular 1992/50). In terms of performance accountability, schools

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<sup>7</sup> See also The Treasury document published August 1996 entitled 'Putting It Together'.

are only made accountable over outputs, not over outcomes. Outcomes are the responsibility of the respective Minister. Thus, outputs are required to be set out in school charters, and schools are to ensure that the objectives are implemented by providing clear sets of guidelines or policies (Oliver, 1993). McCulloch and Ball (1992) provided an example of the difference between the two concepts, by using the example of road safety. If reduction in road accidents is an outcome sought by Ministers, they might seek from appropriate departments such outputs as road patrol, vehicle safety checks, road maintenance and driver testing. Similarly, schools are accountable to the community and the Ministry only over outputs such as the provision of learning opportunities, not over outcomes such as the development of more educated citizens. The objectives or planned outputs which are required to be laid down at the beginning of the year are to be compared to the actual outputs or performance at the end of the year.

## 8. Summary

School reform is part of the reforms in the public sector. The reasons for public sector reforms are complex and influenced by social and political factors. However, two important reasons for the reforms were economic setbacks and public sector overload. The New Right movement attributed these causes, in particular the latter, to the lack of competition within the public sector.

On the basis of public choice theory, the New Right movement argued that in order for the public sector to be efficient, it needed to adopt a market approach. The reform became a reality when the New Right movement eventually gained the support of politicians and others, including economists and social theorists.

New Zealand school reform was initiated by the Treasury (1987) and the Picot Report (1988). The latter called for a simpler educational structure, more decentralization with wider accountability.

A simpler structure was achieved through the abolishment of the Department of Education and the related agencies, such as the inspectorate and the education boards. The new Boards of Trustees were now given more autonomy with regard to staffing and finance. However, a greater accountability was imposed: there is currently a need for more performance measurement and reporting; and the board is directly accountable to the parents and the community.

Regarding resourcing, schools are now, as in the past, open to three main sources of funds: government funding; locally raised income; and borrowing. Increased decentralization introduced 'bulk funding' by which schools have to manage all expenditures, with certain exceptions relating to major capital expenditures, such as new buildings, reroofing, etc. Schools are now resourced mainly on the basis of formula funding. In the past, schools were given autonomy to manage a much smaller amount of expenditure. But now, as in the past, schools are also encouraged to seek locally raised income. There is also greater borrowing power now in the sense that the BOTs are free to borrow from any sources (except offshore borrowing) without the need for prior approval. The debts of the new boards are, however, not guaranteed by the government.

In both situations planning and control through the budgets are emphasized. The reform has called for the expenditures to be directly linked with the chartered objectives and the objectives are to be arranged in order of priority. Schools may cut back on low priority activities if there are insufficient funds. This implies comprehensive budgeting.

The main change in reporting from the previous system is the demand for more information covering both financial and performance reporting. Financial reporting is now required to conform to the standards as set out by the NZSA's Statements of Public Sector Accounting Standards. There is also need under the reform for schools to make regular reports to the parents and the community on the performance of the boards' chartered objectives.

The background information gathered on school reform will serve as the data (raw materials) for the research ahead. The next chapter discusses the research approach to be adopted.

## Chapter Three

### The Research Approach

#### 1. Introduction

In Chapter One I identified 'what' is to be researched. In Chapter Two I have provided the 'backdrop' in the form of the background to school reform. The present chapter serves as an extension of Chapter One in the sense that it looks closer at the research environment. While it is intended to examine the related research in greater detail, my main concern here is with the question of 'how'. In particular, I intend to elaborate upon the research methodology and methods which are defined as follows: Methodology is taken to substantially equate to the principles which shape the researcher's understanding and acceptance of what knowledge is; method, on the other hand, is concerned with data gathering and analysis (Aitken and Gaffikin, 1987, p.5).

This chapter is organized beginning with a review of the existing literature, followed by a discussion of the appropriate methodology and methods to be adopted for this study. It ends with a summary.

#### 2.. Literature Review

School reform has attracted a substantial amount of research, both in NZ and the UK. These studies may be divided into two different groups. The first group consists of those that are only interested in the organizational changes *per se*. Most of these studies have contextual features. However, they are mainly

descriptive, less holistic and less analytical in character. These works may be termed, 'descriptive research'. The second group is much deeper and more analytical in its approach, in the sense that not only are these studies interested in changes arising from the reform but they also attempt to analyse those changes. Some studies in the latter group, notably those which have an accounting perspective have analysed their findings from the interpretive approach shaped by well developed theoretical positions. This group may for the purpose here be termed 'analytical research'. The latter group, in particular, those adopting the sociological theories, is considered more important to this study. The following review of prior research on school reform shall be carried out according to these two groups of works.

2.1 *Descriptive Research:* Much of the descriptive research associated with NZ school reform was carried out by educationalists. Descriptive research in the UK from this perspective is numerous<sup>1</sup>. Among the NZ studies on school reform carried out from the education perspective were Wylie, (1991), Mitchell et al., (1993), Gordon et al., (1994) and Waslander and Thrupp, (1995). Two NZ descriptive studies on school reform, conducted from the *accounting* perspective, were Hay, (1990; 1995) and Charsley, (1996). The approach often used by these studies was contextual and interpretive, that is qualitative, thereby focusing upon 'the perceptions of the participants'. I will elaborate the methodologies and methods associated with these works in the sections following.

The studies by Wylie, (1991), Mitchell et al., (1993) and Gordon et al., (1994) examined the general impacts of the reform. They cover several different areas, including the changes in the school charter, staff development, training, funding,

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<sup>1</sup> Several UK studies of educational interest appear in BERA Dialogues (6) edited by Wallace (1992). Among the other works are Cave (1990), Walker et al., (1991), Dixon (1991), Davies and Anderson (1992), Dimmock (1993), Knight (1993), Maden (1992), and Caldwell (1993).

market, curriculum, and assessment. Among their major findings were increased workloads, in particular, for the principals, and poor resourcing in the schools.

Hay, (1990; 1995), Waslander and Thrupp,(1995) and Charsley,(1996) were less general in character in the sense that they focused on specific issues. Their studies were little concerned with resourcing least of all on school accountability and reporting.

Waslander and Thrupp,(1995) explored market issues focusing on parental choice of schools and school choice of pupils. Their study revealed that, in general terms, marketisation influenced the behaviour of parents of higher socio-economic status more than those of the less advantaged. The study also found that the more advantaged and higher socio-economic status schools seemed insulated from market competition by virtue of their popularity, in the sense that these schools saw little advantage in growth beyond the level dictated by physical space and organizational considerations. Their study seemed to support the view of the critics of marketisation that advantaged parents would simply add to their advantage through choice policies.

Charsley, (1996) aimed at identifying and evaluating the administrative and financial changes as a result of the reform, focusing on schools involved in the direct resourcing scheme. The major finding was that while there was an overall feeling of support for the reform, there was also general complaint about inadequate resources. Charsley pointed out that one major weakness of the reform was a lack of emphasis upon staff development. The reform did not provide enough emphasis upon the development of competence and confidence amidst governance and management. Thus the new financial management lacked focus on long term future development.

Hay, (1990; 1995) explored control culture in schools. In his earlier study Hay examined the methods used by the primary school BOT to control school finances. It was found that the appropriate internal control in the form of organizational culture was not present. The existing culture could not be relied on to provide control. However, some organizational changes were noted. While internal control under the new situation was not good, there was some evidence that it was better than under the old system. The finding from his later study (Hay,1995) is similar. The later study also found that the absence of formal control was not compensated for by the existence of an appropriate control culture.

2.2 *Analytical Research*: Much of these works were carried out in the UK. Analytical research not shaped by a theoretical position shall be discussed first.

Broadbent et al., (1994) examined the roles of accounting in schools. This study was influenced by earlier works, for example, Burchell et al., (1980) and Laughlin and Lowe,(1990). These earlier studies were based on the premise that accounting fulfilled a number of different roles in society. Broadbent et al., (1994) identified two different roles of accounting in schools: its roles in the “private sphere” and its roles in the “public sphere”. The “private sphere” is where the roles of accounting are not discussed publicly, unless something ‘goes wrong’. Closely associated with this sphere is the school’s authentic objective or educational values which are considered private and “sacred” and not open for public debate. The “public sphere”, on the other hand, is more closely associated with both external relationships and with formal and explicit interrelationships within the organization.

The roles of accounting were examined in terms of budget construction and the uses of budget information. It was observed that budget construction was based

on the traditional incremental approach which had involved the least process of questioning. As noted by Broadbent et al., (1994), 'The budgeting process is not being used as a vehicle in the process of questioning what should be done. Budgets are not being used as a tool to force public debate about the nature of their activities' (p.274). Thus this aspect of budgeting is closely associated with the educational values which are 'more closely akin to the private sphere' (ibid).

In terms of the use of budget information, schools have moved into the public realm to fulfill a number of different roles, for example, for the purpose of justifying decisions, to convince others, and as 'a tool for rhetoric'. It was explained that this move has a protective purpose. Broadbent et al., (1994) noted that, '...headteachers have been effective in using the budget information to seek to protect the interests of the school against the impingement of external environmental influences which are perceived as malign. This could be seen, rather negatively, as a defensive attempt to maintain the status quo' (p.276), or as an attempt at protecting the education culture. This protective function is quite similar to the function of the "small group" associated with Critical Theory to be discussed later. Thus Broadbent et al., (1994) noted that:

*'This tactic follows the same logic of the other buffering tactic mentioned....the formation of "absorbing groups" set up to deal with intrusions into the "sacred" core of the institutions' (p.276).*

So far there seems to be little work on school reporting both in NZ and the UK. Much of the research in this area was focused upon tertiary education institutions (TEI). An important UK study, Gray and Haslam,(1990), focused on the quality of disclosures in UK university annual reports. The study revealed a significantly increasing emphasis in financial disclosures. It was also able to lend further support to the belief that organizational reporting was driven by policy prescription rather than by user demand.

Similar studies on the quality of TEI annual reports were also conducted in NZ. Among the prominent works are Dixon et al., (1992), Coy et al., (1993, 1994), and Tower et al., (1994). The main finding was that there was substantial improvement in the quality of tertiary annual reports. In addition, Tower et al., (1994) noted that among the factors that contributed to improved reporting were changes in attitude towards reporting, commitments in staff development and training, initiatives of the senior staff, legislation, and other measures.

The merits of employing some sociological perspectives in accounting research have been outlined in a number of papers. These include Colville (1981); Hopper and Powell,(1985); Chua,(1986, 1988) and Roslender,(1990). The adoption of a theoretical perspective is important because it serves as a frame of reference or a “lens” through which the researcher can make sense of the case study. Thus, Humphrey and Scapens,(1996) argued, ‘no researcher can avoid approaching a case study without some prior theoretical framework, no matter how ill-specified it might be’ (p.91). Further, citing Otley and Berry,(1994), they emphasized that, ‘case studies are likely to be most valuable where they are clear about their initial theoretical position...’(p.102).

There has been increasing interest among accounting researchers in employing some sociological perspectives in their analysis (Roslender, 1990; Humphrey and Scapens, 1996). Among the popular perspectives used by accounting researchers are Critical Theory of the Frankfurt School and Habermas, institutional theory and Foucauldian theory. Research on school reform has so far mainly mobilised two different perspectives, namely Critical Theory and institutional theory. These theoretical perspectives shall be discussed next.

2.2.2 *Institutional Theory Research*: The institutional theory has been used by Edwards et al., (1995, 1996) in their study of school reform in the UK. From this

perspective, the changes were explained in terms of the attempt by the organization to conform to the 'institutional environment' which consists mainly of the roles of the cultural elements, such as symbols, cognitive systems, and normative beliefs (Meyer and Rowan, 1977; Scott and Meyer, 1983). In their earlier study Edwards et al., (1995) found that 'the requirement for such reforms is, as with LMS<sup>2</sup>, more often related to external demands for legitimisation than the needs of the organization, in this case the political and economic rationale and demands of central government' (p.313). Their later study attempted to analyse 'some of the consequences of accounting's colonisation of organizations, specifically, the school sector in the UK'. The study suggested that there were cultural changes as the consequences of accounting's colonisation of the UK school sector. Among the evidences of such colonisation were, first, the emergence of the new vocabulary of "management" in the LEAs and schools. In addition, accounting and budgeting functions in the schools were found to be much more central and hence more clearly visible. It was also noted that the 'position of accounting as "profession" within the LEA, perhaps at the expense of teaching professional element in LEAs...is clearly enhanced' (p.33). Further, the introduction of devolved budgets and local management has led to greater levels of 'cost consciousness' and has created scope for action by schools to capitalize on this notion.

Institutional theory has been criticised on several grounds (see Covalski and Dirsmith, 1988). Among its weaknesses are first, 'its apparent assumption of passivity' (ibid). The expectations of acceptable practice are presumed to exist, and organizations conform to them to gain legitimacy and continued support. The second criticism relates to the institutional perspective's apparent inattention to power and self-interest (Covalski and Dirsmith, 1988, p.565).

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<sup>2</sup> LMS denotes Local Management of Schools, similar to NZ's *Tomorrow's Schools*

2.2.3 *Critical Perspective Research*: Studies within this group have used the Habermasian version of critical theory as adapted by Laughlin, (1991) for accounting research. Consistent with the Habermasian model, Laughlin, (1991) differentiated three elements within an organization, namely the “interpretive schemes”, “design archetype” and “sub-systems”. These elements are described as follows:

*‘The interpretive schemes are seen as the underlying sets of values and beliefs which are held by Organizational members. They are given structure and coherence by the design archetype, which comprises the structures and the management systems of the Organization. The sub-systems, in an ideal-type situation, are guided by the design archetype in ways which are commensurate with the values represented in the interpretive schemes (Broadbent, 1992, p. 345).*

Interpretive schemes are formed discursively over time and comprise the beliefs and experiences that guide behaviour and action (Laughlin, 1991). The design archetype (control structures/management systems) which is the steering media forms a crucial link between the sub-systems and the interpretive schemes. Laughlin et al., (1994) further describes the control structures and management systems that make up the design archetype. The design of the structures and management systems:

*‘is given coherence through an underlying set of values and beliefs... it includes the design and functioning of the organization structure, decision processes and communication system of any organization’ (Laughlin et al., 1994, p.62).*

The central feature of Laughlin’s (1991) adapted model is the way organizations respond to change. The key question is whether the interpretive schemes are

influenced or not. External influences or disturbances<sup>3</sup> will first affect its design archetypes. Laughlin's (1991) analysis of the consequences of the impacts of the disturbances is detailed, examining various possibilities. First, the introduction of a new order may cause a change in the design archetypes without affecting the interpretive schemes. This type of change, affecting the design archetypes only without affecting the interpretive schemes, is called a "first order change" or "morphostatic change". There are two types of first order change: "rebuttal" and "reorientation" (see Figure 1). The former type is temporary, where the disturbance caused is short term and the organization is successful in turning away the disturbance and then reverts back to its original structures and systems. Reorientation occurs when the organization is not able to turn away the disturbance and has to adapt to the new structures and systems. The change in the design archetypes here is permanent.

A second order change occurs when the disturbance influences the interpretive schemes. In this case, as a result of the external influence, the organization begins to adopt a new set of interpretive schemes different from its original values and beliefs - a process known as "colonization" (see Figure 2). But Laughlin (1991), consistent with the Habermasian model, argued that a second order change can also occur as a result of internal colonisation at the organizational level. This occurs when the design archetypes embody values and beliefs alien to the organizational interpretive schemes and proceed to convert the organization to these values causing organizational fragmentation or "schizoid" (Laughlin, 1991). To prevent the second order change, a common way is to engender a first order change by intentionally altering the design archetype and setting up a "small group". The use of the small group is not something new. It is quite well recognised in management literature (Jacobs, 1995). Citing Bion (1968), Jacobs argued that the creation of a "specialized work" group is an effective way to cope

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<sup>3</sup> Also called "kicks" or "jolts" by Laughlin (1991)

Figure 1: Reorientation

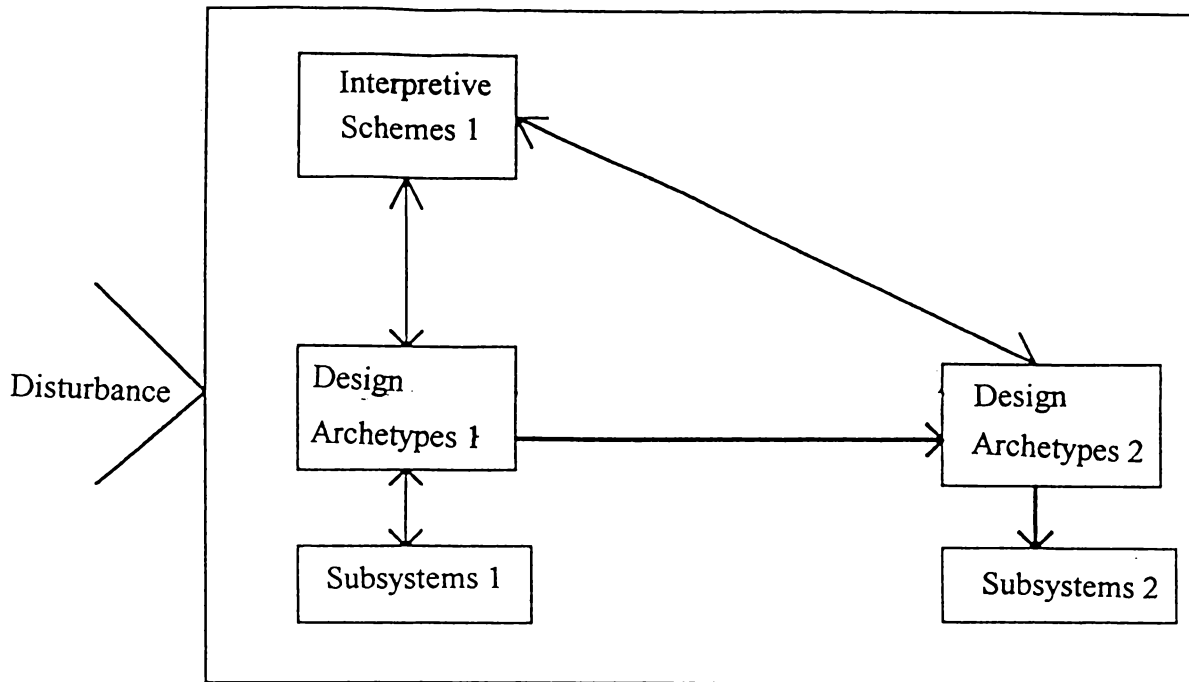
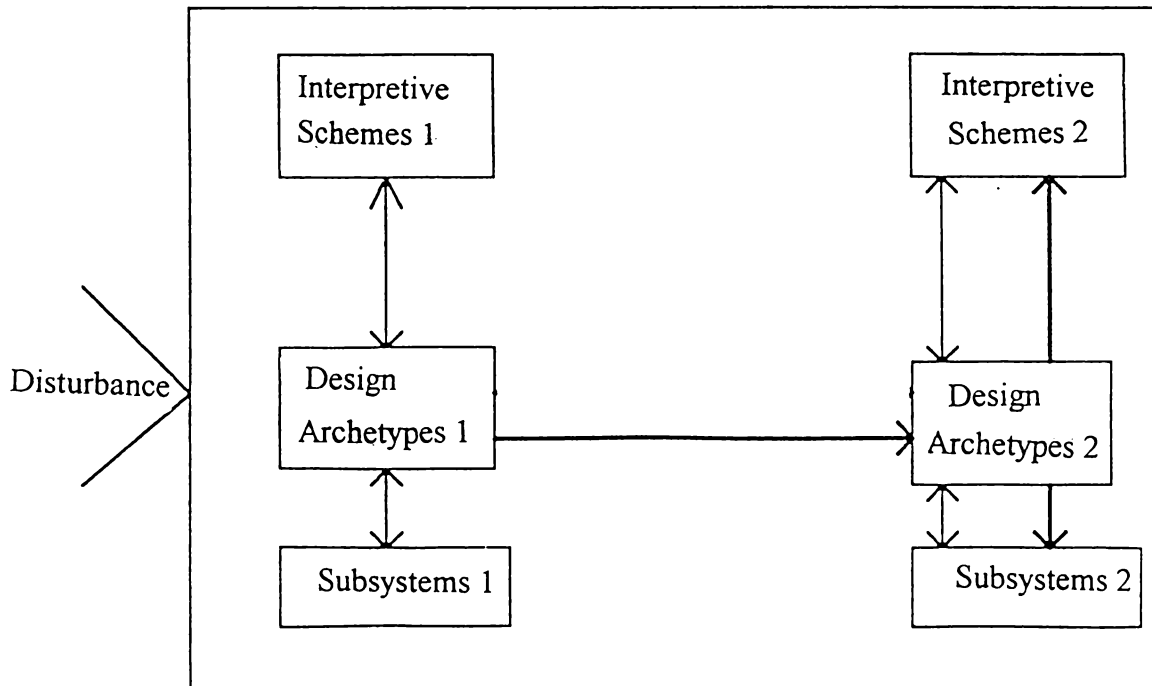


Figure 2: Colonization



Adapted from Laughlin (1991)

with a perceived threat. De Board, (1987) further explained the small group as follows:

*'In effect [specialised work groups] are sub-groups budded off from the main group, whose main task is to deal with the basic assumptions on behalf of the main group, thereby allowing the work group function of the main group to proceed efficiently' (p.83).*

The changes in the schools are examined and explained in terms of the main concepts associated with this theory, among which are “interpretive schemes” and “organizational change”. One NZ study on school reform from this perspective was carried out by Jacobs, (1995) which was similar in approach, context and findings to another earlier and more prominent work in the UK - Broadbent et al., (1992a), and Laughlin et al., (1994). As such, it shall be discussed in conjunction with these earlier UK studies next. In his analysis, Jacobs noted that school accounting information played only a ritual role in its external relationship.

The study by Broadbent et al., (1992a) is one of the most influential works to this study. It examined the changes associated with the LMS in four schools. One of the significant findings of the study was that, although the schools were different in size and socio-economic background, ‘the effects of the introduction of LMS has been remarkably similar in all the schools’. The LMS was associated with a new culture related to economic rationality. It was found that although the structures of the schools had changed, the educational values of the schools were found to be intact: ‘Nowhere has there been heard an argument that any of the schools’ activities should be stopped or reduced because of the economic or financial reasons only’ (p. 65). Economic issues generated by LMS remained peripheral, located within small groups of people. Similar changes were found in the NZ study by Jacobs, (1995). Broadbent et al., (1992a) further argued that the situation can possibly change. This is because ‘...those who are involved in LMS

may well develop a lifeworld which takes on board the values of LMS. Thus second order change may develop...'(ibid). On the other hand, the educational system may be secure enough to ensure that the change process remains at the 're-orientation' stage. It was noted that different situations may develop in different schools. The detail can only be found in the context of particular empirical situations (p.66).

The study by Laughlin et al., (1994) represented an extension of the earlier work by Broadbent et al., (1992a) discussed above. This research was aimed at exploring 'in depth, the nature and diversity of this small absorbing group, from both a theoretical and empirical viewpoint, as well as raising a critical agenda concerning this handling process' (p. 60). The study went on to look at the different designs of the absorbing groups in the selected schools. Using the interpretive approach discussed earlier, they interviewed teachers, headteachers and chairs of governors of twenty four schools of different sizes and socioeconomic backgrounds. The study covered schools of all levels but more than half consisted of secondary schools. The study approached the examination of the nature of the small groups through the understanding of the headteachers. In almost all the cases the headteachers were fully involved in LMS with a few cases where their roles were just advisory or sharing. Among these different groups, many were observed to be causing tensions and stress among the staff. Only one type (the informer-involver) seemed to be the most appropriate for handling LMS because the informer-involver was least anxiety inducing. Some seemed to have the potential of being "colonised", in the sense that the educational objective might eventually be overcome by the concern for economic efficiency.

### 3. Methodology

The above studies, descriptive and analytical, have all adopted the interpretive approach. In essence, the approach focuses upon attempts to ‘understand’ a certain situation from the perception of the participants (Tomkins and Groves, 1983; Chua, 1986). The concern is to adopt what Laughlin, (1995) termed “middle-range” thinking. Central to this thinking is that because the social world is complex, only “skeletal” generalizations are ever possible. A theory is seen as a skeleton which can be ‘fleshed out’ by the empirical details of a particular situation and modified in the light of empirical data. As such a theory will inform and be informed by the field work (Broadbent et al., 1992a). As stated by Laughlin et al., (1994):

*‘Thus with the current levels of understanding, it is impossible to use the models either to predict exactly how the organizational arrangements will look in specific instances or which pathways will be followed from any actual disturbance. While the theories may well advance with greater empirical exposure it is unlikely they will ever be anything other than “middle” range, always requiring amplification and refinement through empirical examples’ (Laughlin et al., 1994, p.61).*

Accounting research has long been dominated by scientific methodology or positivism (Abdel-Khalik and Ajinkya, 1980; Chua, 1986). Reese, (1980) defined positivism as ‘a family of philosophies characterized by an extremely positive evaluation of science and scientific method’ (p.450). Among the assumptions of positivism are: first, an ontological assumption of a single, tangible reality ‘out there’ that can be broken apart into pieces capable of being studied independently; second, an epistemological assumption about the possibility of separation of the observer from the observed, the knower from the known; third, an assumption of the temporal and contextual independence of observations, so that what is true at one time and place may, under appropriate circumstances

(such as sampling) also be true at another time and place; fourth, an axiological assumption of value freedom, that is, positivism assumes that the results of an inquiry are essentially free from the influence of any value system; and lastly, an assumption of linear causality - there are no effects without causes and no causes without effects (Lincoln and Guba, 1985, p.28).

These assumptions 'are increasingly difficult to maintain' (ibid) as they are being attacked by various critics, not only within the social sciences but within the physical sciences as well. In the physical sciences, for example, Schwartz and Ogilvy (1979), having described what they took to be the three basic assumptions of the Newtonian world view, added that 'all of these basic assumptions are now being challenged by theoretical and experimental findings' (Lincoln and Guba, 1985, p. 24). Among the major challenges is that 'positivism leads to an inadequate conceptualization of what science is'. Thus Hesse, (1980) <sup>4</sup>,

*'asserts that all attempts to find demarcating criteria, that is necessary and sufficient conditions for a belief system to be science, have failed. These failures include all verifiability and falsibility criteria, and specific appeals to experimentation and/or to particular kinds of inductive or theoretical inference'.*

Lincoln and Guba, (1985) also pointed out that positivism is unable to deal adequately with two crucial and interacting aspects of the theory-fact relationship. The first aspect is concerned with the problem of induction. In deduction, given the validity of the premise, the conclusion must be true. But in induction there are always many conclusions that can reasonably be related to certain premises. Hence there cannot be convergence, nor a certain or true theory. The second aspect is the apparent impossibility of having facts that are not themselves theory determined. The truth of a proposition (fact on trial) cannot be determined, except

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<sup>4</sup> See Lincoln and Guba (1985) p.25

in relation to a true theory. However, as discussed above a true theory cannot be derived because of the problem of induction. Hence the reasoning is circular (Lincoln and Guba, 1985 p.26).

If positivism is difficult for the physical sciences, it should be more so for the social sciences. A different approach seemed necessary for the social sciences. An early statement on the special method of the social sciences was made by the German neo-Idealist philosopher, Wilhelm Dilthey<sup>5</sup>. Dilthey argued that the social science was basically different from the physical science and attempted to place it (*Geisteswissenschaften*) on a different methodological basis from the physical science (*Naturwissenschaften*). It was argued that the data of the social sciences (human minds) were given, not derived. It is within himself that the social scientist is to find the key to the social world. Thus according to Dilthey:

*'The natural sciences seek abstracted explanatory ultimates whereas the social sciences seek immediate understanding through insight into their raw data. Humanistic and artistic insights are the goals of the social sciences, and these are achieved not through the methods of the natural sciences but only by means of empathetic identification with the values and meanings examined in the minds of social actors. This is the process of subjective understanding or interpretation (verstehen), and we achieve such understanding through the process of "reliving" social events'* (Truzzi, 1974, p.9).

Responding to the 'humanistic and artistic insights' mentioned by Dilthey above, Lincoln and Guba (1985) provided a set of assumptions for naturalism<sup>6</sup> or the interpretive approach to match those of positivism discussed earlier. Regarding

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<sup>5</sup> See Truzzi (1974, p.8). Dilthey (1833-1911) was reacting to what he called the 'crass, naturalistic metaphysics' of Auguste Comte and, especially to the conclusion of John Stuart Mill: 'If we are to escape from the inevitable failures of social science when compared with the steady progress of the natural sciences, our only hope lies in generalizing the methods which have proved so fruitful in the natural sciences so as to fit them to the uses of the social sciences'.

<sup>6</sup> Lincoln and Guba (1985) referred to the anti-positivistic stand as naturalism. This is similar to the interpretive approach construct.

the nature of reality (ontology), the naturalist sees multiple constructed realities that can be studied only holistically. First, inquiry into these multiple realities will inevitably diverge (each inquiry raises more questions than it answers), so that prediction and control are unlikely outcomes, although some level of understanding (verstehen) can be achieved. Second, regarding the relationship of knower to known (epistemology), the inquirer and the “object” of inquiry interact to influence one another; knower and known are inseparable. Third, with regard to the possibility of generalisation, the aim of the inquirer is to develop an idiographic body of knowledge in the form of a “working hypothesis” that describes or gives insight into the individual case. Fourth, regarding the possibility of causal linkage, all entities are seen in a state of mutual simultaneous shaping so that it is impossible to distinguish causes and effects. Lastly, on the role of values in inquiry (axiology), the naturalist does not see the inquiry as value free, but rather value bound and subject to various influences: the inquirer, the choice of paradigm, the choice of substantive theory.

The increasing interest in the interpretive approach among accounting researchers had been gathering steam since the last decade. For example, Burchell et al (1980) had already pointed out that accounting was implicated in social and organisational practice. The growth in the interest in the interpretive approach is also associated with the growing interest in contextual research (Broadbent and Guthrie, 1992). Thus, Broadbent and Guthrie, (1992) argued:

*‘Consistent with the argument that accounting should be known for what it does in specific contexts rather than what it might be able to do in a generalized and abstract arena (Hopwood, 1985), more empirical research has been carried out.’ (Broadbent and Guthrie, 1992, p. 6).*

The interpretive methodology in accounting research has many advocates (e.g. Tomkins and Groves, 1983; Chua, 1986). Tomkins and Groves,(1983) explained the importance of getting inside the feeling and experience of the participants. Citing Blumer, they stressed the importance:

*'...for "feeling one's way inside the experience of the actor" in order to gain an understanding (or verstehen) of the research subject's subjective perspective in specified decision contexts. Through such a process one may well identify many significant forms of social behaviour which cannot be related to a few well specified variables with stable meanings but which result from the nature of each interaction between a group of persons' (p.369).*

The importance of understanding meanings in case study research was stressed by Chua,(1986) as follows:

*'Meanings are themselves built on other meanings and social practices. As such, "thick" case studies conducted in the life-world of actors are preferred to distant large-scale sampling or mathematical modelling of human intention (p. 615)...there is much to be gained by moving accounting into the life-world of actors...the approach offers an understanding of accounting in action' (p.618).*

The use of the interpretive approach seems to be the more appropriate methodology for this study for at least two reasons. First, in terms of the aims and objectives, this study intends to 'explore' and to 'understand' in terms of the 'middle range' position. As such, heavy reliance is placed upon the perceptions of the respondents, for example, upon how and why the observed phenomena are defined by them. Second, as evident from the studies reviewed above, the use of the interpretive approach is in line with the current trend in accounting research.

As mentioned two sociological theories are dominant in school accounting research: the institutional theory and Critical Theory. The weaknesses of the

institutional theory have been discussed. This study has a great preference for Critical Theory as adapted by Laughlin,(1991) for accounting research. This is not to say that Critical theory is not without weaknesses. Like the institutional theory, Critical Theory has also been subjected to critique. Roslender, (1990), for example, questioned whether there is justification for employing the critical theory perspective for micro level research since the theory was originally developed 'on societal level issues'. However, it may be argued that one could focus on an organization in a social context. There are different social levels in an organization too with the interplay of different power structures and the privilege of certain interests (Humphrey and Scapens, 1990, p.89).

A stronger argument was provided by Laughlin,(1987). He observed that Critical Theory is based on certain assumptions which are subject to debate. One important assumption is that:

*'conscious human action is capable of moulding the social world to be something different and "better"...In this respect critical theory is open to attack by those who opt for a view either of determinism or those who remain justifiably agnostic at this stage of our understanding' (Laughlin, 1987, p.483).*

Nevertheless, he noted that certain characteristics of the theory make it relevant for accounting research, among which is that 'critical theory proposes dynamically linking theory to practice. Theory to a critical theorist, must always have some sort of effect on practical "real world" phenomena' (Laughlin, 1987). Also 'critical theory sees critique, change and development as vitally necessary components of the practically based research endeavour'(ibid). Laughlin,(1987) continued:

*'This unabashed concern for critique of the status quo and the need for transformation to achieve a "better" life could inject a fundamental ethical dimension into accounting research. Hitherto this has been absent and in this respect critical theory is potentially relevant to those who consider these issues as vitally important'. (Laughlin, 1987, p.485).*

The suitability of the theory is also explained in terms of its ability to provide an effective framework for the analysis of the financial and administrative changes, and also because of the openness with which the critical appraisal can be undertaken (Broadbent et al., 1991). Its 'open' feature is consistent with the naturalistic approach discussed earlier. Broadbent et al., (1991) elaborated that the version associated with Habermas' thinking is considered suitable for understanding societal changes:

*'...because of the power of his thinking to provide a discursive framework which enables a theoretical and practical understanding of the appropriateness of particular changes...This ability to both understand and evaluate in the context of the wide societal model is at the heart of Habermas' more recent work, which has been dominated by a concern for, and belief in, the power of a defined sense of reason and rationality to understand and judge the world in which we are situated'(Broadbent et al., 1991, p.1-2).*

In addition, it is noted that the Habermasian model addresses an issue central to the debate between those who see accounting systems as nothing more than technical phenomena and those who view them as having important social roots. Laughlin, (1987) stressed:

*'...Habermas presents a detailed process which is intended to allow not only an understanding about the nature and interconnections of the social and the technical but also the possibility to engender change in both' (Laughlin, 1987, p. 487).*

The suitability of Critical Theory for accounting research would also appear evident from its growing popularity in comparison with the institutional theory. Referring to the use of the critical perspective in management accounting research, Roslender, (1990) remarked that 'The distinctly Marxist perspective evident within contemporary sociology appeals to those management accounting researchers who are concerned with the role which accounting and accountants play in the processes of social reproduction, characteristics of advanced capitalism' (p. 353). In the UK great interest has been shown in employing Critical Theory by a group of writers, among these are Laughlin, Lowe and Puxty, (1982), Broadbent (1992), Broadbent et al., (1991,1992a), Laughlin et al., (1994). In NZ the theory has been lately used by Jacobs (1995). In the main it has been the work of Habermas which has interested them, especially his later work which has been viewed as 'less critical' than most of the writings of the tradition (Roslender, 1990, p.361).

On the basis of the above argument, the works using Critical Theory, for example, Broadbent et al., (1992a); Laughlin et al., (1994), and Jacobs, (1995) are therefore important to this study. They have provided many insights into how schools have reacted to the accounting related changes introduced under the reform. However, they are mainly studies conducted in the UK. The UK and NZ educational reforms are not exactly the same in the sense that reforms in NZ have gone further and are much more extreme than those in other parts of the world. The NZ reforms have been described as 'enormous, ambitious and unprecedented anywhere in the world' (Hay, 1991, p.31). In their comparison between the UK and NZ school reforms, Dale and Ozga, (1993) noted:

*'In contrast, the New Zealand reforms were self-consciously radical and innovatory...In New Zealand, by contrast, we suggested that the reforms had less to do with education per se and more to do with a radical reform of state-market relations and public administration in general, and represented a clear departure from anything the country had attempted before' (pp 71/85).*

Thus, school reform in the UK has not placed as much emphasis upon accountability and reporting<sup>7</sup>. In contrast, there is much emphasis in NZ schools on accountability, with the need to make regular reports not only to the Ministry but also to the parents and the community. Further, there is in NZ a demand for wider disclosures. Financial reporting is required to be carried out on the same basis as is practised in the private sector, using accrual accounting. Over and above this, there is the need to measure and report performance in terms of the predetermined objectives spelt out by the schools.

Second, among the NZ works on school reform, most of them were descriptive and were mainly carried out from the education perspective. The sole NZ analytical work by Jacobs,(1995) was rather 'broad brushed' and did not look at changes in greater detail, in particular, those associated with the accounting related technologies. The study said little about the impacts of the reform upon the resourcing, budgetary and reporting practices. There was not much discussion about the impacts of the new budgetary policies upon school efficiency and effectiveness. Despite the importance of the accountability structure in NZ school reform, there was little mention about the changes in the nature and quality of the school annual reporting, including reporting to the parents and the community. Also, the conclusion about interpretive schemes was not supported by the school perception of the reform philosophy.

There is the need to look at the NZ school reform in greater depth. The above study needs to be extended with a more detailed examination of the changes in each of the technologies and their impacts upon the schools. As suggested by the research question in Chapter One, I intend to cover the organizational changes in the technologies and the impacts of these changes upon the schools.

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<sup>7</sup> See Maden (1992) in BERA Dialogues No 6. In her analysis of the policy implications of LMS, little mention was made about school reporting. Open enrolment is assumed to provide the main instrument for competition and efficiency.

In terms of the above discussion on the research approach, this study takes an interpretive position. As argued above positivism is inappropriate for this study particularly because it lacks attention to the feelings and perception of the participants. The changes associated with the reform, as perceived by the participants, are the main interest of this study. The adoption of Critical Theory as an analytical instrument is based on the belief that the educational system, like all organizations is made up of different social levels with the interplay of power structures and the privilege of certain interests.

#### 4. Methods

The studies reviewed above have adopted a combination of qualitative methods for data collection. For example, Broadbent et al., (1992a) and Jacobs, (1995) used case studies or interviews, and observations; Mitchell et al., (1993) used a combination of case studies and a questionnaire survey; and Coy et al., (1993) used a combination of case studies, document analysis and formative evaluation of reports. It is to be noted that case studies formed the dominant feature of the studies reviewed.

Lincoln and Guba, (1985) divided qualitative methods into two dimensions differentiated by whether another human is needed as a source. Other humans are required for interviews, observations, and non verbal language situations, but they need not be present when using documents and records (Lincoln and Guba, 1985, p. 199). Usual qualitative methods are observations, participant observations, interviews, questionnaire surveys, and document and record analysis (Bollens and Marshall, 1973; Lincoln and Guba, 1985; Babbie, 1995).

The use of the method of participant observation does not seem to be possible for this study because of a technical difficulty. A direct involvement of the researcher in the day to day activities may upset the smooth running of the schools. This is because in participant observation the investigator is not merely a passive observer, instead, he/she may take a variety of roles within a case study situation and may actually participate in the events being studied (Yin, 1989, p.92). For this reason and also consistent with the studies reviewed above, this study shall adopt three qualitative methods: the case studies; a questionnaire survey; and document analysis. I will now discuss the methods to be adopted.

4.1 Case Studies: The case studies were chosen as the main research instruments because they allowed for a much more flexible interaction between the researcher and the respondents compared to other qualitative methods. The importance of case study research was elaborated by Yin (1989):

*'As a research endeavour, the case study contributes uniquely to our knowledge of individual, organizational, social, and political phenomena...In all these situations, the distinctive need for case studies arises out of the desire to understand complex social phenomena. In brief, the case study allows an investigation to retain the holistic and meaningful characteristics of real life events...'* (p.14)

Consistent with the desire to 'understand complex social phenomena', the interviews were to be unstructured and open ended, allowing the free flow of expression from the respondents. Within this approach, the researcher has a general plan of inquiry, but not a specific set of questions that must be asked in particular words and in a particular order. It should be more like a conversation in which the researcher establishes a general direction for the conversation and pursues specific topics raised by the respondent (Babbie, 1995, p.289).

Consistent with the studies reviewed above, for example Broadbent et al., (1992a) and Jacobs, (1995), four case study schools were selected. They consisted of four secondary schools selected within the Waikato Region, in and around Hamilton<sup>8</sup>. The reason for the focus on secondary schools is that the impacts of NZ reform upon the two types of schools, primary and secondary, are different. This is because NZ primary and secondary schools were not governed under common policies before the reform. The secondary schools already had a certain amount of freedom even before the reform, by virtue of the 1964 Education Act. Thus, the 1989 reform would have impacted upon the two types of schools quite differently.

The selection of these schools is not made on a representative basis. Rather it is made *purposively* to cover the different and diverse socio-economic conditions. This is because, as demanded by the interpretive approach, the selection process was meant to include as many kinds of the variant data as possible.

The Chairperson of the Department of Accounting, Professor Jim Haslam, sent a letter to each of the principals inviting him/her to take part in the research. In the letter the purpose and mode of the research was explained. It was also indicated that the schools and the respondents were to remain anonymous. The identities of the four schools were indeed disguised. pseudonyms were used in place of their real names and care was taken to avoid any references to the features that would reveal their identify. A summary of the research schools is as follows:

*Alice: A small secondary school located in an area with a middle to low socio-economic background in the Waikato Region, which for some time had been experiencing a falling roll.*

*Betty: A large state secondary school located in an upper middle class area of Hamilton, with a high demand and a maximum roll.*

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<sup>8</sup> Various other studies have also focused their research upon four case studies, for example, Broadbent et al., (1992a), Gordon et al., (1994), Jacobs,(1995), and Waslander and Thrupp 1995).

*Cathy: A medium sized secondary school located in the outskirts of Hamilton which had a very high proportion of low income population. It had for some time been experiencing a falling roll.*

*Diane: A state integrated medium sized secondary school located in an upper middle class area of Hamilton with a high demand and a maximum roll.*

These schools were different in many ways. They varied in size, and had different socio-economic backgrounds. Although the schools represented some diversity, they were not a representative sample. The background of each of the above four schools is further discussed in Chapter Five.

The respondents for the interviews were all school members consisting of the BOT members, the principals, administrative staff, Heads of Departments (HODs), and teachers.

The interview questions<sup>9</sup> were meant to serve only as a guide. They were developed from the research question discussed in Chapter One, covering the ideas associated with the four technologies concerned. The questions were not structured according to the different technologies because of the close interrelationship between them. They were also so structured so as to allow for ideas to freely flow back and forth across the technologies.

The questions were developed at two levels: the pre-test level, and the final level. The pre-test attempted to smooth the way towards the main part of the study by

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<sup>9</sup> The pre-test interview questions were prepared with the help of Mr Brian Prestidge, former Principal of Fairfield College, Hamilton, now a member of the School of Education, University of Waikato. I informed him about the objectives of the study and asked him to identify any problems that schools might have with the draft questions such as confusing words, inappropriate terms, and improper sequencing of items. The draft questions underwent two revisions.

reducing unforeseen errors from the study design. The importance of pre-testing is emphasized by Babbie, (1973):

*'The arguments for this are compelling. No researcher wishes to invest large sums of money and considerable effort in a faulty research design...Conducting pre-tests of the various individual aspects of the study design and analysis is extremely important..' (pp. 205/211)*

The first pre-test was held at a secondary school in a large town in the Waikato region on Thursday, 30 May 1996. Two interviews were carried out, the first with the Head of the English Department, the second with the Head of the Geography Department. The latter was also a staff representative on the school Board of Trustees. Following these interviews, the questions were revised. Some of the questions were found to be too long and ambiguous. Others were thought to be rather complex for some of the respondents. The second pre-test was held at the same location on 12 June 1996. The respondents for the interviews were the principal and the Executive Officer. On the basis of these pre-tests, the interview questions were further revised before a version deemed reasonable was reached. This version is shown in Appendix C. The insights from the interviews are discussed in Chapter Five.

4.2 Surveys: Surveys are useful whenever the desire is to understand an issue through a study of perceptions of a large number of informed persons who are geographically dispersed. It is now a popular instrument for eliciting opinions in empirical accounting research (Collier and Wallace, 1992, p. 277). However, a survey is only able to provide rather limited in-depth information, in comparison with interviews. The aim of the survey here was to gain some primary insights for the subsequent in depth case studies.

The survey respondents consisted of about one hundred secondary schools covering the Waikato, Auckland, and Northland regions. As with the case studies discussed above, the *questionnaire* for the survey was developed from the research question discussed in Chapter One. The questionnaire intends to seek answers associated with the changes in the four financial management and accounting related technologies of structure, resourcing, budgeting and reporting and the impacts of the changes upon the school culture. Because the answers to be sought depended mainly upon school perception of the changes, most of the questions were open ended to allow for greater flexibility and a free flow of respondent expression. The questionnaire was designed with the guidance and advice of three staff members of the School of Education at Waikato<sup>10</sup>. It went through five revisions before it was deemed reasonable. The final version of the questionnaire is shown in Appendix D. The results of the survey are discussed in Chapter Four.

4.3 *Document Analysis*: The documents analysed included: the school annual reports, minutes of meetings; government documents including the relevant Acts and Ministry circulars, ERO reports and other documents. The objectives for document analysis are explained under the framework for data collection shown in Appendix B.

4.4 *Data Collection*: As discussed above the data collected were based on the research question discussed in Chapter One. The timetable for data collection is shown in Appendix A.

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<sup>10</sup> The questionnaire was developed with the advice of Mr Brian Prestidge (formerly Principal of Fairfield College, Hamilton), Professor David Mitchell and Associate Professor Clive McGee of the School of Education.

4.5 Data Analysis: Consistent with the interpretive methodology, the data collected was analysed inductively, using mainly the qualitative approach. A section of the data from the questionnaire is to be analysed quantitatively for the purpose of reinforcement. The quantitative data have certain limitations in terms of their rigidity, but are clearly considered to be of significant value. The reinforcement of qualitative data with quantitatively analysed data is not uncommon in social research. The quantitative presentation of the results does not in any way undermine the inductive character of the analysis. The data were presented using standard linear-analytic structures<sup>11</sup> in which the sequence of sub-topics involved the issue and problem being studied, the methods used, the findings from the data collected and analysed, and the conclusions and the implications from the findings.

## 5. Summary

In this chapter I reviewed the related literature associated with school reform with the aim of identifying the research approach. Two types of studies were identified - descriptive and analytical research. The main difference is while the former group of studies were mainly concerned with changes *per se*, the latter also attempted an analysis of the findings. The interpretive approach was the dominant methodology used by both groups of researchers. Among the latter group are those who analysed their findings in terms of well established theoretical positions. Two theoretical perspectives used by existing studies on school reform were institutional theory and Critical Theory, with the latter being more dominant. Following on from the adoption of the interpretive approach, is the use of qualitative methods of data collection common in the current social research.

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<sup>11</sup> See Yin (1989) p.138

The methods used in this study were case studies, questionnaire survey and document analysis.

This study takes a 'middle range' position and the aim is primarily to explore and to understand the situation within certain contexts. Such 'understanding' is only possible by seeking the views and the perceptions of the participants. On this basis and consistent with the practices from existing studies, the interpretive approach is adopted. The methods identified and often used in other interpretive works were case studies, questionnaire surveys and document analysis. The questions for both the case studies as well as the survey were developed from the research question identified in Chapter One.

Five schools were selected for the interviews. Of these five, one school was used for the pre-tests and four schools as the main focus of the study. The interviews formed the main part of the study with the survey providing the preliminary data. The findings from the interviews were interpreted qualitatively. The survey was interpreted both qualitatively as well as quantitatively with the qualitative part forming the major part of the findings.

## Chapter Four

### Questionnaire Survey Results

#### 1. Introduction

In Chapter One I have outlined the research intention which was to gain insights into the changes associated with the accounting and financial management technologies - structure, resourcing, budgeting and reporting. I then proceeded on to discuss the research methodology and methods. As discussed the approach is basically interpretive, in the sense that the changes and the impacts are to be seen more from the participants' perspective within the context of the adapted version of Critical Theory as has been applied in accounting and organizational analysis. The main concepts associated with Critical Theory are, first, the interpretive schemes, and second, the concept of organizational change (Broadbent et al., 1992a). In adopting this approach, this study is heavily influenced by various UK studies, in particular, by Broadbent et al., (1992a, 1994) and Laughlin, (1994). On the methods discussed, I carried out the collection of data on the basis of in-depth case studies, supported by a questionnaire survey using mainly the qualitative approach.

In this chapter I present the findings from the questionnaire survey on the basis of the research question, that is, what changes have taken place in the four technologies and what impacts these have had on the school culture. The issues raised here shall be further addressed in the more in-depth case studies presented in the next chapter.

This chapter begins with an outline of the questionnaire. This is followed by a presentation of the demographics relating to the participants' responses. The next section elaborates the responses focusing upon the four technologies. Earlier on, it was deliberated that school perception on the philosophy of change was to form an integral part of the study. However, school perceptions

of the reform philosophy are not to be treated apart or separate from the discussion on the technologies. This is because it is considered more meaningful that they be discussed together and alongside the related technology. The aim of each section is to gain insights into the changes and their impacts upon the school interpretive schemes. The chapter will end with a summary.

## 2. The Survey Questionnaire:

On the basis of the interpretive approach the questions used for the survey were mainly open ended to allow for a free flow of expression. The survey covered various topics focusing on changes in financial management, accounting and reporting as well as school perception of the reform philosophy. A small portion of the questions made use of the 5-point Likert-type scale. These questions were aimed at exploring school perception on various concepts and issues in terms of the scale ranging from ‘Strongly Agree’ to ‘Strongly Disagree’. There is no intention to subject the findings here to a detailed statistical analysis, the insightfulness of which, given the difficulties of interpreting response meanings, would be problematic. Rather, the intention is to provide some indication regarding the general feeling of the participants which can give preliminary insights to be followed up in the in-depth case study analysis. The additional data derived from the survey is intended to enrich the data from the case studies which form the main part of the study<sup>1</sup>.

The questionnaire was developed along the line of the existing literature on school research, among the important ones are Wiley, (1990) and Mitchell et al., (1993). As discussed in the previous chapter the questions were constructed with the advice of the staff members of the School of Education at

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<sup>1</sup> The survey questionnaire is in Appendix D. The time schedule for the survey in relation to the case studies and data processing is shown in Appendix A

Waikato. The questionnaire was distributed to 129 secondary schools in the Waikato, Auckland and Northland regions, three 'provinces' located in the northern part of North Island. A total of 52 schools responded, and there was a response rate of about 40 percent. The responses varied in terms of informational content. Although most respondents attempted most of the questions, very few answered all the questions. This appears to be one of the limitations of the questionnaire. Nevertheless, the information obtained did provide significant insights into the issues for the follow-up interviews.

### 3. Demographics

3.1 Respondents: There were 52 respondents altogether, most of whom consisted of the staff from the senior management group with more than 50 percent (27) consisting of principals. The others consisted of four executive officers, three administrative managers, an accountant and a bursar. Quite a substantial number of respondents (30 percent) did not specify their positions. With such a high majority coming from the management group, some amount of skewing in the distribution cannot be ruled out. The distribution of the respondents is shown below:

<u>Position</u>	<u>Number</u>	<u>percent</u>
Principal	27	52
Executive Officer	4	8
Administrative Manager	3	6
Accountant	1	2
Bursar	1	2
Not Specified	<u>16</u>	<u>30</u>
Total	<u>52</u>	<u>100</u>

3.2 Location and Enrolment: In terms of location, the schools in the survey were quite evenly distributed with almost an equal number located in the urban and rural areas. A smaller number (12 percent) were in the suburban locations. In terms of size, the largest number of the schools (42 percent) were medium sized (enrolment between 500-999 pupils), 33 percent were large

(enrolment exceeding 1,000 pupils), and 25 percent were small (enrolment less than 500 pupils). Most of the large and medium sized schools were located in the urban and suburban areas and all the small schools were in the rural areas. A substantial number of the schools (44 percent) belonged to the lower socio-economic group (SES Decile 1-4); a smaller number (33 percent) belonged to the medium socio-economic group (SES Decile 5-7) and a smaller number still (18 percent) in the higher socio-economic group (SES Decile 8-10). Most of the schools were either having an increase in their enrolments (38 percent) or a steady enrolment (41 percent). About 19 percent of the schools were experiencing a declining enrolment. A small number (2 percent) had not responded to this part of the question.

3.3 *Funding and Budget:* Most of the schools in the survey (85 percent) worked on operational grants only (not bulk funded). A substantial number of the schools experienced deficits for the past three years (32 percent). The percentage of the schools enjoying a surplus was 27 percent and those with a balanced budget were 37 percent. The difference (4 percent) is accounted for by those that did not respond to this part of the question.

#### 4. Structure

This section discusses the changes in the school structure and how these changes had impacted upon the schools, in particular, their interpretive schemes.

4.1 *External Structure:* As discussed in the previous chapter, the reform had involved a change in the external structure with the removal of the Department of Education and the establishment of ERO in the new structure. How do schools perceive this new establishment? Judging from the responses to the question on accountability, in particular, upon the requirement to report to the parents and to the community, it is apparent that the schools generally found little problem with the new structure. Their perception of ERO, which

forms an important establishment within the new structure, was quite mixed. The survey seems to show that schools that think ERO's reviews and audits were helpful to schools were almost balanced by those that thought otherwise, with a substantial number (17 percent) not sure.

Associated with the reformed external structure is the new and wider accountability system which provides the responsibility linkage between the schools and their respective communities. The new accountability system is directly related to the need to provide information, not only for community control, but also as a basis for parental choice (the market principle). The market principle is an important feature associated with public sector and school reforms. The aim here is to explore how schools perceive the introduction of this market concept upon school education.

Schools were found to be critical of the market principle. With regard to the question as to whether the market principle was applicable to schools, most respondents (69 percent) thought that it was not appropriate. A smaller number (23 percent) agreed to the application of the market principle to schools with a smaller number still (8 percent) not sure of the appropriateness of the principle.

Most respondents also considered the market principle as applied in the education sector as distorted. Most respondents (63 percent) agreed that there was conflict between accountability to parents and accountability to the Ministry and ERO. A smaller number (22 percent) did not agree that there was such conflict. Quite a substantial number (15 percent) were not sure.

Accountability to the parents serves mainly two functions - to provide information for parental control and for parental choice. Between these two functions, school objection seems to fall more upon parental choice (market principle as discussed above) rather than representative parental control. Parental control through BOT seems to be acceptable. Thus, on the question

as to whether parental control through BOT operates in the best interest of children's education, more respondents (65 percent) agreed. A smaller number (16 percent) disagreed with 19 percent not sure.

The above results suggest that there are some issues that need to be further addressed. The respondent perception regarding the change in the external structure, including the new establishment (ERO), does not seem to be very clear. However, their perception of the market principle seems to indicate that the reform philosophy has not had much influence upon the school interpretive schemes. These issues are to be taken up further in the follow-up case studies.

4.2 *Internal Structure*: What would be the impact of the reform upon the internal structure? The internal structure would constitute what Laughlin (1991) labelled as design archetypes. Most respondents agreed that school time devoted to new administrative work had increased significantly. The often mentioned categories of tasks that had increased were those associated with financial and property management, correspondence, paperwork, accounting and reporting, fundraising and personnel.

The position often mentioned as most affected by the increased workload was the 'principal'. The following remarks may be regarded as quite typical:

*'Principal's workload has increased significantly...'*

*'Principal overworked...'*

*'Speaking as a principal, the amount of time I have to devote to the nuts and bolts of administration since 1989 has skyrocketed.'*

*'Principal now has greater financial responsibilities, reporting duties etc.'*

*'Principal now spends up to 20 hours per week more on administration since 1989.'*

Among the other positions mentioned by the respondents which also experienced increased workloads were the 'deputy principal', 'management staff', 'office staff', 'non-teaching staff', and 'senior management team'.

There seemed to be a general agreement among the respondents that the main cause of the increased workload was the increased devolution of financial management and accounting. How did the schools manage the increased workload? Schools were found to adopt one of two alternative policies related to financial management and accounting. They either did all the financial management and accounting work on site (here referred to as *the centralised financial management system, or the centralised system*) or they contracted it out to an external agency. A total of 47 schools responded to this part of the questionnaire. Out of this number, 30 schools had adopted the centralised financial management system. The others obtained the services of external accounting agencies to carry out the work for them.

The adoption of the two separate policies may have some relationship with their socio-economic status, although some of the responses were not very clear. Comparing the 'richer' (medium to high socio-economic status) with the 'poorer' (low socio-economic status), it was found that among those which adopted the centralised system, 65 percent belonged to the former group. Among those which contracted out the financial and accounting work, 70% were from the latter group. This situation may be explained in terms of the higher cost associated with the centralised system.

The adoption of the centralised system is associated with the employment of new administrative staff. The new positions created were more often those in the management group, rather than the clerical group. Among the new positions mentioned were the 'executive officer', 'business manager', 'executive secretary', and 'administrative manager'.

Whether the centralised system or the other system was adopted, the increase in the amount of administrative work in schools had little impact upon teachers. Typical responses regarding this perception were as follows:

*'Academic professionals, other than the principal do not carry more financial responsibility'.*

*'No additional duties for academic staff'*

The above responses have given rise to some issues. Although there seemed to be changes in the structures and practices (design archetypes and subsystems), these changes seemed to impact mainly upon the principals and the administrative staff, with little of the changes being placed upon teachers. The reform seemed to have little influence upon the classrooms and the original objectives of the schools. These issues shall further be taken up in the case studies.

## 5. Resourcing

The new funding policy was discussed in Chapter Two. This section is more concerned with the resourcing system in practice and the impacts of these changes upon the schools.

As discussed in Chapter Two, schools depend on two main sources of income - government grants, and the locally raised income. The results of the survey indicated that a small portion of the schools (15 percent) were in receipt of bulk funding, leaving most of the schools (85 percent) on operational grants only. The much higher proportion of schools on the operational grants only reflects the general attitude of the schools towards bulk funding.

Inadequate funding seemed to be the general complaint among the respondents. The policy associated with increased community control (which

relates to the wider accountability discussed in the previous section) is tied up with the expectation of community contribution. This has been discussed in Chapter Two. Thus, schools are expected to raise additional income in their respective communities. Secondary schools were raising local income from various sources even before the reform<sup>2</sup>. The school sources of income (based on the list as used in the Mitchell et al., 1993 study) are school fees/donations, fundraising, hireage, donations or grants from organizations, overseas pupils, sponsorships, evening class fees, canteen, interest income, and other income.

What are the changes associated with local income? The survey revealed that experience regarding the locally raised income varies from school to school. Some of these sources of income are not new to some schools, but they are to others. The following table shows the number of schools in terms of whether they regarded each of the sources of income as ongoing or new, thus reflecting the changes in the pattern of locally raised income.

<u>Changes in the Sources of Locally Raised Income</u>		
<u>Sources of Income</u>	<u>Number of Schools<sup>3</sup></u>	
	<u>Ongoing Sources</u>	<u>New</u>
<u>Sources</u>		
School fees/donations	48	0
Fundraising	39	3
Hireage	38	3
Donations/Grants from Organizations	28	13
Overseas Pupils	3	39
Sponsorships	3	17
Evening Class Fees	33	1
Canteen	40	3
Interest Income	36	9

It is apparent from the results that for most schools, fees from overseas pupils were a new source of income. The other important sources repeatedly

<sup>2</sup> See Department of Education (1977); Guthrie et al., (1997)

<sup>3</sup> As responses vary, the number of schools do not add up to 52 (the total number of responses received)

mentioned were interest income, fundraising, sponsorship and hireage. Besides the above a few completely new sources of income emerged among a few schools. These new sources were lawnmowing, advertising, transport contract, early childhood centre, artificial turf business, and selling firewood. One school with an excess capacity also provided accounting services to other local schools. This reflects the extent to which schools will go in order to raise funds for the needs of the children.

Besides the changes in the locally raised income, the study also looked at several other changes that might be significant determinants of the resource situation. Among such variables are bulk funding, school location, SES Decile ranking and fees from overseas pupils. The impacts of these variables upon the resource situation may be understood by associating them with the budget. It is assumed that the level of resources has a direct impact upon the budget situation.

Bulk funding seems to have some significant impacts upon the budgets. It was found that the bulk funded schools either enjoyed a surplus budget (75 percent) or had a balanced budget (25 percent). None had suffered a deficit. Among those that were not bulk funded only 18 percent experienced surplus budgets, 39 percent had balanced budgets and 36 percent suffered deficits for the past three years. However, in spite of this, the schools did not seem to be attracted towards bulk funding.

School location (urban, suburban or rural) also seemed to have some important bearing on the budget. More schools in the urban and suburban areas had surplus and balanced budgets than their rural counterparts. Conversely, more schools in the rural schools suffered deficits than the urban and suburban schools. The reason may be associated with the greater difficulty to raise local income in the rural areas. The small size, which is typical of the

rural schools, also seemed to be greatly disadvantaged by the funding system. This shall be further discussed in Chapter Six.

The SES Decile ranking is related to school location discussed above. The survey seems to suggest that SES Decile ranking has a parallel influence upon the budget. Surplus and balanced budget were found more among the 'richer' schools (those with high and medium SES Decile ranking) than among the 'poorer' schools (those within the lower socio-economic ranking). Also more of the 'poorer' schools had experienced deficits than the 'richer' schools. This may also relate to the greater difficulty to raise local income amongst those in the lower socio-economic communities.

A significant number of schools considered overseas pupils as an important source of income. This is because overseas pupils are charged very much higher fees (as discussed in the previous chapter). Of the schools in the survey 80 percent had managed to attract overseas pupils.

Several issues may be raised from these results. It is evident from the above that the schools have experienced various changes associated with the new resourcing system. Several factors have had an important influence upon school resourcing, factors such as bulk funding, location, and the SES Decile ranking. Inadequate funding seemed to have made local income more important than in the past. The evidence seemed to show that schools were striving hard to raise local income which reflects their attitude towards maintaining school tradition (the original interpretive schemes). A few new sources of income emerged as very important, for example, fees from overseas pupils and fundraising. However, these new systems reflected mainly the changes in the design archetypes and the subsystems (structures and practices). These issues shall be further addressed in the case studies in the next chapter.

## 6. Budgeting

Similar to the situation in the past, the schools had generally adopted the incremental approach for budget construction. All the schools had set up finance committees to regulate financial management. A small number of schools also had budget committees which were responsible for developing the budget. HODs were given allocations and the schools were generally allowed carry-forwards of departmental year end balances. Expenditures were monitored through monthly statements issued to every head of department. Year to date statements were prepared for the finance committee and for the subsequent monthly BOT meetings.

Persons most involved in the work associated with the budget, were the principal and such positions as the bursar, executive officer, business manager, and account officer. HODs were in charge of their respective allocations but were little involved centrally. In most cases the principal and the bursar or executive officer were the persons most involved with budget work. Some of the remarks which are considered typical are as follows:

*'Principal prepares budget, finance committee considers, BOT approves...Principal monitors and notifies any staff of concern...'*

*'Principal and executive officer prepare draft budget...finance committee reviews draft and makes recommendation to the Board...'*

It is apparent that work associated with the budget was concentrated mainly in a small administrative group. Teachers were little involved.

Associated with the budget is control. How did the schools feel about the increasing emphasis associated with control in terms of some level of economic efficiency? The responses seemed to suggest that the schools were quite wary of the negative impacts of this type of control upon the educational objectives. Most schools in the survey (81 percent) agreed that the emphasis given to resource control and cost cutting might be detrimental to educational

values. In this connection school perception was also sought regarding the appropriateness of economic and accounting measurement for evaluating school success. The majority of the respondents (62 percent) did not believe that such measurement was appropriate for education. A small number (16 percent) thought that it was appropriate. The rest (12 percent) were not sure.

How did the schools perceive the impacts of the changes in the financial management system upon the school efficiency (as revealed from the availability of resources) compared to the situation before the reform? Slightly more than half of the respondents (55 percent) thought that the new system had resulted in the improved availability of resources. A smaller number (19 percent) disagreed. Quite a substantial number of the respondents (26 percent) were not sure whether the new system had resulted in improved availability of resources.

Related to the above is the question of effectiveness: the impacts of the new budgetary control system upon pupil performance. Most schools (72 percent) did not believe that the new system had had much impact upon pupil performance.

There are several issues here that need to be further addressed. It is apparent that there have been changes associated with the budget, in particular, in the form of more budgetary control. The schools seemed to be suspicious of the increased control and did not generally see the appropriateness of accounting measurement in education. They also saw little benefits of budgetary control upon pupil performance. This indicates that the changes seemed to have little impact upon the school interpretive schemes.

As evident from the pattern of the respondents (discussed earlier), the responses were mainly from the management group. As with all the responses, the results need to be compared with the views from the teaching group who

are more directly involved, for example, with the teaching resources and with pupil performance. These shall further be examined in the case studies.

## 7. Reporting

The new system of accountability has caused various changes in the reporting structure. As discussed in the previous chapter, among the new requirements is that schools are required to report not only to the Ministry but also to the parents and the community.

Regarding the requirement to report to the different parties (the Ministry, ERO, parents, the community), most respondents believed that such reporting was useful. The following remarks may be considered typical:

*'Very necessary...\$104,000 is community money (1995 figure)...'*

*'...consistent underfunding definitely needs to be brought to the attention of the community.'*

*'It is important for the community to know where the money goes...but for the average person the annual report does not mean a lot'*

*'Very real need to report to the community (public) to increase mutual understanding...'*

However, quite a significant number (about 25 percent) did not believe that reporting to the parent and the community was necessary. Most of those who were not in favour stated that there was little interest among the parents and the community in the reports. The following seemed to be typical answers:

*'(We) will answer individual questions when concern arises... otherwise no great interest has been shown...'*

*'When the community wants to know we tell them... Mostly the community is disinterested. Difficult to create interest...'*

*'Not necessary...they don't understand (the annual reports)'*.

The survey seemed to show that there was not much specific and regular reporting to the community. A few of the respondents expressed their belief that no other reports to the community were necessary because the school annual reports and the annual general meetings had adequately served the needs of the community. It was pointed out that schools did not normally distribute the annual reports to the general public but a copy, kept in the office, was always available to anyone interested.

Regarding reporting to the parents, it is evident from the responses that the newsletter (weekly, fortnightly or monthly) was the most popular medium. Other media mentioned were the parent teacher interviews, and annual general meetings.

On financial reporting, schools are now required to make much more financial disclosures than in the past. The school perception of the appropriateness of reporting generally is already evident from the citations discussed earlier. In terms of financial reporting, the result seems rather mixed. Although more respondents (51 percent) were positive about such reporting, the rest of the respondents were either not sure (29 percent), or did not think that such reporting was meaningful in discharging school accountability (20 percent). But school perception of performance reporting seemed to be clearer. Generally, the schools seemed to be critical of the performance aspect of annual reporting. Most respondents believed performance measurement was 'vague' and 'superficial' and a 'total waste of time'. The strong feeling about this could also be gauged from such remarks as 'it's all nonsense' and 'it's all bullshit'. One respondent reported that the school had reported performance before but had stopped now 'because (it) doesn't see any benefits in it'. Schools are able to do this mainly because, as discussed in Chapter Two, the requirement for performance reporting has been relaxed by the Ministry.

School perception about reporting was further analysed in terms of how the respondents saw the appropriateness of the different types of accountability imposed upon schools. The majority of the respondents seemed to believe that responsibilities like cash handling (55 percent), compliance with regulations (65 percent), curriculum implementation (63 percent), equity (52 percent) and pupils' progress (60 percent) should be regulated through the accountability process. Other responsibilities such as community relations (84 percent) and use of properties (62 percent) should be left to trust. The use of properties, community relations and equity are among those required under the reform to be regularly reported to the community.

Various insights on reporting have been gained from the survey. While the schools seemed to be quite positive about reporting generally their perception regarding financial reporting seemed rather mixed. However, school perception of performance reporting seemed clearer. It is also apparent from the responses that there was little interest in the report amongst the parents and the community. These issues shall be further addressed in the next chapter.

## 8. Summary

The changes in the external structure seemed to be generally acceptable to schools, judging from their perception of accountability, although their perception of ERO is rather inconclusive. The financial reform had increased the school administrative workload, especially the principals'. However, except in the case of the principal and the deputy principal, the responses seemed to show that the financial management changes had little impacts upon teachers.

The schools adopted two alternative approaches in the management of the accounting and financial reform: the centralised system, and the contracted

out system. The choice between the two seemed to be somewhat related to their different socio-economic backgrounds.

Inadequate funding seemed to be the general complaint. It is evident that the schools had to augment government funding with locally raised income. Various methods of generating local income had emerged and, for many schools, the pattern of locally raised income seemed to have now changed.

The responses seemed to show that the schools did not believe that new budgetary control had led to any significant impacts upon pupil performance.

It is apparent from the responses that the pattern of reporting had also changed. Besides the annual reports, the schools had also begun to use various reporting media. Schools generally agreed to the present reporting system, especially reporting to the Ministry, although performance reporting was not generally considered to be useful. All respondents reported no follow-up by the Ministry on the annual reports.

Some preliminary insights have been gained from the survey upon the changes in the schools associated with the four financial management and accounting technologies. It is apparent that although there were many changes in the schools resulting from the reform, these did not seem to go beyond the changes in the structures and the practices (design archetypes and subsystems). The respondents did not seem to believe in the market principle associated with the reform philosophy. It was also apparent that the schools did not generally agree that economic rationality and accounting measurement was appropriate for schools.

However, the above findings are subject to certain limitations. First, the response rate of 40 percent is rather low. As implied earlier, responses were not balanced in the sense that the respondents came mainly from the

management groups. In addition, most did not answer all the questions, leaving many blanks here and there. Many of the answers were brief with very limited elaborations. The questions made on the Likert scales also contained a significant number of 'not sure' answers.

Nevertheless, the survey has been able to provide some useful preliminary insights in terms of the changes in the technologies for the more in-depth case studies to be discussed in the next chapter.

## Chapter Five

### The Case Studies

#### 1. Introduction

The previous chapter provided some preliminary insights into the changes in schools associated with the four financial management and accounting technologies. Several issues were raised in each of the technologies in the survey. This chapter is intended to provide further development of the issues raised there. It is also intended to present and analyse the insights subsequently gained from the case studies in terms of the research question and the interpretive approach as mentioned in Chapter Four.

As discussed earlier four schools were selected for the case studies. Twenty four respondents were interviewed during a period of two months. They consisted of four principals, four bursars or finance officers, seven Heads of Departments (HOD), three members of the Board of Trustees (BOT), and six teachers.

The case studies shall initially be presented case by case. This presentation is common among case study researchers (see e.g. Broadbent et al., 1992a; Jacobs, 1995). Consistent with the presentation adopted by Broadbent et al., (1992a), each case study is organized under two headings: first, the research context, and second, the case study issues. As in the previous chapter, the issues here are also to be discussed according to each technology for similar reasons. And as argued earlier, school perceptions of the reform philosophy are not to be treated separately but are appropriately discussed under the technology or technologies most closely related to them.

## 2. The Findings

### 2.1 School One - Alice

#### 2.1.1 Context:

Alice is the only secondary school in a small Waikato town with a population of about 7,000 people<sup>1</sup>. This consisted of about 30% Maori and a small percentage of Pacific Islanders. Of the population, about 20 percent were unemployed and seriously seeking employment<sup>2</sup>. The ethnic composition of the school roll in 1996 consisted of 47 percent Pakeha (people of European descent), 50 percent Maori and 3 percent Others (ERO 1996 Assurance Audit). It is a well established fact that Maori and the Pacific Islanders are generally less economically advantaged than Pakeha.

Alice offers instruction from Form 3 to Form 7. It serves both the town community as well as the surrounding rural districts. The school was established in 1953 in another site which is now occupied by a primary school. The gender composition was 52 percent girls and 48 percent boys (ibid). Before the reform the school used to have a roll of nearly 700 pupils (1987 return). The roll in 1996 was 414 pupils. It could be higher but the school had for some time after the reform been experiencing a declining roll because of the open enrolment policy introduced under the reform. A section of the parents, mainly the Pakeha who are generally more well off, chose to bus their children to schools in Hamilton. This meant that the pupils who remained in the school were mainly those of the poorer parents. As suggested by Waslander and Thrupp,(1995) the open enrolment system has a much greater influence upon the behaviour of parents from the higher socio-economic group

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<sup>1</sup> All figures are based on the latest available statistics from the 1991 census unless otherwise stated . The latest national census was conducted in 1996, but these figures have not yet been released.

<sup>2</sup> As described in the 1991 Statistics

than those less economically advantaged. The falling roll had a detrimental effect on Alice's resources through reduced funding. However, for the last two years the school has been able to check the fall in the roll. In his annual report for the year ended 31 Dec 1995, the principal reported only a slight fall in the total roll from 405 in 1994 to 399 in 1995 with a slight increase in the Form 3 roll. The increase in the Form 3 roll reflected a growing improvement in community perception of the school. This may be attributed to several reasons, for example, its continual promotional and publicity campaigns, and the growing number of pupils attending the school from the primary schools around the area.

All the school buildings are of a single storey design, the majority of them having been constructed in the 1950s. A number of specialist facilities, such as the science laboratories, a library, and a typing room have been added in subsequent years. The school used to have a swimming pool but this is now unusable because Alice cannot afford the high maintenance cost. The school is currently undergoing a major upgrade, financed completely by the Ministry, which involves all of the main teaching areas of the school. It is expected to be complete by 1997.

#### 2.1.2 Issues:

2.1.2.1 The Changed Structure: Alice welcomed the removal of the Department of Education and the decentralization of resources and decision making associated with the external structure. This is rather similar to the findings from the survey. The principal believed that the new arrangement had made the school more efficient because of the resulting flexibility. Under the new structure Alice could make its own decisions rather than having to depend on departmental approval for its requirements, which in the past had caused delay. In the past school expenditures were centrally controlled much more than they are now. The principal criticised the former system:

*'...I don't believe that the education department should be able to control finance... I don't think they'll be able to do a good job..'*

Thus, the removal of departmental control was considered to provide a better framework towards the school's educational objectives.

Another feature of the new structure was the establishment of a new body: ERO. As discussed in Chapter Two, ERO carried out two main functions: assurance audits, and effectiveness reviews. The former was aimed at ensuring compliance with regulations and contract requirements. The latter was concerned with the evaluation of contributions made to pupil achievement (Oliver, 1993). Thus as discussed earlier, ERO served as one of the major "steering media".

The results from the survey about school perception of ERO were not quite conclusive. It was found from the interviews that Alice's principal was quite critical of ERO. The reason seemed to be associated with ERO's functions. On being asked about the usefulness of ERO's function, the principal remarked that:

*'some of it are...a lot of it are not...'*

This attitude may be explained in terms of what Broadbent et al., (1994) called the "potential threat" to the maintenance of the status quo in which schools tried to protect themselves from 'the impingement of external environmental influences which are perceived as malign' (p. 276). Such tension between institutions and the advisory bodies (similar to ERO) was not so unusual because it was also found in the health sector, as reported in Laughlin and Broadbent (1995, p.21). In addition, such a perception may be explained in terms of the belief that ERO was a threat to the freedom associated with the much welcomed decentralization.

The reformed structure is also associated with the need to facilitate information for parental choice (Picot Report). This relates to the reform philosophy associated with the market principle. Consistent with the findings from the survey the principal also thought that the market principle was not appropriate. The reason given was that schools were not equal in terms of size, socio-economic background and history. In this sense fair competition would not be possible. The principal commented:

*'I don't believe that all schools are equal...I don't believe in the level playing field...that's nonsense...'*

On the reform philosophy generally one teacher expressed her view:

*'I think what has happened is...somebody in Parliament ...they think it's (the new system) wonderful...they're good at pushing it through and so we land with the change...and what happens is they have the change deadline...they saw the change in England and decided that is the way to go...now down the track some of the things in England haven't worked and our government is still pushing us to do them...that I find difficult...'*

The market philosophy was considered a hinderance to the educational objectives. Thus, Alice was supportive of the changes in the external structure that were perceived as helpful towards the educational objectives, and were critical of those that were considered as a hinderance.

In terms of the internal structure, Alice found that there was a much bigger workload than before the reform. This is similar to the findings from the survey as discussed in the previous chapter, and to the findings in prior New Zealand research (for example, Wylie, 1991; Mitchell et al., 1993; Charsley, 1996).

The increased administrative workload was associated with both the volume as well as the nature of the work. The picture of the increased workload was given by Alice's bursar as follows:

*'...we just work...sometimes we stay a bit longer...none of us are really clock watchers...we often have to work quite long...sometimes I get a letter ten pages long, I always take them home...I don't mind that, we do more things now than we used to do...'*

The increased workload seemed to be mainly caused by increased decentralization and a wider accountability, related to the changes in the external structure. The new system has pushed down to the school level more resources, more management and more decision making. Thus, Alice has now become involved with many new tasks in budgeting, financial and property management, and income generation.

Wider accountability demands not only more disclosures associated with increased quantitative and qualitative reporting, but also more reporting to the external parties, namely, to the parents and the community, besides reporting to the Ministry.

The nature of the new job, the stress and the despair associated with the increased workload, was described by the principal:

*'The nature of the job has changed dramatically in the last five to eight years...I would say I have given myself five years as a principal having looked around at my colleagues...I don't think they're performing particularly well, they haven't got the energy and enthusiasm that you would need to have...so I set myself a time limit...I say why is the job so demanding? You're responsible for a lot more things now than you were previously...you have to spend increasing hours in doing paperwork in connection with the job, when all the old duties that principals used to do are still required to be done and there has been a host of new ones added which also have to be done...'*

It was felt that some of the workload was also caused by the lack of management and professional expertise among the BOT members, causing them to rely heavily upon the administration. This was not so apparent from the survey. Alice's BOT consisted of two farmers, a businessman, a legal clerk, two housewives, and a nanny. In a 'poor' community such as Alice's, where businesses are few and small and where unemployment is high, it is difficult to get people who are knowledgeable enough to serve on the BOT. The quality of the BOT is reflected in the following statement by the principal:

*'Well, it's like the school charter, I would say 99 percent of parents wouldn't have a clue what the school charter is, I would say a similar number of the BOT wouldn't have a clue either...'*

It is apparent that most of the trustees did not seem capable of providing much support, least of all determining policies which may impact upon the quality of decision making. The concern about the ability of the trustees was expressed by a HOD:

*'Freedom to make decisions...but that brings in some problems, for example, you very much depend on getting a good BOT with a wide range of skills...not every school has the skills that they need...that's evident from some trustees who cannot cope...they need a huge amount of professional help...'*

Apparently the parents in the community did not seem to have much interest in serving, judging from the high turnover of trustees and from the number who were coopted (40 percent) rather than elected (1996). The low emolument (\$55) may be a contributing factor. As Alice's deputy principal had remarked:

*'...even now \$55 a month to the BOT is a meaningless sum of money.'*

Alice could not afford additional staff to take on the increasing administrative workload. Much of the tasks associated with finance and accounting were

contracted out to an external agency - Multi-Serve Education Trust (Multi-Serve), leaving the tasks such as those associated with budget and property management, to be added on to the existing work of the staff. It was considered more cost effective this way. Most of the school bills were sent to be paid by Multi-Serve. The agency was also responsible for the preparation of the monthly financial reports and the annual financial statements. This arrangement, being cheaper<sup>3</sup>, seemed the only choice. It also seemed to work well with Alice.

Over and above what was contracted out, there was still an excess workload which was shared amongst the existing staff through an *internal rearrangement*. This caused a change in the internal structure (design archetypes). All the preparatory paperwork associated with the monthly finance committee meeting was done by this small administrative group. The principal with the deputy and the bursar took over much of the work associated with fundraising, health and safety regulation, and property management. Much of the budget work was done by the bursar with the principal in control. A part of the financial workload was also shared by a full time science laboratory technician who helped the bursar with collecting money, issuing receipts, banking and checking invoices. All moneys collected by teachers from pupils for any school activities had to be handed in to the bursar to be deposited into the school bank account. In the past the money was handled by the teachers themselves. The deputy principal also served on the BOT as the staff representative and was also responsible for the preparation of the statement of service performance. The person who used to be the principal's personal secretary now took on two additional duties: as BOT secretary, and as the financial manager or bursar.

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<sup>3</sup> Multi-Serve charged \$6,000 per year. The alternative system, involving more staff and equipment, would be more expensive

Thus much of the increased workload associated with the changes was confined within the small administrative group, consisting of the principal, the deputy, the bursar and the office staff. The principal was at the centre of the group trying to do whatever he could to protect his teaching staff from the changes. The academic staff was little involved in the new financial management system. This is evident from the following comment by the deputy principal:

*'Not much...no change... the actual reform you are talking about really doesn't make a great deal of difference to classroom teachers... there are changes in the curriculum but that's different from financial reform...'*

Even the HODs were little disturbed by the new financial system. They did not even have to prepare any monthly reports on their allocation. It was the bursar who kept track of their budgets, although the responsibility for the departmental expenditure was still theirs. In fact, the bursar tried her best to make sure that teachers were least disturbed and that any difficulties experienced by them were ironed out as soon as possible. She remarked:

*'No, teachers are not disturbed at all (by the new financial management system)...I help them...sometimes they come with a salary enquiry...I consider it top priority...I put down whatever I am doing and explain it to them until they are comfortable...'*

The change in the nature of the job, had not made it possible for the principal to do much teaching or to carry out much of the pastoral work. Much of the curricular supervision was left to the respective HODs. Being highly involved with the change and at the same time being people oriented, he may be classified as what Laughlin et al., (1994) called the "informer involver". Laughlin et al., (1994) explained that, 'The "informer-involver" type heads are dominant in the small group yet...have managed to involve others in the management tasks to a degree acceptable to them...Doing LMS is not

perceived as a great opportunity but as a rather delicate balancing act with a lot of bureaucracy and housekeeping involved...' (p.78).

The distance of the principal from the traditional curricular duties has been reported in various studies (Dixon,1991; Broadbent et al., 1992a; Laughlin et al., 1994). The immediate impacts of the decentralization of the principal's traditional duties to the HODs are not yet visible. There might possibly be some long term impacts, for example, it may lead to a growing attachment of the principal to economic values at the expense of educational values. However, as of now Alice's principal still had strong attachment with the curriculum. The principal expressed his concern about the impact of the change upon the classroom:

*'...at the moment schools are legislated to death almost, and required to cope with so much paperwork that the actual focus on delivering learning to students, I mean the quality of learning that you deliver is sometimes obscure because you have all these other requirements which don't always fit neatly to the delivery of learning to your students...I think a common complaint of principals and of teachers, is they are required to spend more and more time on issues which don't directly relate to the learning outcomes of students...I would agree...'*

Thus while the small group which consisted mainly of the administrative staff were fully involved with the new system, the teaching staff were little disturbed, enabling them to carry on as they had been doing in the past. The changes were confined to the design archetypes and subsystems. These limited changes together with the great concern expressed for the educational objectives seemed to show that the school interpretive schemes were little affected.

The small group phenomenon is similar to the findings from prior research such as Broadbent et al., (1992a), Laughlin et al., (1994), and Jacobs,(1995), reviewed in Chapter Three.

2.1.2.2 *Resourcing Issues*: Resourcing seemed to be Alice's main worry. Even the additional TFEA grant did not seem to be adequate. This may have had something to do with the funding formula<sup>4</sup>. Inadequate funding was also the general complaint found in other studies discussed in Chapter Three. The principal believed that schools were purposely being underfunded on the basis of the market philosophy. He commented:

*'I think quite deliberately it's government policy that doesn't give you enough money so that you have to seek funding from elsewhere and I've had politicians sitting right here and said, "you better go out and organise sponsorship or you've got to find more international students"...'*

The principal did not believe the new system was able to help all schools. He felt that schools located in a low socio-economic community were highly disadvantaged in their ability to seek additional income. It was thought that these schools should not be expected to depend much on their community for income but should be provided with adequate government funding. He commented:

*'...what I would like to see is for schools to be funded adequately'...*  
*'...What I would like is to have more money so that I can do my expenditure and go to sleep at night'*

One teacher expressed a similar view:

*'...I think the government needs to look at providing reasonable resources for all students...if the requirement is x amount of dollars per child then they ought to make sure that the school gets that amount of money...'*

The principal pointed out that much of his time was devoted to the job of trying to raise additional funding. He had no choice but to keep on doing it for

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<sup>4</sup> Realizing the funding difficulty, the Ministry actually encourages schools to seek additional income (See Ministry of Education, 1989).

the sake of the children. He believed school principals should not be doing that, rather, they should focus on academic matters. He remarked:

*'...if you spend five hours on finance, for five hours you can't spend on something else... it is unfortunate that the development of the school often hinges on how successful an entrepreneur the principal is in securing finance...'*

Alice tried its best at various methods of income generation. Among these methods were trading, school activities, and seeking sponsorship and donations. These different activities were rather similar to those in the survey. However, Alice did not have much by way of fees from overseas pupils.

Alice's trading activities (mainly stationery) did not result in much profit. Collection from fees (non-compulsory) amounted to only about 3% of the locally raised income. Lack of success in both trading and collection from fees was attributed to the socio-economic condition of the community. On this issue, the principal pointed out the school's difficulty.

*'...take this school, here we are in the category of high unemployment and high beneficiary dependence, we charge very low school fees , we get a very low percentage response to our school fees...'*

The school fees charged were relatively low - \$50 per pupil per year, even then only a very small percentage of parents could afford to pay. For donations and sponsorship, Alice was relatively successful in 1995 in competing with other school applicants.

Alice did not believe in the system of *bulk funding* because of the fear of underfunding which could lead to the employment of cheaper and inexperienced teachers. The schools would then be blamed for poor performance. The following remarks may be considered typical on this issue:

*'I think that (underfunding) is one of the reasons why our school is against bulk funding...there are some staff who like it...but as a school community we are against it...'*

*'I don't fancy bulk funding because it may lead to inadequate funding... we may have to employ cheaper and inexperienced teachers and use inferior resources...the school and not the Ministry will eventually be blamed for the quality of education...'*

*'...a lot of teachers are against bulk funding because they can see what happened with the university, polytechnics and hospitals...they are bulk funded...they have to make decisions...sorry we can't employ anyone or we have to employ someone who is cheaper rather than the person with the best skills...I think it definitely can happen...I think it has happened to some extent under bulk funding because the Ministry or the government says that's how much money you've got...you have to live with it...'*

As evident from the citations discussed above, the difficulties about resourcing were often argued in terms of the children's education rather than in trying to balance the budget. In this sense the changes in the resourcing system seemed also to have little impact upon Alice's interpretive schemes.

2.1.2.3 *Budgeting Issues*: Consistent with the findings from the survey, Alice built the budget mainly on the basis of ongoing activities such as the projected roll, ongoing needs and the specific objectives of the ensuing year (incremental approach). This implies little change from the past. The popularity of this approach was also observed in the UK (see e.g. Cave, 1990; Broadbent et al., 1994). To Alice this was the only method. However, as argued by Broadbent et al., (1994) discussed in Chapter Three, this approach has a protective function in the sense that the budget 'is not being used as a vehicle in the process of questioning what should be done...Budgets are not being used as a tool to force public debate about the nature of their activities' (p.274).

The bursar was in charge of the budget but the preparation of it was strongly influenced by the principal. The bursar explained the budget design as follows:

*'The principal will do the budget on a draft but I will check it ... and the deputy will have a look ...and we will adjust again...we might adjust it ten times...and that's another job I do at home, I can't possibly do it here...the finance committee goes over the draft line by line...it goes to the BOT, then they approve it and it becomes a budget...'*

At the formal level, control was done on the basis of financial statements produced monthly, which showed the details of the year to date expenditure incurred in comparison with the budget, showing also the year to date balance for each item. The statement was discussed initially by the finance committee which then reported to the BOT meetings. Anything of concern relating to both overspending and underspending was raised and discussed. The statements were also used by the school to defend any expenditure in the monthly BOT meetings. One copy of this was given to the HODs to assist them to monitor their spending. At the informal level, the bursar was required to constantly monitor the budgetary expenditure. It was also the duty of anybody who came across anything of concern to report to the principal.

Alice was quite conversant with the use of budget information. The budget allocated to each department was also made available to teachers. On being asked about the use of accounting information, the HOD remarked:

*'Well, my budget is given to the other members of the staff of my department...I decide mostly on that...my staff are welcomed to contribute...'*

The use of budget information at the departmental level may be reflected in the following statement by a teacher:

*'...we have been getting two thousand odd dollars every year...the prices have shot up...we need more to keep going...'*

It is apparent that the budget was being used throughout the school. This aspect was not very clear from the survey. An increasing use of budget

information in UK schools was also reported in Broadbent et al., (1994) as discussed in Chapter Three. The use of budget information to justify and legitimate decisions was seen as an attempt 'to protect the interests of the school...' (p. 276), that is, its educational values. It was further argued that, 'This tactic follows the same logic of the other "buffering" tactic...of the formation of 'absorbing groups" set up to deal with intrusions into the "sacred" core of the institutions' (ibid). Broadbent et al., (1994) called the use of budget information described above as 'an engagement with the public sphere'.

Thus, budget construction and the use of accounting information similar to the formation of the small group discussed earlier, imply Alice's attempt at preserving its interpretive schemes.

As mentioned earlier the difficulty in resourcing, especially in raising local income, had put some strain on the operational budget. The smaller budget seemed to have had some impact upon the supply of teaching resources. Teachers felt that resources provided for their classroom work was less compared to the situation before the reform. This difficulty is reflected in the remark by two of Alice's HODs about their present allocations, compared to the situation in the past:

*'...I am thinking quite a while ago... I had about \$2,800 in 1988, 1989...the budget this year is \$2,300 which is less than I got five or six years ago..what I'm saying is the money available is less...and it doesn't go far with textbooks...' (HOD Social Studies).*

*'...before the reform in an area like this which cannot afford to spend money on art equipment the department provided that.. now the department does not supply all that is needed..so what we do is we try to provide what we can...so it has a negative effect on pupils' achievement...' (HOD Art).*

In spite of the above difficulties Alice had managed to run all its programmes. It had experienced deficits for the past two years, nevertheless, the difficulties had not seriously affected Alice's activities. None of Alice's programmes or main activities were ever abandoned or reduced because of a shortage of funds, although the Ministry allows schools to take certain steps in case there is shortage of funds, including restricting the number of activities, and reducing its expected achievements for the year (Ministry of Education, 1989). Thus, in its October 1996 assurance audit of the school ERO noted that, 'Teaching programmes reflect New Zealand curriculum requirement. Most subject departments are well organized...' (p.2). In fact, Alice was organized in such a way as to allow it to keep some reserves needed for minor maintenance. The practice of keeping reserves was also reported in prior studies in the UK (see Edwards et al., 1995; 1996). One reason given for the keeping of reserves was making provision for an uncertain future (Edwards et al., 1996). This reason seems to be consistent with the practice by a poor school like Alice.

Under the reform the changes in the budgetary system emphasise upon keeping to the budget and, if necessary school activities or the school's performance level may be reduced (see Ministry of Education, 1989). The shortage of teaching materials seemed to have some impact upon pupils' performance. As the art HOD observed (cited above), it had a 'negative effect on pupils' achievement...' But this had not deterred Alice from keeping to the curriculum and often with minimum resources. It had to work hard to raise the required resources, but this step was seen as necessary for the sake of the children's education. Thus the new drive for economic efficiency did not seem to have much impact upon the school educational values (interpretive schemes).

2.1.2.4 Reporting Issues: The respondents were generally quite happy with the new system of accountability. This is similar to the situation in the survey.

In general, Alice found that their reporting to the parents and the community was acceptable. The principal was quite positive about the importance of having to make reports because:

*'... I think it is a useful exercise because it makes you reflect on what you have done and haven't done...'*

Similarly, one HOD remarked:

*'I think having to report is a valuable exercise...it focuses your mind on what you're doing...I think having to sit down and do an annual report will make you think what you're trying to achieve in the first place... if you're honest you'll succeed in what you're doing...it helps you to see where you're going...what you've got...you can then plug for further resources...'*

A teacher expressed her view as follows:

*'... when it comes to how the students are achieving we have a responsibility to the parents...when it comes to finance we need to be accountable to where the money comes from...'*

Alice seemed to have complied with all the reporting requirements. Its annual financial reports were prepared following closely the guidelines issued by the Ministry<sup>5</sup>. Alice found little problem with the preparation of the annual financial reports, the work being contracted out to Multi-Serve. However, the school had to prepare its own performance reports.

Although Alice was quite positive about reporting generally, it was quite critical about performance reporting. This was similar to the general views from the survey. Every respondent admitted difficulty in measuring performance. The deputy principal thought that performance measurement

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<sup>5</sup> See Ministry of Education Circular 1993/38

was too subjective and too time consuming<sup>6</sup>. The typical remark about the difficulty is provided by the principal:

*'...in our school we have our goals that we set at the beginning of the year...you've got to make sure that the objectives can be budgeted for or you can afford them...at the end of the year we review our goals and our objectives, but possibly we don't measure them in output or economic units because it is not always possible...one of our goals, for example, may be to improve the morale of the school, now how you measure morale is a little bit difficult... like community perception...how are you going to graph that?'*

Thus Alice presented performance measurement for the 1995 annual reports on the basis of inputs rather than outputs. It focused on several peripheral objectives, none of which were concerned with the main objective of the school. Among the objectives considered were the charter update, information technology strategy, the establishment of an education trust, and a programme for closer links with primary schools. The performance report, however, did provide some useful information and could serve as a monitoring device. Performance indicators have not been developed.

As required under the reform Alice also reported to the parents mainly through the fortnightly newsletter. It contained the updated information about school events and activities and the supports needed, for example, a reminder about fees and a request for donations, but little on pupil achievement. Information on pupil performance was provided during the parent/teacher interviews which were held every year, although the response was not very encouraging.

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<sup>6</sup> The difficulties associated with performance reporting was subsequently recognized by the Ministry as discussed in Chapter Two. Although the Public Finance Act 1989 provides for the Statement of Objectives and the Statement of Service Performance to be presented separately, the Ministry (within the power provided by the Act) in 1992 allowed them to be presented together. The Ministry now allows the reporting of performances relating to a minimum of any three selected objectives rather than upon the main objectives. In addition it allows performance to be measured on the basis of inputs.

The newspaper was seldom used for community reporting because of the cost involved, except for the purpose of advertising occasional vacant positions. However, a limited number of prospectuses were published yearly to provide information to the community, especially those interested in enrolling their children at the school. The prospectus contained information about the staff, school facilities, fees, the courses offered, and the procedure for enrolling. For a wider circulation the prospectus was supplemented by a much cheaper publication of four simple pages which contained a summary of the information found in the prospectus. Both the prospectus and the supplement were issued free to interested members of the community every September. Besides the above, Alice also published an annual school magazine which was available at a cost to those interested in the affairs of the school. It featured all the main school activities and achievements for the year in academic, cultural and sporting fields.

Next is the question of the usefulness of the reports, in particular, the annual report, to external parties and also to the school itself. The annual report is a public document. As earlier revealed from the survey, a copy was always available at the main office for any members of the community and the public but there seemed to be little interest amongst the general public in the report. The bursar remarked:

*'Financial reports are given out to all BOT members...and they keep one copy for the public...we have some comments...but not from the public..'*

Even the school itself made little use of the financial reports. This was mainly because of their complexity. None of the staff<sup>7</sup>, not even the bursar was qualified enough in accounting to be able to fully understand the reports. The principal remarked:

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<sup>7</sup> Except for the Commerce teacher, but she did not have a tertiary accounting background.

*'There are still very few people in the school staff and for that matter on the BOT who understand the financial reports...very few...'*

So for Alice the use of the annual report as a tool for decision making was rather limited, even by the school members themselves. Two copies of the annual reports were sent to the Ministry every year but no feedbacks had ever been received. It appears that the annual report was mainly produced to serve the needs of accountability. This may be explained in terms of the need to be accountable because not to be accountable is problematic (Meyer and Rowan, 1977). The support of the stakeholders, in particular, the Ministry and the community, is necessary to ensure a continuous flow of resources to serve the educational needs.

2.1.3 Section Summary: Certain aspects of the new external structure, in particular, increased local control, were acceptable to Alice because they were perceived to be helpful to the educational needs. Alice was critical of ERO because many of ERO's functions were not perceived to be useful to the school. The increased workload associated with accounting and financial management was contracted out. The rest, such as budgeting and property management, was distributed amongst the existing staff. The change in the internal structure, however, mainly impacted upon a small group, but very little upon teachers. Resourcing was a difficult issue, consuming a lot of work and time. Nevertheless, this task was perceived as necessary to keep the curriculum going, but it was argued was done, at the expense of the curriculum. Alice had to work on a smaller budget. It had skillfully kept the curriculum 'afloat', but not without some impacts upon performance. Both the construction of the budget, as well as the use of the budget information, may be interpreted as attempts at protecting the school educational values. It believed in the new system of accountability. The school found the changes in the reporting requirement generally acceptable although it found some difficulty with performance reporting. The school's supportive attitude towards financial reporting may be related to the accountability requirement

because of the need for a continuous flow of resources to serve the educational objectives.

## 2.2 School Two - Betty

### 2.2.1 Context

Betty is a large co-educational secondary school located in an upper middle class area in Hamilton, with a population of about 3,000 people, mainly Pakeha (about 96 percent). The community consists mainly of the professional and business people engaged in various establishments in and around the city. Betty was established in 1972, 'in the most modern buildings set over 20 acres of playing fields, lawns and gardens'. It claimed to be the most modern secondary school in Hamilton with excellent classroom facilities to deliver a modern curriculum. Besides photocopiers which were available for the use of pupils, there was an industry standard software and CD ROM capacity on the computers. The network was linked by fibre optic cable to other computer facilities in the school and pupils could access the Internet and the World Wide Web.

Besides the usual classroom and sports facilities, Betty was also equipped with a large theatre (Morrison Memorial Theatre) built in 1985, a Community Centre established in 1987, a Physically Disabled Unit completed in 1989, an Independent Living Centre built in 1990, and a highly successful Child Care Centre built in 1992. A new music room and a Japanese room were developed in 1995. The administration area was remodelled in 1996 and there were 'several other remodeling projects that are necessitated by curriculum development and growth in senior rolls'. However, there were areas that were under code<sup>8</sup> because Ministry funding for capital projects had been frozen for

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<sup>8</sup> In 1976, the Ministry issued a 'Buildings and Equipment Code' to schools specifying the minimum requirement for classroom and other facilities according to the enrolment size. It was revised in 1980 and again in 1990. The Code is a massive document and detailed, e.g. it spells out the minimum classroom space for each pupil as 2.5 square metres.

some time. A plan was under way for the building of a new gymnasium with money from fundraising.

The school not only served the surrounding community but also the outskirts of Hamilton. This means that unlike Alice, Betty was surrounded by richer parents who were capable of providing support. It also had a number of international pupils on the roll. Like Alice, Betty offered a curriculum from Form 3 to Form 7. The annual fees were relatively high (\$150). In spite of the higher fees the school was popular, to the extent that it had to turn away many applicants every year due to limited classroom and equipment facilities. This situation is similar to the findings by Waslander and Thrupp (1995) in which the 'richer' schools seemed insulated from market competition by virtue of their popularity. These schools saw little advantage in growth beyond a level dictated by physical space and organizational consideration. Since the reform Betty's roll had increased rapidly but had now almost reached saturation point. In 1990 the roll was 1173 and by 1995 it had increased to 1325. Of this about 8 percent was of Maori descent. Girls constituted 49 percent of pupils' roll for the year. The school had established an enrolment scheme in 1991 with the aim of restricting the school roll. But it was under great pressure throughout 1995 and had not been able to comply strictly to the scheme. It still had a large waiting list at each level which reflected the confidence and esteem given to it by the community.

Academically the school was doing well. It had continued to have outstanding academic results in national examinations. The 1995 Seventh Form Bursary results and School Certificate results had exceeded the Board's guidelines and the trend, in general terms, was considered to be above the national medians at both levels.

## 2.2.2 Issues

2.2.2.1 Changed Structure: Like Alice, Betty was also happy with the new external structure associated with increased decentralisation because of the flexibility in providing for more immediate decision making. The principal explained the flexibility of the reformed system:

*'...I can buy a computer if I need one...I can send youngsters on field trips to learn...I can buy the textbooks.. I can spend the money where I think best for their needs...previously I had to make a case, join the queue...we had to put up with bureaucratic brickwalls...now I can make decisions...I do not need someone else somewhere to make that decision for me...'*

Unlike Alice, Betty's BOT was much more qualified by virtue of its business surrounding. Amongst those that made up Betty's BOT were a lawyer, an engineer, a businessman, a chemist and a language teacher. However, their capacity for involvement in the school was rather limited because of their own personal and business commitments. This is reflected in the remark by the principal:

*'They are busy people themselves...they are in a lot of position to control...they devolved to me with a lot of power which is gratifying...if they choose they can take a lot of that power back...'*

Thus as in the previous case, Betty's BOT was mainly able to provide a supporting role rather than governing role. However, compared to Alice, Betty's BOT was more able to give support in the form of providing advice on legal and financial issues. In this sense Betty had an important administrative edge over Alice.

The lack of governing roles amongst the BOT is evident from the fact that the principal himself, not the BOT, approved any additional funding required by teachers. The accounting HOD regarded BOT members as no more than

'rubber stamps'. The heavy dependence of the BOT upon administration had some impact upon the staff workload.

Although the causes of the increased workload were similar to the previous case, the response here was quite different. Instead of contracting it out, Betty decided to take on the financial and accounting work to be done on site (centralised financial management system), mainly for better quality information and decisions. The principal elaborated the preference for the centralised system:

*'We choose to do it ourselves...which means we grab the opportunity with both hands...it costs more money...but the benefits are that all the data are on site, it is much more accessible, it is much more up to date...and we feel more in control...'*

The advantage of this system seems to be that unlike Alice, Betty has much greater access to the on-line and up-to-date information. This arrangement, coupled with more knowledgeable trustees, gives Betty a much stronger management base.

The change in structure was, therefore, much more for Betty compared to Alice. To manage the centralized system it had employed two more staff, a finance officer and an account clerk. The finance officer was not a university graduate nor a qualified accountant, but had a college accounting background with some work experience. With the help of a computer software, they were able to do all the accounting work, including the preparation of the monthly and annual financial statements. There was a further structural rearrangement among the existing staff. The executive officer was responsible for all the financial and accounting work. The principal and the deputy principal handled the paperwork with the help of three office staff and the secretary. Certain members of the BOT were also involved in the finance and property committees. The accounting HOD chaired the Resource Development Committee which sits once a year to consider the budget requests from the

HODs. The bigger administrative workload, caused by a larger roll (compared to that of Alice) meant that the principal was no longer able to teach. As the principal remarked:

*'Well, I did teach then (before the reform)...I can teach now probably one class...but this is a very big job and it is becoming more and more complex for a school of this size...like most things it depends on your ability to cope...'*

However, his contact with the academic staff and pupils was strongly maintained. The arrangement was such that the principal was directly in charge of the teachers and pupils, leaving the executive officer to be in charge of the supporting staff.

Because the principal was heavily involved with the change, people oriented, and was also able to involve others to a degree acceptable to them, he may also be classified as an “informer-involver”. The deputy had only one third of his time involved in classroom work, the rest of the time being devoted to administration. Much of their former curricular duties were passed down to the respective HODs. How this arrangement may impact upon schools in the long term is not yet clear.

The impacts of the reform had fallen heavily on the small group consisting of the above mentioned staff with the principal as the leader. The HODs were responsible for their respective budgets, but their accounts were prepared by the accounts section. Teachers' involvement in financial work was mainly confined to collecting money from the children for school activities. The principal believed their duty was in the classroom. He remarked:

*'They may at times collect money from the youngsters for some reasons which is to be paid into accounts and receipts are issued...their handling of it is pretty minimum...they are primarily educators...their job is the classroom...their function is to teach youngsters...'*

The change in structure is related to the market principle. Similar to the previous case, Betty was also critical of the reform philosophy and the market principle. The principal commented:

*'The government has all sorts of things which they claim creates equality, and they're quite wrong...can I give you an example...they would love to encourage more people to go to private schools...now the point about this is like private hospitals...if more people go private, it would save government money...it is quite cynical because it means that the state system which serves the majority of people aren't fairly resourced...I'm not an accountant...I'm a teacher who became a HOD then an administrator given the responsibility to run a large school... I have to manage a budget ... I have to become a businessman in a sense but I'll never not become an educator...'*

The school's view about this is also reflected in the comment by one HOD:

*'I feel a little bit nervous because I don't want schools to be seen as a business and making profit...school focus should remain on the students getting the best possible education...I think for that reason the principal has to be an educator rather than just an administrator or accountant...'*

The school perception of the reform philosophy, associated with the new structure and coupled with a minor impact of the reform upon the teaching group, means that the interpretive schemes of the schools were little affected. Similar findings by prior research have been discussed under the previous case.

2.2.2.2 Resourcing Issues: Although it did not receive any TFEA grant, Betty seemed to be able to generate adequate income for its operational needs and was often able to keep a small surplus. This is because, unlike Alice its sources of income were diverse and its trading activities (uniforms, stationery, and a canteen business) were often quite successful with about 16 percent profit in 1995. Betty also made profit on photocopying and hireage. It charged school fees of \$150 per annum and most parents were able to pay. International pupils were charged a fee of \$8,000 and everyone paid. Thus

Betty's resourcing situation seemed quite different from that of Alice's discussed previously<sup>9</sup>. The principal remarked:

*'Well, it doesn't worry me as long as we're conservative...when I have the trend over the last five years, I know what the canteen will make, I know what the markup is on our uniform, I know what percentage of parents will pay our fees, I have the budget on that... so in terms of our actual revenue, we have in control over \$1.1 million plus \$300 to \$400 thousand... that we have at our discretion...'*

As discussed under the previous section (Context) above, unlike Alice, Betty did not receive much in the way of capital grants from the Ministry, being classified within a higher SES Decile ranking. Betty reacted to this by actively raising funds mainly from its community in a way that it never did in the past. Plan was under way for a new gymnasium to be built in 1997 with money from fundraising. Work on a staff resource room would also commence from fundraising.

As in the previous case Betty was also against bulk funding for a similar reason, that is, fear of underfunding. The typical remarks associated with this issue are as follows:

*'It is the formula that makes bulk funding objectionable, apart from that I have no problem with it...'* (HOD Accounting)

The HOD added that schools should be given the support in terms of the services which they were not used to, in particular, in the area of financial management and accounting, by giving more funding, thus leaving the rest of the money for classroom use. This is quite similar to Alice's argument for adequate funding.

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<sup>9</sup> In 1995 Betty was able to raise about \$500 per pupil compared to Alice about \$300 per pupil. Betty also had the advantage of a much higher roll.

As discussed earlier, Betty welcomed the decentralization of resources and decision making because it would enable the school to provide for the needs of the 'youngsters' in a more immediate way. Similar to Alice, the new resourcing system had also some side effects for Betty. Although it was quite successful in raising local income, it perceived the process as having a negative impact upon the classrooms.

2.2.2.3 *Budgeting Issues:* Although Betty's budgetary practices were in many ways similar to the previous case (in terms of design and control as well as the use of budget information) its budgetary policy was rather different. With the availability of more resources it was able to budget for more facilities, for example, every department was able to renew their textbooks every three to four years. It was also able to provide better classroom facilities and attract better teachers. Also, because of its greater dependence on the community (for both the operational as well as the capital funds) compared to Alice, its expenditures tended to reflect attempts at pleasing the community (Meyer and Rowan, 1977). Apart from the better classroom and sports facilities, Betty was able to organize various community related activities, such as the Child Care Centre and others (as earlier discussed under Contexts para 2.2.1).<sup>10</sup> Unlike Alice where the departmental allocation seemed lower now than before the reform, Betty could afford to adopt the policy of keeping the allocation stable. According to the executive officer, the department like science and sports get from \$12,000 to \$20,000 per year. Departments like mathematics and social science get much less, that is, between \$2,000 to \$3,000 per year. The better facilities and teachers explain its excellent academic performance as discussed earlier under Contexts.

Budget planning was also focused upon the curriculum. This is evident from the various remarks made by the principal, for example:

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<sup>10</sup> Betty's sports facilities such as the tennis courts are open to the community

*'...I can spend the money where I think best for their (the pupils) needs...'*

However, there was still the general complaint among some teachers that they could not get new textbooks whenever they needed them.

Betty seemed to be able to carry on well with its educational programmes. It had managed to raise funds for most of its needs and was often able to keep some reserves. The principal felt that keeping a little reserve was necessary for some unknown contingencies in the future. He did not believe in keeping a big reserve because this would be like shifting the benefit of the current pupils to the future pupils, which would be unfair to the present pupils. The practice of keeping reserves as reported in other studies, has been discussed in the previous case.

Betty had also undergone changes in its budgetary system in the form of more use of the budget for planning and control purposes. The budget information was also being used at the departmental level and argued in curricular terms. One typical remark, which reflected concern for the curriculum was expressed by an HOD:

*'... we have quite a substantial number of broken apparatus...we need to budget this year for the replacement...'*

Most of the work associated with the budget as discussed earlier was carried out by a small group. The changes were mainly structural in the sense that they had little impact upon Betty's educational values.

2.2.2.4 *Reporting Issues:* Betty was also generally quite happy with the new reporting system. The wider accountability was believed to be appropriate. The new accountability was perceived as a form of protection for the school and for the state. The principal saw it as follows:

*'I have no problem with it...the state invests you some money in education...they have the right to know where the dollars were spent...and it's independently audited so the people inside the organisation are not targeted...I think it is a protection for the state, for the school and everybody in the process...'*

Betty also published a newsletter, an annual school magazine, and a school prospectus, besides annual reports. However, these were published using much higher quality materials and were better illustrated, giving more information on the school's performance and achievements. In addition, Betty was able to constantly interact with the parents and the community, not only through the various activities mentioned above but also through the parent-teacher meetings regularly held every term. The parents generally seemed to show much interest in their children's education. The newspaper was not much used for reporting to the community.

The reporting of service performance again reflects the difficulty in measurement. For example, the extra-curricular activities were reported in terms of the number of pupils who took part in the various sporting activities (input based). Performance indicators were absent. The difficulty about performance reporting is reflected in the following statement by the principal:

*'Well, the objective is pretty general...it's difficult...I mean that we're putting an amount of money towards the curriculum is self evident...the tenuous connection between finance and results...I mean whether we can say we spend enough or didn't spend enough I'm not really quite sure... there is no magic formula...'*

Like Alice, Betty also found little interest among the general public in its annual reports. The school itself also made little use of it for similar reasons: complexity. The principal remarked:

*'I think it is a proper exercise...but I don't think anyone even looks at it...it takes a lot of time for me to see the data...'*

The Ministry seldom gave any feedback on the reports so it was not possible for the school to know how useful all the details were to the government.

2.2.3 Section Summary: There seemed to be some similarities and differences between the changes in Betty compared to the previous case. In both cases there were similar changes in the structures and practices without much impact upon the educational values. Their perceptions of the reform philosophy were also similar. However, Betty's trustees seemed more capable of providing support because of their professional backgrounds. The changes in structure seemed to be greater for Betty because it adopted the centralised system which involved staff increases. Unlike Alice, raising local income was not much of a problem for Betty as it was located in a 'richer' community. However, it was given little assistance in the form of capital grants. In spite of lesser funding from the government, Betty seemed to be able to run all its programmes well. Its budgetary practices in terms of the budget design and the use of budget information were similar to the previous case. However, its budget policy was rather different, with a greater availability of resources. It also focused more on pleasing the community. Although there was little difference in the perceptions of reporting and reporting practices between the two schools, Betty seemed to publish much more information. There also seemed to be much more interest amongst the parents in their children's education compared to Alice.

## 2.3 School 3 - Cathy

### 2.3.1 Context

Cathy is a small co-educational school located in a small rural town with a population of approximately of 7,000 people. One main feature of the community is that it is represented by two ethnic groups, Maori and Pakeha, in almost equal numbers. The people in the area tend to fall mainly into the middle to low socio-economic bracket. A substantial number of families are

unemployed and are dependent upon the state for income support. Pupils attending the school are drawn from the township and the surrounding rural areas. Cathy provides instruction to pupils from Form 3 to Form 7. Those from the outlying rural areas travel to and from school by the school bus.

In 1995 the school had an enrolment of 507 pupils consisting of 66 percent Maori. Fifty three percent of the roll consisted of girls. In common with Alice, Cathy's roll had for some time been falling since the reform began because a section of the parents, mainly Pakeha, chose to bus their children to the schools of their choice in Hamilton. However, during the last two years the roll had been quite steady. This might possibly be because the 'better' schools in Hamilton were not able to take in any more pupils, or because the remaining parents could not afford to bus their children out of the community.

The facilities were mainly prefabricated buildings and 'old style' school buildings, mostly built in the 1950s. The surrounding area had been developed into two hockey fields, one soccer field and two rugby fields, financed by the Ministry. Cathy had some special features because of the nature of its bi-cultural community. First, it had a school Marae (Te Huingaongawai) opened before the reform, for the purpose of welcoming visitors and holding meetings. The Marae had lately also been used as a teaching space for all subjects. Second, it ran a special project called Te Kura Rumaki in which almost all subjects are taught in Maori, financed with the assistance from Te Puni Kokiri from Wellington and a grant from the Waikato Education Foundation. Third, it ran a special programme (Te Puawaitanga) in association with the local Youth Development Trust. The programme was specifically for pupils who found it difficult, for various reasons, to settle into a normal classroom situation. The course, which was conducted in a special remodelled school house outside the school compound, consisted of life skills, correspondence studies, community work, and work experience. Some of the

pupils would join the school after a period, while others would move on to employment or pre-employment schemes.

### 2.3.2 Issues

2.3.2.1 Changed Structure: Cathy's reactions to the new external structure were similar to the previous cases. The principal was quite happy with the new external structure and described the old system as 'unwieldy'. She further remarked:

*'...now if you want something you just do it...I know in the old days you put in an application for it and it came back months later...it was something like Father Christmas sitting up there... so the new system seems more appropriate...'*

Similar to the above cases, Cathy was also critical of the reform philosophy. The principal remarked:

*'I'm always very cynical...I always think it's a cost cutting exercise...'*

Her values and beliefs were expressed as follows:

*'I like to be free to be in and out of the classrooms because I love teaching...I want to be seen as a student leader...to me personally the main joy is the role of teaching...the management part of it which is huge is secondary to me...'*

Similar values and beliefs were expressed by one HOD:

*'I think the teaching profession is one of those professions with so much of a service...so much of free time is given because you teach not for the money but because you love the kids...there's no way on earth that I could ever be financially compensated for my work...for the hours that I put in...'*

Similar to the previous cases the BOT again did not seem to provide much governing role. Cathy's trustees consisted of a dairy farmer, two housewives, one clerk, one agricultural assistant and one laboratory technician. Different from Betty and in common with Alice, Cathy's trustees seemed to lack professional skills and were thus not very capable of giving much support. The role of the trustees was seen as follows by the HOD (Technical Studies)<sup>11</sup>:

*'That's fine if the parents are interested and they have the expertise...but basically they (trustees) are just parents...they're asked to give time and make decisions about matters in the school...often they've to be guided by the principal who knows... so in many cases they're just rubber stamps'.*

The worry engendered by this issue was expressed by one of Cathy's HODs as follows:

*'Well, what worries me about BOT is that you are asking non professional people to manage a budget of thousands and thousands of dollars...'*

The chairman seemed to think that the trustees should be paid more. This seemed to be similar to the view expressed by Alice's deputy principal discussed earlier. He remarked:

*'I think we should be paid more...we can't run the institution like this...on one meeting a month...some of us are saying we should be properly paid for the time we're doing it...what we're saying is there is a group of people in our community who are giving up their time to do something for the community...why shouldn't they be paid for it...?'*

In terms of the internal structure, no new staff were taken in to help with the increased administrative workload as Cathy could not afford it. Similar to Alice and different from Betty, the work associated with financial management and accounting was contracted out to the same external agency, Multi-Serve. Much of the increase in the workload was shared among the

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<sup>11</sup> Some of the evidential citations have been given in the previous chapter.

administrative group consisting of the principal, the assistant principal, the administrative assistant, and the BOT chairman. Much of the work associated with financial management was done by the administrative assistant with the guidance of Multi-Serve. The administrative assistant commented:

*'...I get along...I get the assistance and guidance of people from Multi-Serve and they've assured me that I've done as it should be done...'*

Budgeting work was done initially by the principal, and assisted by the administrative assistant. To help with the financial and budgeting work, the school accounting teacher was appointed as a member of the finance committee. She also represented the staff on the school BOT.

Thus, the changes were again confined within a small group consisting mainly of the principal and administrators who absorbed the change. The principal was at the centre, with much of her teaching work reduced. However, being new in the job and lacking experience, she was highly absorbed in trying to learn. Cathy's administration, therefore, also seemed to lack leadership. This seems to be more serious than in the case of Alice. Many of the tasks were at present carried out by the administrative assistant and the clerical staff. Except for the accounting teacher as discussed above, none of the other teachers were affected by the new arrangement. A science teacher remarked:

*'Well, I don't think there have been many changes for me...I'm still doing what I used to do in the classroom...the new financial situation hasn't changed that...'*

Thus, as in the previous cases there were clear changes in the structures and the practices (design archetypes and subsystems). The reform had little impact upon the school's educational values (interpretive schemes).

2.3.2.2 Resourcing Issues: As in the other two cases discussed previously, Cathy was also against bulk funding for a similar reason: distrust of the

funding formula and fear of underfunding. Thus bulk funding was seen as a threat to the curriculum. The principal remarked:

*'...again it's bulk funding that worries me most because as soon as you get funding you're not looking for quality, you're looking for cheapness...'*

Being located in a 'poor' area, resourcing was also a big problem for Cathy. On being asked about the additional TFEA grant (the school was entitled to the full amount), the principal explained the school resourcing situation:

*'It's not significant enough for us...it's one of the things the former principal was very very hot on...it's all very well saying we're just a medium sized school but we're not backed up with proper funding...we've students busing through to Hamilton because those schools are seen as so much better and brighter...in actual fact the kids could have got the same features here but we haven't got the resources...'*

According to her, the decile ranking placed too much emphasis on economic issues, with little consideration for social issues. This makes it unfair for schools like Cathy which are located in communities with lots of social issues. Social issues are those associated with abused children or children from unstable or broken families, many of whom were to be found in the community. The principal commented:

*'...lots of kids have come from families with little money, unemployment, a lot of physical violence, pretty grim situations...I wonder when the government looks at a school like this what they think we're going to do with those sorts of kids...'*

According to her, such children needed special help that was not normally required in other schools. Additional resources were required in order for the school to help these children, but the school was not funded for that. She pointed out:

*'We have students in this school with low reading ability...they're not going to function, unless we get lots of resources in terms of teacher aids...'*

Cathy could not depend very much on its immediate community for the additional resources. In 1995 Cathy was only able to raise local income at the rate of about \$170 per pupil. In this sense Cathy was worse off than Alice. The principal's concern was reflected in the following comment:

*'...we're not in the community that we can fund-raise...we don't get school fees either...we're about \$10,000 outstanding in school fees...school fees are only \$30 a kid...'*

Cathy managed to get some of its local income from activity fees for which pupils were charged for the materials used. It was explained that the pupils would not be issued with leaving certificates if the activity fees were not paid. However, many parents were still not able to pay the school fees (not compulsory) and attempts were made by the school to collect them. The administrative assistant commented:

*'The principal stressed the fact that there is a lot of money outstanding...fees that haven't been paid which leaves the school broke, but we don't regularly put it in the newsletter but it is addressed to the parents from time to time...'*

The principal emphasized that, however difficult it is, the school must keep on seeking extra funding. She remarked:

*'We have to keep on doing it (seeking additional income) for the sake of the kids...'*

Similar to Alice, it had to compete for additional income through donations and sponsorships from larger firms outside the area. And this had involved much of the principal's administrative time.

Thus Cathy continued to strive for additional income for the sake of the 'kids'. This inclination towards the curriculum indicates that Cathy's education values are intact.

2.3.2.3 *Budgeting Issues*: The budgetary practices were in the main similar to the two previous cases in terms of approach and the use of budget information. The focus of the budget was also the curriculum and the 'kids'.

Because of limited resources, Cathy had to work on a smaller budget. It had a budget deficit in 1995. The supply of teaching materials had to be strictly controlled. The common remarks among teachers about the teaching materials were:

*'There's never enough...'* (HOD, Special Education)

*'No, it's not enough...I think definitely not...'* (Science Teacher)

A technical subject teacher thought that much of the extra money that came into the school was spent on administration. The following remark reflects the difficulty associated with resourcing and the budget.

*'...a lot of that money from my understanding is used for administration...you're paying extra staff to administer all that's going on...we don't see the benefit of it in the department...I mean we basically have to scrounge around for all the throw aways and cheap products...'*

The above remark may also indicate a potential tension between the teaching and the administrative groups - a social issue.

The small budget might have some academic impact, for example, in the 1995 annual report neither the chairman nor the principal spoke very much about its performance. Nevertheless, although it was very limited in resources, Cathy was able to run all the school programmes and activities. As in the previous cases, no important activities were ever curtailed because of a shortage of

funds. The principal's concern for the 'kids' was also reflected in the way the resources were being channelled for their welfare. She commented:

*'...what we've got is limited...we did a deliberate thing last year of getting counsellors who were proper counsellors, not ex teachers... we took a big step of having to face up to the union but the point is we want the kids of this community to get proper counselling...'*

The principal was wary of the reform intention associated with the budget. On being asked whether the government was more concerned with the budget rather than the quality of education, she replied:

*'I would have to agree to that...'*

Thus the above situation suggests that although the resources were limited, they were being channelled for the needs of the children. The various changes seemed to have little impacts upon Cathy's interpretive schemes.

2.3.2.4 *Reporting Issues:* As in the previous cases, Cathy did not have much problem with the new system of accountability. The new reporting system was generally considered appropriate. The financial reports were very similar to Alice's, being prepared by the same agency. Performance was similarly reported in terms of inputs rather than outputs. There was little use of performance indicators. In common with the previous cases, Cathy was also critical of performance measurement. It was thought that schools should not be made to report performance because, as professionals, teachers should be expected to know what is best for the children in terms of education. One HOD put it as follows:

*'...it's a profession...we know what is best for the kids...just like doctors...I think teachers are like that...I think there are several ways of being accountable...your good record is one of them...'*

Cathy also found little interest amongst the external parties in its annual reports.

For Cathy, the newsletter was the main reporting medium to parents. It had not been very successful with the parent/teacher meetings because of little interest shown by parents. The administrative assistant explained:

*'...this year we arranged two to three meetings and no one came...we sent out letters asking for them to come along but nobody came...that's the community...now the parents are advised that class teachers are available at any time...it's an open door...'*

In common with the two previous cases, information about the school was mainly provided to the community in its prospectus and the school magazine published annually. However, these were published in much cheaper materials with limited copies reflecting its low socio-economic status. The newspaper was never used to report to the community.

2.3.3 Section Summary: There was much similarity between Cathy and Alice, in particular, in the areas of resourcing and in the management of the accounting and finance. Both found difficulty in raising local income. However, Cathy was in a much more difficult position being 'poorer' and also lacking administrative leadership. Nevertheless, Cathy, Alice and Betty shared a common perception of the philosophy associated with the reform.

## 2.4 School 4 - Diane

### 2.4.1 Context

Diane is a medium sized state integrated secondary school established in 1961 by a religious order, exclusively for boys. It provides instruction from Form 3 to Form 7. The school is located in an expensive location within an upper middle class community in Hamilton. The population of the area is about

4,000 people and consists mostly of Pakeha. The people in the community are mostly professionals and business executives employed in the various establishments in and around the city. In common with Betty, it serves not only the immediate community and the metropolitan area, but also those richer parents from outside Hamilton.

In 1995 the roll was 414 pupils consisting of 87 percent Pakeha, 10 percent Maori and 3 percent others, including a number of international pupils. Diane charged a \$60 activity fee and an \$87.50 attendance fee per term. Both fees were compulsory. A special feature of the school was its strong music department. It had over 100 pupils learning various instruments and five music groups performing from time to time.

Diane was well equipped with up-to-date facilities in terms of buildings and teaching equipment. However, some of the original classrooms needed to be refurbished. There had been some major developments of the school site over the past four years. A new gymnasium and recreation centre, a new library, an information centre, and refurbishment of the administration area were among the projects that had been completed. Some corridors had been carpeted. Plan was under way for the refitting of the technical block but there was presently a shortage of capital funds. Because of its socio-economic ranking not very much support seemed to be coming from the Ministry in terms of capital grants. To provide the necessary funds to meet the demand for extra buildings for the increasing roll, the school now charged a building levy of \$50 per pupil per year over and above the fees already mentioned.

## 2.4.2 Issues

2.4.2.1 *Changed Structure*: Diane's perception of the changed external structure was very similar to that of the previous cases. The perception of the

BOT merely as a supportive group seemed clearer in this case, as remarked by the principal:

*'Most of them (the trustees) are amateurs and volunteers...they're a supportive group...'*

However, coming from the professional and business background, Diane's trustees were more able to give support, although not much of a governing role because of their own personal and business commitments.

As in the other cases, ERO was also not considered useful. As argued previously, this attitude could be interpreted in terms of their perception of ERO as a "potential threat" (Broadbent et al, 1994) to its educational objectives. The principal remarked:

*'ERO is certainly not helping schools.. they will monitor, report and evaluate...they have no roles in actually following up and completing the development cycle...'*

Similar to the other cases, Diane was also against much of the philosophy associated with competition and the market principle. But in this case the preference for competition is clearer. The principal explained his position:

*'Schools should seek their own support from each other and from their own community...I would like to see a concept much more based on trust of each other and believe in and support of each other...I think the reform is very much a managerial power structure that has gone too far...'*

In terms of the internal structure, Diane experienced a similarly increased workload. In common with the other 'richer' school (Betty), it also adopted the centralized system for additional accounting and financial management workloads. Much of the increased workload was similarly absorbed by the small administrative group, in particular, the principal. In the previous cases teachers were, as in the past, involved with collecting money from the pupils.

But in the case of Diane, teachers were now no longer involved in this activity. Instead, the pupils were required to make payments direct to the office, where they were immediately issued with a receipt. Thus as in the other three previous cases, teachers were protected from the changes through the formation of a small group that absorbed the change. The principal had to sacrifice much of his curricular duties in absorbing the change. But in the case of Diane, the involvement of the principal and the deputy principal in administrative work was such that it made them less accessible to teachers and pupils. One teacher commented:

*'They're not as available to teachers...I don't think they're available to the kids and the parents...'*

Thus, although the principal was concerned about people and the wider community (as evident from his previous and other remarks to be discussed), he was extremely involved with the reform, and much more than the other principals. For example, he chaired the finance committee and also served as the secretary to the BOT. Because of the extremely high involvement of the principal in the change he may be classified as an "absorber-soaker-sinker". Laughlin et al., (1994) explained that 'This group are fully involved with LMS and are oriented to people rather than tasks...Despite the people oriented concern of these heads...the handling of LMS through this very personal form of absorption has considerable costs on the important educational concerns, intended to be protected' (p.72).

The principal did not believe that his high involvement in administration was good for the school because he was not trained for the job. He thought that a principal should be concerned mainly with the curriculum and that the administrative job should be left to a person with the appropriate qualification. He remarked:

*'...we're dealing with matters of personnel, finance and property and you have to learn all those skills...I always maintain that there should be*

*a senior person in the school who has the role like a company secretary with a tertiary qualification in management and legal issues...the principal should be the school leader who looks at the curriculum...I think many principals have found it very very hard to spend so much time on administration at the expense of the curriculum...'*

Thus in spite of the principal's high involvement in the reform, the educational values of the school seemed to have remained intact.

2.4.2.2 Resourcing Issues: The principal strongly believed that schools were being underfunded and government funding should therefore be backed up by direct community support. He explained:

*'...the new framework brings in a lot of hidden costs to the school and we don't get any money for that...you're being required to implement a new curriculum with little funding to do it ...therefore you've got to depend on your community...'*

Like the principal, teachers also thought that there was a mismatch between the demand of the expanded curriculum (both national and local) and the level of funding. A teacher expressed his opinion as follows:

*'...the government wants changes in schools...there're changes in the curriculum...but I think they are not matching it with the resources or financial support...'*

Being located in a 'rich' area, Diane had little difficulty with resources. It did actually get community support for most of its needs. In 1995 it managed to raise local income at the rate of about \$800 per pupil, not including the money collected for the building fund. This was the highest of the four schools. Apart from the income collected from trading, school activities and fundraising, it was also able to collect the building fund every year from the parents and other interested members of the community. At present every pupil contributed towards the building fund.

Thus, in common with the 'richer' Betty, Diane also found little problem with the new resourcing system.

2.4.2.3 *Budgeting Issues*: The budgeting practices were very similar to those of the other three schools. Having little resourcing problems, Diane had been able to carry on with all its programmes with much less difficulty than the 'poorer' schools. Like Betty, Diane was also able to provide more up to date facilities and to attract better teachers. It was proud of its achievements, in particular, in music and sports.

However, in common with the other three schools there were also the usual complaints about the shortage of resources from some teachers who believed the increase in administrative work had taken the resources away from the classrooms. As previously mentioned, this perception of the increasing importance of the administrative group relative to the teaching group was also observed in earlier studies (see Edwards et al., 1995).

In spite of these complaints, the school was able to get all its activities going with some reserves for future maintenance and other needs. As mentioned, similar practices of keeping reserves were also observed in the UK schools (see Edwards et al., 1995; 1996). In common with the other previous cases, Diane also did not believe in keeping reserves for its own sake. It was explained that whatever was obtained for the current year was for the current year's pupils except for a small necessary reserve for future repairs and maintenance. Keeping reserves was also not encouraged by the Ministry.

The primary focus of the budget was the children's education. This is reflected in the principal's comment as follows:

*'...I definitely believe that the final school leader should be someone with an educational background, understanding and philosophy...I do*

*not believe that the decisions within schools should be based on business principles...'*

This perception also suggests that the school interpretive schemes had remained intact.

2.4.2.4 Reporting Issues: Diane shared most of the reporting features found in the other three previous schools. It also believed in the new system of accountability, and that the new reporting system was considered appropriate. As mentioned earlier, it believed that education should be a balance between the needs of the community and that of the pupils. In common with the other three schools, Diane also found similar difficulties associated with performance measurement and reporting.

The financial and performance reports were little different from those of the other three schools. Diane also issued the fortnightly newsletters to parents, and published the annual prospectus and the school magazine. In common with the previous cases, there was little use of the newspaper as a medium of communication to the community. Information was also provided to the parents during the parent-teacher meetings organized regularly. From their response, Diane's parents seemed to show more interest in the affairs of their children compared to the parents in the 'poorer' communities like Alice and Cathy.

The use of the annual reports was restricted to the Ministry with no feedback ever received. There was also very little use of the financial reports by the school itself, although it did find the monthly statements quite useful. On being asked whether the school made use of the school annual reports, the financial assistant commented:

*'...probably not much but we do use the monthly statements quite a lot...'*

2.4.3 *Section Summary*: There seemed to be more similarities between Diane and Betty, both being relatively 'rich' schools, than there were with the other two 'poorer' schools. Like Betty, Diane had also adopted the centralized financial management system. Unlike the two 'poorer' schools, both had found little problem with raising local income. In common with the other cases, including the 'poorer' schools, Diane was also critical of the reform philosophy. And for the purpose of protecting its educational values, it had also set up a small absorbing group.

### 3. Summary

The four case studies discussed above have served as a development of the issues raised in the survey presented in the previous chapter. They have helped to provide a deeper understanding of the changes and of their associated impact upon the school interpretive schemes. The closer contextual research has been able to confirm many of the findings from the survey, and also to iron out many of the uncertainties experienced within the survey.

The case studies have been presented separately in order to show the character of the changes and their impacts in each of the schools in terms of their values and beliefs (interpretive schemes). In many cases, the changes were similar in the four schools. There were changes in the structures, although the changes were slightly more in the case of the 'richer' schools compared to the two 'poorer' schools. Similarities were found in the budgetary process, reporting issues and the perceptions of the reform philosophy. Their similarities were associated with the way the schools perceived the reform and the common concern for educational objectives above anything else.

There were also several differences. First was the quality of the trustees. In all the four schools they provided little governing roles. However, in the 'richer' schools the trustees were able to give some support, unlike their counterparts

in the 'poorer' schools who lacked professional skills. The lack of governing roles amongst all the four schools was due to different reasons. For the 'richer' schools, the trustees could not spare much time in the schools although they had the skills. The trustees in the 'poorer' schools could not provide the governing roles because of the lack of skills. There was also some evidence that the trustees in the 'poorer' schools lacked interest due to what they considered as low emoluments. Another major difference appeared to be in the ability to raise local income. This impacted upon the budget, in spite of the additional TFEA funding. The poorer schools also seemed to have more social problems and thus needed special funding for counselling which was not provided for. However, the smaller budgets of the 'poorer' schools did not seem to have much detrimental impact upon their school programmes and activities, although there were differences between the performance of the pupils in the 'richer' and the 'poorer' schools.

There was also a difference in the way the increased workload associated with accounting and financial issues was managed. The centralised system as adopted by the 'richer' schools provides better quality information and hence contributes towards better management.

Another difference seemed to lie with the parents. The parents from the 'richer' communities not only contributed more financially, but also showed more interest in the affairs of their children. There were also found to be some differences in the characteristics of the principals although these differences did not seem to bear much relationship with the 'richer' and 'poorer' domain.

The above differences did not, however, take the schools (both the 'richer' and the 'poorer' schools) away from their main focus - children's education. It is evident that the schools had managed to protect their educational values, against the onslaught of the economic and measurement regime, through the formation of small absorbing groups. In addition, the budget practices adopted

by the four schools had also influenced this protective process. In addition, the adoption of the incremental approach means that the budget is confined within the “private sphere”, thus keeping the budget policy away from the unwelcome intrusion into the sanctity of the educational values. The budget information appeared to be available to all members of the school, including teachers and this information was being used to drive educational priorities.

Thus the changes appeared to be just tangible having affected mainly the structures and the practices (design archetypes and subsystems) with little impacts upon the school interpretive schemes.

Within the small groups, two types of principals were identified in the case studies. These were the “informer-involver” and the “absorber-soaker-sinker”. Although the different characteristics of the principals, is not the focus of this study, this aspect is important because of the possibility of its long term impact upon the interpretive schemes.

The research findings and the similarities and differences among the findings between the ‘richer’ and the ‘poorer’ schools, are in Appendix E and Appendix F respectively.

In the next chapter the insights gained from the case studies are put together, discussed and analysed in relation to the survey results and other related studies in terms of the interpretive perspective discussed in Chapter Three.

## Chapter Six

### Analysis and Discussion

#### 1. Background

As discussed in Chapter One, the focus of this study is upon the accounting and financial management technologies associated with the reform and their impacts upon the schools. Chapter Three identified the research perspective. The previous two chapters elaborated upon the responses from the survey and the case study interviews respectively. This chapter is aimed at discussing and analysing those findings in terms of the changes and their impacts, from the interpretive perspective as discussed previously. At the outset, it is considered appropriate to begin the analysis and discussion by reflecting upon the reform implications or 'intentions'.

Public sector reform and *Tomorrow's Schools* may be associated with an attempt at the introduction of a 'corporate culture'. Beare et al., 1989 (p. 71) argued that the changes in the external structure in NZ schools, like in most other countries, consist of two potentially contradictory developments. First, certain responsibilities are pushed down to the local level, 'to encourage people to establish new, independent schools to serve the expressed wishes of a client group, to legislate so that all schools...have governing boards...' (ibid). The second development is "recentralisation" which aims 'to reassert control in several key areas like resource management, measuring outcomes, programme budgeting, teacher appraisal and setting global priorities' (ibid). The second level of development had caused the formal restructuring of the education system so that lines of control are simplified and made more direct. This development was influenced by writers such as Peters and Waterman, (1982), who considered the simultaneous decentralisation and recentralisation as 'loose/tight structures', a common characteristic of what they identified as excellent companies (cited in Bear et al., 1989, p. 71).

In the following sections I analyse and discuss the major changes that have taken place in each of the four technologies. These changes were gathered from both the survey and the case studies in terms of school reactions to the attempt at the introduction of the 'corporate culture'. As discussed in the previous chapter the case studies had developed out of the survey. Many of the findings from the survey were confirmed in the findings from the case studies. Among these findings were the increased administrative workloads, the different approaches adopted by the schools to manage the new work associated with accounting and financial management, and school perception of the reform philosophy. Many of the uncertainties encountered in the survey were ironed out within the findings from the case studies. Among these clarifications were school perceptions of ERO, the uses of budget information, the perceptions of the teaching groups (which were seriously lacking in the survey) and the quality of reporting. In addition, various differences between the 'richer' and the 'poorer' schools associated with the changes were also revealed from the case studies.

It is intended to discuss the insights gained in this study in relation to the existing literature. As mentioned earlier the works of importance to this study are Broadbent et al.,(1992a, 1994), Laughlin, (1994) and Jacobs, (1995). The discussion of the insights gained are to be done under each of the four technologies because they form the subject of the thesis. It is the changes in these technologies that the research is basically interested in.

## 2. Structure

2.1 Introduction: School reform is associated with the establishment of the new education structure (Oliver, 1993). The existing studies have so far focused mainly upon the internal structure. The external structure is equally important because it spells out the new system of accountability - a major concept under the reform, alongside increased decentralization (Picot, 1988).

This section dwells upon the changes in the external and the internal structures. I intend to examine the changes in the new structure and how the schools perceived the changes in terms of the interpretive schemes.

2.2 External Structure: Because there is so far little research carried out on the impacts of the new external structure upon schools, this section will only consider the insights gained from this study and will not relate them to other works.

The external structure consists of the school and the external parties associated with and interested in it. As discussed above, this new structure is associated with an attempt at the introduction of a 'corporate culture'. Certain new elements which were absent in the former structure have been introduced. In terms of Critical Theory these new elements may be interpreted as 'steering media' and as instruments of colonization (Jacobs, 1995).

Under the former structure, schools were placed directly under the Department of Education and many aspects of school life were under its control (Oliver, 1993). The Department set the staff entitlement, salary levels and employee conditions. It defined the curriculum, took major responsibility for recruiting teachers, and exercised some control over the procedures for their appointments (Jacobs, 1995, p. 27). However, at the same time the Department also acted as a buffer between the policies of the government and the needs of the schools. This is because the Department had a history of being led by educationists (Nash, 1989, p. 116). On this basis, it was argued that the Department shared a common core value with the schools (Jacobs, 1995) and, therefore, was not a true colonizing medium.

The reform is associated with the introduction into the school system of certain new mechanisms and external independent institutions to serve as the steering media. Among the new mechanisms are performance reporting and market competition. The external institutions concerned include the new Ministry of Education, the New Zealand Qualification Authority (NZQA) and ERO. Although the school is to work with the community in the design of its curriculum, in practice the Ministry and the NZQA determine and regulate it. The charter itself, which spells out the school plans and objectives and which is drawn up between the school and its community, has to be agreed upon by the Ministry. A further control is imposed by ERO in the form of an assessment of school and trustee performance<sup>1</sup>. Schools are required to conform with government requirements and attain a certain minimum level of performance. This control is provided through ERO's assurance audit and its effectiveness review. A certain level of coercion is in place because schools that do not comply are identified and publicly reported. In this sense schools are steadily being drawn into the measurement regime. ERO's functions and the control by the Ministry are as Jacobs, (1995) put it 'active colonizing influences'. Jacobs further stressed that:

*'These steering media provide a continuing change influence and pressure for explicit educational performance measurement...' (p 28).*

Nevertheless, as evident from the case studies, schools welcomed the removal of the Department of Education, and the control associated with it, mainly for educational reasons. The removal of the department, which was followed by increased decentralisation, was preferred by the principals because the resulting flexibility allowed for quicker educationally focused decisions. It was recognized that there was benefit in having direct control over resources as a means to drive educational priorities. The schools saw increased

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<sup>1</sup> ERO's functions have been discussed in Chapter Two

decentralization in terms of the children's education as reflected in the following statement by Betty's principal:

*'...I can control the money...I can spend the money to meet their (the pupils') needs...it's no longer tagged...before, the Department used to tell us not only where to spend it but also how to spend it...'*

Related to the policy of increased decentralization is the policy for a much wider accountability. The new centrally determined accountability may be seen in terms of two different dimensions: first, the need for more disclosures, for example, in terms of reporting total inputs through the use of accrual accounting. The second dimension is the need to report to different parties. The wider accountability in terms of more informational disclosures is discussed in a later section under 'Reporting'. Reporting to the different parties, was considered appropriate. Apart from the belief that it is considered 'right' and 'proper', this perception is also associated with the need to be accountable for the continuous support provided by the stakeholders. The schools were critical of the market principle for which the external reports are also meant to serve. They believed that schools should operate within the spirit of cooperation rather than on the basis of market competition. It was argued that competition, especially in education, could result in the production of self centred people. Thus, as stated by Diane's principal:

*'... I believe that unless you have that balance where they see themselves as part of the wider community, then I think you produce extremely self centered people...I see the current philosophy and rampant individualism in the western world are often very destructive and devisive with people working entirely for themselves...'*

Similar views amongst the schools about the importance of cooperation rather than competition were observed in UK studies (see e.g. Bowe et al.,1992, p. 61).

As discussed previously, ERO serves as an agent of the Ministry and is an active steering medium. ERO's assessment of school performance and reports are aimed at 'steering' the schools into the new culture. The schools' dislike of ERO has been discussed in the previous chapter.

The reform has put into place two opposing systems. Schools are supervised and controlled by ERO and the findings are publicly reported. At the same time there is in place the system of parental choice (the market principle). It has been argued that if the forces of the market are in place, then should ERO be necessary? Smith, (1995) argued that ERO is in conflict with the market principle because, if schools are to respond to the demands of the market then ERO's audit and reviews are redundant. Citing McKenzie, (1994), Smith, (1995) noted that:

*'...in an ideal world of market competition there would be no need for any external review process'.*

Smith, (1995) continued that;

*'Following this line of argument, there would be no need for an agency such as ERO, parental (read customer) sovereignty would prevail. There are competing ideologies at work, the private sector mechanism of the market versus the regulatory function of external review of standards, as required by those favouring the neo-conservative ideology' (p. 34).*

This is a policy contradiction that the reform is facing. The schools neither seem to like being controlled by ERO nor to be subject to market competition.

In spite of their perception of ERO and the market principle, the schools were generally happy about the new structure, in particular, those associated with increased decentralisation. This is because, as evident from various citations discussed in the previous chapter, increased decentralisation was perceived as contributing towards the school educational objectives. Thus, schools in the

case studies would not want to return to the days before *Tomorrow's Schools*.

As one principal (Betty) put it:

*'Oh, I'll never go back, never...because you have control of the money when you're making decisions at the local level as to what you want to do with it...you can use it however you wish...you're responsible for all the decisions...you're more able to make things work and faster...'*

This is similar to the findings in the UK where the shift has been generally welcomed (see Knight, 1993, p. 130), and none of the head teachers would want to go back to the former system (Laughlin et al., 1994, p. 60).

Thus, the schools' reaction to the change in the external structure seems to indicate their attempt to protect the school interpretive schemes.

2.3 Internal Structure : Much of the existing literature on school reform has so far focused on the internal structure. Two types of studies may be identified. The first was concerned with organizational change, focusing upon the changes in structures and practices and the formation of the small groups. The second, which went beyond the first group, was more concerned with the nature or characteristics of small groups. Broadbent et al., (1992a) and Jacobs (1995) may be identified with the former group, and Laughlin et al., (1994) with the latter group.

This study may be considered to belong to the first group. In this section I intend to discuss the changes in the internal structure. For this purpose the structure is analysed in terms of its causes and how the changes were affecting the schools. This section intends to build upon the works of Broadbent et al., (1992a) and Jacobs, (1995) by examining the changes in the structure in greater depth.

2.3.1 *Causes of Change*: Unlike the external structure, the change in the internal structure was not directly caused by policy change, but rather by increased workload. As discussed earlier, the increased workload resulted mainly from increased decentralisation of resources and decision making. Under the reform increased decentralisation is associated with more control in the form of wider accountability. This has been discussed earlier on in terms of the 'corporate culture'.

The increased workload was also observed in other NZ studies (see Wylie, 1991; Jacobs, 1995) and also in several UK works, for example Dixon, (1991), Broadbent et al., (1992a, 1994), Knight, (1993), and Laughlin et al., (1994).

It is quite clear from the case studies that the increased workload was associated mainly with budgeting, financial management, accounting, reporting, property management and income generation. The workload associated with accounting and financial management was confirmed by more than 90 percent of respondents in the survey. In general the schools were quite positive about the workload associated with budgeting, financial management and financial reporting. However, they were rather critical about income generation and performance reporting. This shall further be discussed later.

Inactive governance was also a contributor to the increased workload. It is considered appropriate to elaborate upon this aspect of the change because it is little discussed in existing literature. In both the 'richer' as well as the 'poorer' schools the trustees appeared to provide little in the way of a governing role, rather, more of a supporting role, but for different reasons. For the trustees of the 'richer' schools the main reason was time constraint and other reasons discussed below. For the 'poorer' trustees, the reason was lack of professional skills and, possibly, lack of interest, judging from the high turnover and from the call for better financial incentives in the form of a

higher emolument<sup>2</sup>. The greater availability of management and professional skills amongst their trustees to take on various issues such as financial and legal issues, put the 'richer' schools at a much greater advantage.

The lack of an active role by the governing body was similarly seen in the UK. In their study of coping mechanism in UK schools, Laughlin et al.,(1994) observed that none of the governors were active in doing the LMS. It was the principal who was running the school, the governors just provided the supporting role (p. 68). In their study, Broadbent et al.,(1992a) observed that:

*'At the governing body level there is little involvement of the wider membership, and some evidence that those closely involved are less than enthusiastic about their position' (p. 63).*

Even if the governors were knowledgeable they seemed to be reluctant leaders. This may be explained in terms of their unwillingness to interfere in professional matters relating to the organization and management of internal affairs (Cave, 1990, p. 4). Also as governors, parents were placed in the position of intimidating responsibilities as they faced liability over contracts signed between the school and external parties. One such liability for the NZ school trustees, is exemplified as follows:

*'All boards of trustees should also note that the Government does not guarantee debts incurred by any board or individual trustee. This applies not only to borrowing contracts but also to trade creditors' (Ministry of Education, 1989, p. 6-5).*

However, there seemed to be little complaint among the key members of the schools about the quality of the trustees. This may be because as the representatives of the parents and the community the trustees were perceived as providing strength and support to school decisions. The schools also wanted to be seen as complying to the authoritative requirements because not to comply would be problematic (Meyer and Rowan, 1977). In addition, the lack

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<sup>2</sup> BOT members are paid an allowance of \$55 gross for each meeting (travel expenses included).

of active roles among the BOT may impact upon school values positively in the sense that school education was left to be managed by the professionals with little external interference.

The next question is how the schools managed the increased workload.

2.3.2 Design Archetypes and Subsystems: Schools responded to the increased workload by changing the structures and subsystems (design archetypes and subsystems).

Two types of workload may be identified, one that may easily be absorbed within the existing structure, and the other that may not be easily absorbed because of its more technical nature. Usually much of the paperwork, and those concerning properties, fundraising and personnel may be absorbed. However, much of the financial and accounting work especially that associated with the new reporting requirement, is rather too technical to be taken over by the existing staff.

In connection with the technical aspect of the new workload, the schools took two different approaches. The two 'richer' schools adopted a centralized financial management system. This was done by installing a computer system with an appropriate software and by recruiting suitable staff. In addition to the reasons given by Betty's principal as discussed in the previous chapter, the advantage of the approach was also stressed by the executive officer:

*'It's a hands on system...you know what's going on...before, you had to ring in and get printouts and they would do it when they had the time and you didn't get all the details...now I can go to the office and they can give me an answer, what accounts are paid...so I can go and look at what's going on...'*

The two less advantaged schools contracted out the more technical financial and accounting work to be done by an external professional agency - Multi-

Serve. The two schools were full of praise for the excellent service provided by the agency. Their perception of the service provided by the external agency may be reflected in the remark by Alice's bursar:

*'...they're delightful to me...they just couldn't be nicer'.*

Thus, the adoption of the above two different management approaches seems to have some relationship with the socio-economic status of the schools. This situation is also reflected in the study by Jacobs, (1995).

However, the centralized system has certain features that were absent in the contracted out system, in the form of immediate and up to date information. This again gave the management of the 'richer' schools an important edge over that of the 'poorer' schools.

There were now in place new structures in the schools, with the changes slightly greater for the schools adopting the centralized financial management system because it involved additional facilities (computer hardware and software) and staff. For the other two schools, the change had resulted from a rearrangement of the existing staff and rescheduling of their duties. These were the changes in the structure (design archetypes).

The changes in the structure were related to the changes in the functions or practices (subsystems). The principals in all the schools were now involved in new tasks quite different in nature from those in the past. Changes in the tasks of the other staff were reflected in the nature of the new responsibilities of the deputy principals and the senior administrative positions, in particular, the bursars or executive officers. The changes had caused the emergence of new nomenclatures such as the 'bursar', 'executive officer' and 'administrative assistant' attached to the staff who were also doing their former jobs. For example, Alice's principal's secretary was now also a BOT secretary and a bursar in addition to her normal secretarial duties.

In contrast to the above changes, the structures and the practices of the teaching group had changed little except for the principal and deputy principal whose sacrifices had meant limited changes to the teaching group's responsibilities. It is evident that the changes in the design archetypes and subsystems affected only a small group of people, mainly administrators, with the principal in the centre. This is discussed later under 'Small Group'.

2.3.3 *Implications of New Structure*: The change in structure may have two implications: the loss of the principal as a curricular leader and the enhancement of the administrative group relative to the teaching group.

Although the financial management changes had impacted little upon the professionals, the principals were highly involved. In addition to the comments already cited from the case studies, some of the typical remarks from the survey were:

*'Principal's workload has increased tremendously...'*

*'Principal now spends up to 20 hours per week more on administration since 1989...'*

The increase in the principal's *administrative* workload was not really popular because it had taken him/her away from the real function of the school - curriculum, as evident from various citations discussed in the previous chapter<sup>3</sup>.

It is apparent that the principals carried on their new administrative duties rather reluctantly and out of necessity. Much of their curricular duties were now left with the respective HODs. The impact of this arrangement upon the curriculum may not yet be apparent in the short term.

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<sup>3</sup> See, for example, the remark by Alice's principal on p.95

The frustration associated with the new system is reflected in the substantial number of the principals who had taken early retirement. The reason did not appear to be the pressure of work, but was more associated with the worry about school values. On this issue, a teacher (Cathy) explained that the former principal left because:

*'...he got so fed up with trying to do the best for the school and got nowhere with the Ministry and the government...'*

Similarly, Jacobs, (1995) reasoned that they left because they were unwilling (or unable) to work in the new environment because they were not able to protect other staff from the increased responsibilities or found themselves unable to delegate aspects of the new responsibility (p. 29).

As mentioned, the change was perceived by teachers as having enhanced the administrative group relative to the teaching group. Practices such as budgeting, financial control and performance measurement had gained a new level of importance relative to the situation in the past. These were further enhanced by the shift in the duties of the principal from the curriculum to administration. Thus, the introduction of the new accounting and financial management system seems to have had a side effect in the form of organizational tension.

Central to the increasing importance of accounting and financial management was the control of the budget. This control now rested more with the principals because of the lack of a governing role amongst the trustees. How this is going to impact upon the school interpretive schemes depends on the way the budget is viewed in relation to the curriculum. As for the schools, in the case studies all respondents still considered the budget as being there to serve the needs of the curriculum. But this could possibly change through 'internal colonization'. This possibility was also observed in other studies (see for example, Broadbent et al., 1992a; Laughlin et al., 1994).

The heavy reliance of the trustees upon the principal, discussed earlier on gives rise to an important implication: the reliance has enhanced the influence and the power of the principal. The increasing influence of the principal is evident from the remark that trustees were little more than 'rubber stamps', which implied that decision making was elsewhere. This may ultimately cause many of the schools' decisions to be strongly influenced by the principal. In the case studies it is apparent that the principals were already having direct control over the budgets, recruitment and school expenditure. How this is going to impact upon the school interpretive schemes may depend on the type of the principal he or she is (Laughlin et al., 1994).

The change associated with the increase in the influence and power of the principal is consistent with other views (see Knight, 1993; Laughlin et al., 1994; Edwards et al., 1995). Knight, (1993, p. 119) noted that 'the importance of the principal increases significantly with financial delegation'. Edwards et al., (1995) stated that, 'For LEAs and schools, LMS has enhanced the authority and influence of those (especially head teachers and bursars) responsible for administering the requirements of LMS'(p. 313).

2.3.4 *The Small Group*: Whatever approach the schools adopted in the management of the change, it is evident that the related changes had mainly impacted upon the administrative structure. As discussed previously, while the financial management changes had significantly altered the tasks of the principals, the deputy principals and the administrative staff, they had little impact upon teachers. Little of the increased workload had crossed over to the teaching group and teachers were left to carry on with their curricular duties. The little involvement of the academic staff in the changes was evident from the citations discussed in the previous chapter<sup>4</sup>. Other typical remarks from teachers were as follows. On the question as to whether teachers were usually

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<sup>4</sup> See for example, the citations on p. 98 and in the middle of p. 124

taken away from the classroom to help with administrative and financial work, the replies were:

*'No, that would not normally be the case...no...'*

*'... as far as the reform goes, as a classroom teacher, I haven't found things changed very much...'*

The changes were mainly absorbed by a small group consisting primarily of the principal and the administrative staff discussed earlier. This small group was often involved in regular meetings to discuss the school budgets, fundraising, property management and other activities.

The changes in the structure and practices, and the development of the small group phenomenon have also been observed in other studies, for example, Broadbent et al., (1990, 1992a), Laughlin et al., (1994) and Jacobs, (1995). Broadbent et al., (1992a) observed:

*'...the effects of the introduction of LMS has been remarkably similar in all the schools. While the schools have had to cope with different problems, they have all kept LMS within a small group of people both at school and governor level' (p. 65).*

Thus, the impact of *Tomorrow's Schools* was absorbed by the small group in order to protect the educational life (the interpretive schemes) of the school<sup>5</sup>. In this sense, since the change appears to be only at the structural level, impacting only upon the design archetypes and the subsystems, the change seems to be that of the first order - a reorientation.

However, the situation could possibly change in the long term. As discussed earlier, the principal was the leader of the small group and this situation was also observed in other studies (e.g. Laughlin et al., 1994). The impacts of the

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<sup>5</sup> This may perhaps be analogous (in the short term at least) with a situation where a drop of dye is made to fall into a bucket leaving the tub of water underneath in its natural state unaffected by the dye.

reform upon the school interpretive schemes should primarily depend on the extent to which the principal is influenced. The danger is that the continuous 'guidance' of the steering media, such as the ERO, may eventually influence the principal. The increasing distance of the principal from the teaching staff, coupled with his higher involvement with the financial reform, may gradually cause a shift in values. He might then try to convert the rest of the school to these new values causing it to have contradictory elements, or what Laughlin, (1991) referred to as being 'schizoid' which may lead to a 'second order change'.

The study by Laughlin et al.,(1994) suggests that some types of principals may be more likely to be influenced than others. As discussed previously, this UK study has made an in-depth research into the nature of the small group through the characteristics of the principals. The study identified eight types of small groups. They concluded in general terms that some of these types may have colonising potential without specifically pinpointing which types. But one type, namely the "informer-involver" was considered the most suitable to manage the reform because it is the least anxiety-inducing. In the case studies, Alice's and Betty's principals may be classified within this group. Diane's principal, who was perceived by the teachers as quite inaccessible, may be classified as an "absorber-soaker-sinker". This type may possibly be more easily influenced compared with Alice's and Betty's principals, who were in closer contact with the teachers.

The study of the nature of the small group (a la Laughlin et al.,1994) has not been covered in this thesis. So far there is yet little attempt to do similar research in NZ. This study has attempted to analyse the nature of the small group from another perspective, labelled factor x and factor y analysis so as not to confuse it with the Laughlin et al., (1994) analysis. This analysis may provide additional insights into the nature of the small group. It is not the intention here to provide a model of change for predictive purposes, but rather

to present an interesting feature observed about the small group. This is discussed next.

2.3.5 Factor x and Factor y Analysis: Various changes in the design archetypes and subsystems have been discussed. It is apparent that the changes had mainly been absorbed by the small group. Among the changes (which were all absorbed) some were found to be quite acceptable but others were not so welcome. For example, while the schools found little problems with financial reporting, they were quite critical of performance reporting (to be further discussed under 'Reporting'). Also, while the schools were found to be quite critical of the increased workload associated with income generation, they were not so critical of the workload associated with budgeting (to be further discussed under 'Resourcing' and 'Budgeting' respectively). This behaviour may be explained in terms of which element within the small group the change has strongly affected. This calls for a closer look at the nature of the small group.

The small group may be identified in terms of two elements: (a) the education element, and (b) the administrative element. For the purpose of this analysis, the former may be termed as factor x and the latter as factor y. Factor x consists of those from the educational background, namely the principal and the deputy principal. The bursar, the financial assistant and the clerical staff constitute the latter. Factor x has a direct and strong identification with the authentic interpretive schemes, being the curricular leaders and coming from the educational background. Factor y is from a different background, with no direct link with the curriculum.

The changes had impacted upon factors x and y differently. The changes that impact upon factor y may be termed 'real absorption' because the changes are absorbed without a backlash. These changes were observed to be more acceptable because they were seen to have little impact upon the curriculum.

Thus, financial reporting and budgeting had impacted upon factor y more than it did factor x. The change impacting more upon factor x may be termed 'partial absorption' because the change has a backlash, in the sense that it is absorbed at the expense of the curricular duties. These changes were found to be unpopular because they impacted upon the educational values. Among the examples of this type of change were performance reporting, those associated with ERO reviews and audits, and income generation.

Thus, following factor x and factor y analysis, organizational changes may be understood in terms of how such perceptions operate through the small group in relation to the school educational objectives.

Organizational changes may also be analysed in terms of factors x and y. The two factors within the small group may be considered as separate entities, each with its own influence with or without the aid of external factors (e.g. ERO). The small groups in the schools in the case studies were clearly dominated by factor x, resulting in a 'first order change'. This was similarly the case in all the small groups in the Laughlin et al., (1994) study. However, it is possible that under certain situations, factor x may begin to lose hold of the authentic values leading to its loss of the educational identity causing the small group to attain a y identity. This may lead to organizational fragmentation (schizoid) and to a 'second order change'.

**2.3.6 *Section Summary:*** In this section I am concerned with the changes in the external and internal structures. I have defined the nature of the external structure and discussed school perception of the change. The schools generally accepted the aspects of the new structure that were believed to contribute towards the mainstream activities (e.g. decentralisation), and were critical of those that were perceived as obstacles to the schools' educational objectives (e.g. ERO).

In terms of the internal structure, it was found that the 'richer' schools had a better management edge over their 'poorer' counterparts because of the quality of the trustees and the advantages from the centralized system in terms of more up-to-date information. The findings relating to the small groups are quite similar to those in earlier works (Broadbent et al., 1992a; Jacobs, 1995). It was found that although there were changes in the structures and practices, the changes had little impact upon the interpretive schemes.

This study has not covered the nature of the small group as carried out by Laughlin et al., (1994). However, it attempts to identify the nature of the small group in terms of two elements within the groups, the professional (factor x) and the administrators (factor y). It was observed that the way the schools saw the changes depended on which factor was more affected.

In terms of the changes in the school structure there appears to be a need for more research in several areas: first, in the interest amongst the parents in the running of the schools. This is because parental roles in the schools do not appear as expected under the reform; second, there has not been much work in NZ on the nature of the small groups along the lines employed by Laughlin et al., (1994). Such a local study using this approach may, therefore, be worthwhile. In addition, follow-up research may also be appropriate to confirm the observations associated with factor x and factor y discussed above.

### 3. Resourcing

3.1 Introduction: There is not much in the existing literature on the changes in the resourcing system. The related studies, Broadbent et al., (1992a), Laughlin et al., (1994) and Jacobs, (1995) have not considered the resourcing issues very much. The insights gained into the resourcing issues here may be considered as a development of the existing literature. Issues on resourcing are closely related to increased decentralisation discussed in the

previous section. Increased decentralisation means that schools have to manage their own resources much more than in the past. This section is aimed at analysing and discussing how the schools perceived the changes associated with the new system.

As previously discussed, in the past government funding was aimed at providing for only a portion of the operational expenditures. The change in policy is associated with the introduction of total funding, labelled, 'bulk funding' which consists of all operational expenditures including teaching and administrative salaries. It is intended here to consider school perception of bulk funding first, followed by a discussion of their perception of the operational grants.

3.2 *Bulk Funding*: Bulk funding was rejected by the schools in the case studies and most of those in the survey. It is a major controversial issue in NZ school reform, as a result of which most NZ schools are on the operational grants only, leaving teaching salaries to be paid directly by the Ministry<sup>6</sup>. This was because bulk funding was associated with underfunding<sup>7</sup>, hence a negative impact upon the educational objectives. The Post Primary Teachers Association (PPTA) refers to bulk funding as 'bulk underfunding'<sup>8</sup>. The payment of bulk funding is based on a centrally determined formula, discussed next.

Bulk funding is calculated on the basis of the national average teachers' salaries. This means that schools are charged on the actual but are funded on the average. Knight, (1993) argued that such a formula would cause hardship to schools, especially those with a high proportion of 'teachers on point scale'

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<sup>6</sup> As of July 1996 there were only 35 secondary schools in NZ that were bulk funded (see Education Weekly, July 15, 1996)

<sup>7</sup> Several evidential citations on this issue have been discussed in the previous chapter. See e.g. the citations at the bottom of p. 101

<sup>8</sup> See NZ Education Review, Sept, 1997, p.9

and a windfall for schools with a lower proportion of such teachers<sup>9</sup> - an equity issue. This issue reflects the school concern for the need for the necessary resources to meet the educational objectives.

3.3 *Operational Grant*: The operational grant is aimed at providing for the day to day running of the school excluding the teaching salaries. The schools in the case studies regarded the grant provided by the government as inadequate or unfair. As with bulk funding, discussed above, the operational grant is also paid on the basis of a formula which seems to have little direct relationship with individual school needs. In the UK this is similarly the case (see Edwards et al., 1995). The weakness of the formula is discussed next.

School perception of inadequate or unfair funding may be associated with the funding formula. Betty's principal argued that the school was unfairly classified. He remarked that 'our decile ranking is quite wrong'. Cathy's principal pointed out that the formula was inadequate because it took little consideration of the social factors in addition to the economic factors. Social factors are associated not only with children from poor background but also with difficult children, those mentally and physically abused and from broken homes. Other New Zealand studies that have also come up with complaints about inadequate funding are Mitchell et al., (1993), Jacobs, (1995) and Charsley, (1996). This is quite consistent with the survey result which indicated that a high proportion of schools were having budget deficits (32 percent). This percentage (32 percent) is slightly lower than the figure published in Table 20 (New Zealand Schools, 1994) which showed that in 1993, budget deficits among secondary schools figured 39 percent.

The formula provides funding on the basis of pupil number and class level, and is applicable to all schools. For example, the 1996 per-pupil funding rate

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<sup>9</sup> A similar view is held in NZ that bulk funding causes 'gainers' and 'losers', see Waikato Times 25/8/97

for Y9 to Y10 was \$541.99 and for Y11 to Y15 pupils was \$601.11 per year irrespective of size and other differences. Indeed as Alice's principal pointed out the funding formula treated all schools 'as a level playing field'.

The formula generally tends to be less helpful to the smaller schools compared to the bigger schools. Thus, the smaller schools in the case studies tend to be 'poorer' than the bigger city schools. This situation is also evident from the results of the survey. Of the schools that responded to the question, it was found that 41 percent of the smaller schools (enrolment less than 500) suffered deficits for the past three years. Of the larger schools (enrolment more than 1000) only 19 percent experienced deficits during the same period.

Studies in the UK (for example Knight, 1983; Thomas, 1990; Thomas and Bullock, 1991) have also shown the disadvantages of smaller rolls, arising from the formula based funding. Thomas and Bullock, (1991) observed that:

*'There appears to be size thresholds, the crossing of which is a key determinant of the scale and likelihood of winning and losing...In the primary sector the threshold is 200 pupils, schools with less than that number [being] more likely to be losers... two thirds of [secondary] schools with fewer than 700 pupils lose with the change of funding...'*  
(p 8).

The inequity issue from formula funding is also tied up with the question of fixed cost. A study by Knight, (1983, pp. 155-62) showed that fixed costs actually constitute a larger element in the school budget than is generally realized, that is, between 10 and 20 per cent in most schemes. It was observed that fixed costs weigh less heavily as rolls rise, and more heavily when rolls fall.

There is obvious difficulty in arriving at a formula that can accommodate every need. In NZ the Ministry has made various moves in an attempt to 'appear' more equitable, such as the introduction of the TFEA and the new

TRS grants. In addition there have been several changes over the years in the operational grant (see Ministry of Education Circular 1996/18, 31 May 1996). The difficulty is also recognized by way of a special grant for small and remote rural schools. A further plan is for the special grant for small isolated schools to be combined into a new Targeted Rural School (TRS) grant for rural schools that meet certain criteria. The actual rate for the grant is to be fixed in November 1997 (Ministry of Education Circular 1996/18, 31 May 1996). However, all these moves are not aimed at the provision of adequate funding for schools. Rather, they look more like moves to show that the Ministry is doing something. This move by the Ministry may be interpreted as an attempt to reduce resentment so that it is able to continue operating along with the other 'steering media'.

How do the schools explain their disagreement with the new funding system? The schools saw the present funding system as not contributing enough to the education objective. The 'richer' schools thought that they were unfairly classified and left out of the additional grant that they should also have received. The 'poorer' schools felt that while the additional grant (such as the TFEA grant) was helpful, it was always based on the false assumption that they could depend on the community. It was argued that schools should be given adequate funding so as to allow the principals to have more time in the classroom, rather than having to spend time seeking additional resources. The crux of the argument seems to lie in the time lost on raising additional income. The locally raised income is discussed next.

3.4 *Locally Raised Income*: The main equity issue from income generation is that it tends to disadvantage schools in the low socio-economic areas. The case studies revealed that to the 'richer' schools (Betty and Diane) almost all the income generating activities were important sources of income, while the 'poorer' schools (Alice and Cathy) found difficulty with raising income locally. The difficulty was also revealed from the survey where some schools

had resorted to various kinds of methods to earn income such as selling firewood, providing lawnmowing services and running transport business. This difficulty among the 'poorer' schools impacted upon their budgets discussed later.

The complaints from the 'poorer' schools arose mainly because they could not expect much from the community. The principals' resentment about having to seek local income, especially amongst the 'poorer' schools, was argued in terms of its negative impact upon the curriculum<sup>10</sup>. As evident from the case studies, while they welcomed the new policy associated with local control, they regretted the curricular time lost to income generation.

The tasks associated with raising local income were therefore absorbed by a small group impacting mostly upon the principal and the deputy - factor x (as discussed in the previous section). Raising local income formed part of the increased workload discussed in the previous chapter. However, the school interpretive schemes had remained intact. The teaching group was not involved in having to raise local income.

3.5 *Section Summary*: This section has discussed school perception of the new resourcing system in terms of the interpretive schemes. The schools were generally against the system of formula funding and income generation because it was perceived as detrimental to the educational objectives. The changes in the design archetypes and subsystems had provided for the tasks associated with income generation to be absorbed by the small group.

The resourcing issues have received little attention in the existing literature. The case studies seem to indicate that there should be a greater linkage between funding and educational needs. An interesting issue to pursue for further research is the perceived lack of consideration of the social factors in

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<sup>10</sup> See e.g. the citation on top of p.101

the determination of the SES decile. The way forward in this area may be the search for a more equitable funding system.

#### 4. Budgeting

4.1 *Introduction:* Budgeting is inherently related to the resourcing issues discussed in the previous section. An in-depth study of the use of budgeting in schools was carried out by Broadbent et al., (1994). They identified the uses of the budget in the private and public spheres and argued that budgetary practices were used to protect the original values of the schools. This study intends to build upon Broadbent et al., (1994) by also exploring how the schools perceive the new budgetary system, in terms of its impact upon the supply of resources and pupil performance.

This section explores the budgetary practices and school reactions to and perception of the new system. But first, by way of introduction, it is intended to reflect upon the general aspects of budgeting. These aspects shall serve as a framework within which the changes in budgeting will be discussed.

The reform is associated with an attempt at the introduction of the comprehensive approach to school budgeting in place of the traditional incremental approach. The latter (incremental) approach takes as its starting point the previous year's budget expenditure. On the basis of the previous year's figures changes are made according to the projected activities for the coming year. Most of these changes are marginal, 'the vast bulk of the budget, however, remain unchanged and unchallenged, in that the budget holder is not required to justify each year the reasons for carrying out the various departmental activities and thus incurring expenditure...' (McAlister and Connolly (1990, p. 41). The incremental approach to budgeting is, therefore, a system whereby the budget for a year is little more than a roll forward from the previous year. As a result of the deficiencies of the incremental approach, the comprehensive approach was developed.

The comprehensive approach to budgeting consists of at least two systems: the Zero Base Budgeting System (ZBB); and the Planning, Programming and Budgeting Systems (PPBS)<sup>11</sup>. There is much similarity between the ZBB and the PPBS, and the two are seldom distinguished (see, for example, the discussion in Broadbent et al., 1994, p. 262; and Edwards et al., 1995, p. 298).

The ZBB is the latest to emerge (Wildavsky, 1979, p. 202). It was developed by Peter Pyhrr in 1969 for use at Texas Instrument, a US electronic firm (Ibid). It is also more often discussed in the current literature (see McAlister and Connolly, 1990; Jacobs, 1995).

There are two stages in budget setting following the ZBB system. First, as the name implies it begins at a zero base instead of the previous year's budget. Each department has to justify his/her claim not only for the additional resources but also for maintaining the resources in the existing activities. Furthermore, at this stage the budget holder also needs to justify a valuation of the benefits accruing from each of the activities. The second stage involves the aggregation of all the activities of the school in a descending order with the activities providing the highest net benefits at the top and that with the least net benefit at the bottom. The amount of resources that are considered available for the coming year provides the cutoff point. The activities below this line will have to be abandoned or discontinued. Thus, the ZBB system implies that the budget is a fixed factor relative to school activities.

In comparison with the incremental approach, the comprehensive system is, therefore, theoretically more superior. Thus in the UK, the LMS makes explicit reference to the use of the comprehensive system (see Edwards et al., 1995, p. 297). Similarly in NZ, the comprehensive system is implied. For example, the Ministry requires the BOT to identify their objectives for the year (placed in a list of priorities as required under the ZBB system). In cases

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<sup>11</sup> See for example, Broadbent et al., (1994) and Edwards et al., (1995)

where not enough funds are available, certain steps may be taken, including restricting the number of school activities and reducing the expected achievement level (Ministry of Education, 1989, p. 6-2).

4.2 *Budget Approach*: The budget procedure under the new policy has been discussed in Chapter Two. Although a comprehensive approach is intended under the reform it is apparent that there seemed to be little departure from past budgetary practices in the schools. In the four schools in the case studies the incremental approach was used. In the UK the incremental approach was also frequently used (McAlister and Connolly, 1990, p. 41). Broadbent et al., (1994) also noted the use of the incremental approach in all the schools in their study. Thus school budget has been identified in terms of the following definition:

*'It is a statement, in financial terms, of existing activities of a school plus any proposed developments during the year less any which are now being superseded or made redundant'* (McAlister and Connolly, 1990, p. 39).

There are reasons behind the popularity of incrementalism. McAlister and Connolly, (1990, p. 41) gave three reasons as follows:

- *It introduces a measure of stability into the organization.*
- *It limits debate and discussion. Given that budget holders and decision makers are busy people for whom time is a scarce commodity, this is an important factor.*
- *Budgeting is a political activity, which by its nature creates winners and losers. Incrementalism generally reflects a situation in which power in an organization is relatively diffuse, where for example, decision making in the school is highly consensual. Avoidance of open conflict is an aspect of the culture of most schools.*

The above reasons are consistent with the argument by Broadbent et al., (1994) in the use of the incremental approach in schools. Citing Flamholz, (1983), they argued that:

*'If an organization is to implement ZBB or PPBS it needs to debate its objectives and priorities much more explicitly than in an incremental budgeting process...thus entering the public sphere much more categorically. In the incremental budgeting process some debate will be engendered if activities are to be extended or contracted, but on the whole debate about on-going activities will be restricted. In ZBB and PPBS everything is 'up for grabs' and the whole raison d'être of the organization can in theory, be debated' (p. 262).*

How did the new budgetary approach impact upon the school interpretive schemes? Such impacts may be interpreted from the behaviour in terms of the budget approach: the adoption of the incremental approach. School preference for the incremental approach may be argued in terms of an attempt at keeping the sanctity of the educational objectives from interference by the 'corporate culture'. For example, the 'corporate culture' expects every course to be 'profitable'. The unprofitable or uneconomical courses will be scrapped. Under incrementalism, however, the schools should be able to maintain these courses for educational reasons. As argued by Broadbent et al., (1994), the use of incrementalism is associated with attempts to protect the school interpretive schemes by keeping budgeting in the 'private sphere', thus allowing the ongoing activities of education to be carried out undisturbed. Thus Broadbent et al., (1994) further argued:

*'...the values which are associated with education are ones which are more closely akin to the "private sphere"...If there is a strong affinity with the 'private' then the adoption of the budget approach most closely related to the 'private' is an intuitively logical tactic' (p. 275).*

4.3 Budgetary Control: A set pattern in budgetary control was observed among all the schools in the case studies, and also in the survey. The present budgetary practice is mainly based on the guidelines set out by the Ministry of Education, (1989). Expenditure control was done at both formal and informal

levels. The formal and informal system of control is also a common feature in the UK (see McAlister and Connolly, 1990, pp. 43/44). This has been discussed in the previous chapter<sup>12</sup>.

The reform is concerned with cost control often at the expense of school activities. This is evident from the Ministry's budget guideline that schools may 'restrict the number of activities' or 'reduce its expected performance level to fit the level of funding'<sup>13</sup>. However, the schools were little affected by this attempt at cost control. This is evident from their perception of the curriculum in relation to the budget. All the respondents seemed to place greater importance on the curriculum, although the budget is also considered important. One HOD (Betty) gave a typical reply:

*'Of course the curriculum... the government must make sure that there are enough resources to deliver the curriculum..'*

Both the 'poorer' schools had to go on with 'smaller' budgets due to the relative difficulty of raising local income. The pattern of expenditure was also slightly different for the 'poorer' schools. The much greater incidence of social problems among the 'poorer' communities have forced these schools to spend more on teacher-aids in the form of counselling for which they were not funded. The budget constraint had somewhat affected the quality of delivery, as discussed in the previous chapter. This, along with other factors such as the lack of interest of the 'poorer' parents, may help to explain the much better academic performance amongst the 'richer' schools. However, the smaller budget had not impacted upon the school programmes and activities as a whole. No educational activities or programmes were curtailed because of the shortage of funds, although this step is allowed by the Ministry (Ministry of Education, 1989). The schools stressed the need to work hard to generate enough funds, however difficult it is, to meet the needs of school activities.

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<sup>12</sup> See the discussion on top of p.103

<sup>13</sup> See Ministry of Education (1989) p.6-2 on Budgeting

Three schools in the case studies had deficit budgets which reflected the great importance they placed upon the curricular activities. The schools did not consider the budget as fixed factor. The budget must be tailored to meet the needs of the school, rather than the other way round. Income must, therefore, be sought somehow so that children's education was not curtailed by a lack of funding.

As discussed earlier, in the whole of the budgetary process the principals seemed to be in control and the focus was always the curriculum - the interpretive schemes.

The schools seemed to have little problem with the technicalities of budgeting. They showed ability at budget design (planning) and in the use of accounting information, in particular, the budgets and the monthly statements for control purposes. This confirms the finding by Jacobs, (1995) about the ability of schools to use accounting information for internal purposes.

Associated with the use of statements for control purposes discussed above is also the use of accounting information to defend and to justify<sup>14</sup>. Broadbent et al., (1994) termed this as using the budget in the 'public sphere'. The use of the budget in the public sphere was seen as a device to protect the school interpretive schemes, much like the function of the small group.

Work associated with the budget forms part of the increased workload discussed earlier. It is again absorbed by the small group with the changes confined mainly in the design archetypes and the subsystems. As with income generation, work associated with the budget has little impact upon the teaching group. This aspect, coupled with the use of the budget in the 'private' and 'public' spheres, seems to show that the school interpretive schemes have remained intact.

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<sup>14</sup> See, for example, the citations at the bottom of p. 103 and in the middle of p. 118

4.3.1 *Other Observations*: Increased efficiency and effectiveness is one of the main objectives of public sector reform. Both *Tomorrow's Schools* and the *Picot Report* had promised improved efficiency and effectiveness. Does the new control system contribute towards increased efficiency in the schools? There seemed to be little concern amongst the schools about efficiency and effectiveness, in particular, those measured in economic terms. What was of more concern seemed to be the lack of resources to deliver the curriculum.

The HODs and teachers, in particular, those of the 'poorer' schools, complained that they were not able to get up-to-date teaching resources. More importantly, it was claimed that they used to get more teaching resources before the reform than after it<sup>15</sup>. Teachers seemed to interpret this situation as a diversion of precious classroom resources into the new expanded administration<sup>16</sup>. This may be related to the worry or perception, as discussed previously, among teachers of the increasing importance of the administrative group relative to the teaching group. This may also reflect teachers' concern that the changed situation may impact upon the educational objectives of the schools.

Related to efficiency is effectiveness (pupil performance). On the positive side the reform has brought in a new control system with more modern facilities such as the computers. What are the impacts of the new control system upon pupil performance? Teachers did not believe that the changes had caused any significant improvement in pupil performance. One HOD put it this way:

*'I don't know, because their results from, for example, the outside examination like the School Certificate and bursary haven't changed greatly...the number of students achieving this result is much in proportion to what has happened before...I don't know if there is a significant noticeable improvement...'*

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<sup>15</sup> See e.g. the citations on p.104

<sup>16</sup> See e.g. the citation at the top of p.127

This was supported by most respondents (72 percent) in the survey who agreed that the increased workloads and stress on staff had not resulted in any significant benefits in terms of pupils' achievements. This is also consistent with the study by Mitchell et al., (1993) which stated that:

*'...after two and a half years of the Tomorrow's Schools reforms, the respondents in the MTS study provided little support for the Picot Taskforce's prediction that the standard of educational outcomes would be improved under the new structure...'*

The above discussion is related to the finding that the schools did not generally believe that cost control towards a certain level of economic efficiency was appropriate for schools<sup>17</sup>. This further seems to show that the schools did not go along with the reform philosophy and that the school interpretive schemes were intact.

4.3.2 *Section Summary*: This section has outlined the budgetary practices in the schools and school perception of these practices. The resourcing difficulty discussed earlier had somewhat impacted upon the budget, particularly in the 'poorer' schools. The resourcing difficulty had impacted upon their curriculum delivery and performance, although it had little impact upon the educational activities and programmes as a whole.

It was found that the schools were using the budget in the 'private and public spheres'. As argued by Broadbent et al.,(1994), such practices are protective devices. Not much research has so far been carried out in New Zealand in the area of school budgeting. In this sense, this study may have provided some advance in relation to the existing New Zealand accounting literature. What is left now is for more research in the area of the impact of new accounting and budgetary control upon the delivery of resources and upon pupil performance.

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<sup>17</sup> See e.g. the citation in the middle of p. 119 and also the survey results on p. 84.

This area is important because efficiency and effectiveness are at the very heart of school reform.

## 5. Reporting

5.1 Introduction: School reporting is an area that seems to be least researched so far. In the closing part of his study, Jacobs,(1995) did make a mention of the limited use of school annual reports. It was noted that the reports were perceived by schools as a signal to the Ministry that they were being accountable. Apart from that, little is known about school reporting practices. More important to this study is that school perception of the new reporting requirements in terms of the school interpretive schemes is little explored. In this sense, this study may provide a development of the existing accounting literature on school reform.

This section discusses school reporting in practice and the respondents' perception of the new requirements in terms of the interpretive schemes.

The reform has imposed upon schools a centrally determined accountability to the Ministry, the parents and the community. Schools are required to discharge these strands of accountability through various reports. The reports are meant to serve as a basis for parental choice and control, besides serving as a vehicle for discharging accountability.

The changes associated with school reporting practices shall be discussed in terms of the reporting to the individual external parties. In terms of reporting impact, it is intended to see the changes associated with the requirements for accountability, parental choice and control for which the reporting system is instituted. It is then intended to relate these to the impact in terms of the interpretive schemes.

5.2 *Reporting to the Ministry*: The change in the reporting policy has been discussed in Chapter Two.

5.2.1 *Financial Reporting*: The schools were generally quite positive about financial reporting. This may be explained in terms of the observation that it is more associated with factor y (the administrative element of the small group) discussed earlier. It may also be explained in terms of the fact that finance is not directly related to educational performance in a direct way, in the sense that funding is not calculated on the basis of school performance<sup>18</sup>. It was also seen more as an instrument of accountability and this, as previously discussed, was considered by the schools as appropriate.

Schools in the case studies complied closely with the requirements under the Act, with certain exemptions allowed under differential reporting. The exemptions are provided to address the problem of accounting standard overload. The financial statements of the four schools specifically focused upon mandatory reporting with little effort at voluntary disclosures. Thus Alice, Cathy and Diane excluded the Statement of Cash Flow from their financial reports because they qualified under differential reporting.

There was a great similarity in the presentation of the various statements, in particular, in the use of terminology, the layout of the statements, the accompanying notes and in the policy statements. There was also a similarity of standard. The reason behind the similarity was that the reports were based on a reporting format issued by the Ministry (see Ministry of Education, Circular 1993/38).

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<sup>18</sup> Laughlin et al (1994) referred to the linkage between the money received by a school and the measurable outputs expected from the school as a 'commodification' process (p 82).

Some variation was found in the disclosures of the other part of the report which contains the mission statement, management statement, and the chairperson's report.

The mission statement is aimed at providing the aspirations and the long term goals of the institution. The mission statements of the schools in the case studies were generally brief. They were all concerned with the preparation of their respective pupils for the future. The mission statements seemed to reflect the schools' positive attitude towards the educational values as discussed in the earlier sections.

The management statement is a statutory requirement<sup>19</sup>. It comprises a signed statement that the Board takes responsibility for the preparation of the annual financial reports and the judgment used in them. In addition, it contains an opinion of the Board that the financial statements fairly reflect the school financial position and operations, and that they comply with generally accepted accounting practice as required by the Education Act (para. 82). The schools in the case studies complied with these requirements.

The chairperson's reports in all the schools in the case studies covered the important events and developments of the year. The principals' reports were more detailed, covering mainly pupil activities and achievement during the year in curricular as well as non-curricular areas.

School compliance with the statutory requirements discussed above may be explained in terms of their positive attitude towards financial reporting and also because of the need for the continuous support from the Ministry (Meyer and Rowan, 1977).

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<sup>19</sup> Para 83 of the Education Act 1989

5.2.2 *Performance Reporting*: The Ministry provides a guideline with an example of a format of the Statement of Objectives and Service Performance in Circular 1992/50. In spite of the guideline, there were some variations in performance reporting. For example, Betty had two separate statements for performance reporting instead of one like the others. All the four schools covered certain objectives that they had identified for the year most of which were peripheral to the main objectives. The statements then reported what they had 'achieved' during the year. This practice was apparently quite consistent with the findings by Wynn-Williams,(1994) in which schools 'set their objectives retrospectively and along quite narrow lines...'(p.29). Most of these 'measurements' were input rather than output based. This seems to be the main issue in performance reporting.

Also, the schools did not seem to take performance reporting very seriously. This may be related to the participants' doubt about the appropriateness of economic measurement in educational matters. As discussed in the previous chapter, the general opinion among the participants was that education performance was too subjective and abstract to be measured and reported. Among the typical remarks were that performance measurement was 'vague', 'superficial' and a 'total waste of time'.

The Ministry, recognizing this difficulty, came up with some explanations and examples, and included a comment that the need to report on the quality aspect of service performance was to be (temporarily) suspended (Ministry of Education Circular 1992/50). In the same year (1992) it established a working party to investigate the issue. The Ministry also promised to resolve the performance reporting issue but, so far, there has not been much new development in this area.

Although there is an inherent difficulty in the measurement of educational performance, many authorities think that the system of measuring and

reporting performance should not be abandoned. One of the difficulties associated with a lack of an appropriate system of measurement is explained in terms of 'the lack of priority attached to the derivation of such measures' (McAlister and Connolly, 1990, p. 45). It is further argued that 'genuine conceptual and statistical problems need to be overcome in any attempt to undertake such measurement...' (ibid).

The schools have not yet shown much interest in performance indicators for the same reasons discussed above. Several views have been expressed for the need to develop appropriate performance indicators (McAlister and Connolly, 1990; Edwards, 1991; Davies and Anderson, 1994). The Ministry's interest in performance indicators is reflected in the samples issued in 1994 for the tertiary institutions with the aim 'to assist Councils of tertiary institutions in developing performance indicators that address the dimensions of quality, quantity, timeliness, cost and locations'.<sup>20</sup> A similar attempt for schools may be in the process of being worked out by the Ministry working party mentioned above.

5.3 *Reporting to the Parents*: Under the reform reporting to the parents was aimed at providing them with information for decision making and control purposes. The main medium considered by the respondents, for reporting to the parents seemed to be the parent/teacher meetings. But this medium did not seem to be very popular amongst the parents in the 'poorer' communities, judging by their responses to school invitations. Another medium was the annual report where pupil performance was reported in qualitative terms in the principal's report. A similar report was read by the principal on the annual speech day. Besides these, there was the fortnightly newsletter which made little report on pupil performance. It was rather more

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<sup>20</sup> Ministry of Education (1994), *Projecting and Reporting Service Performance For the Tertiary Institutions* (p.2)

aimed at keeping the parents informed of the on-going activities and events in the school.

The information in the newsletter on current school events and activities seemed to have provided some useful information to the parents, although they provided little guidance on the choice of schools. In this sense the parental reports did not seem to contribute much to the market philosophy.

5.4 *Reporting to the Community:* There was found to be little formal reporting to the community as such amongst the schools in the case studies. The newspaper was not very much used to report to the community mainly because of the high cost. Whatever was reported was done mainly through the annual reports, the prospectus and the school magazine. The annual report usually included some information on the selected objectives and performance as discussed previously.

School information was available to the community in the annual prospectus and the school magazine. The former was aimed at providing information for interested parents and for attracting new intakes for the coming year. The latter mainly contained some general information on its past achievement, performance and activities. These two documents seemed to provide some useful information for parental choice, especially information on the available facilities and past performance. But choice of schools seemed to be based more on reputation, and that choice seemed to be exercised more by the 'richer' parents rather than the 'poorer' parents (Waslander and Thrupp, 1995). It was also limited by parental interest as discussed next.

In general the reports by the richer schools were published using more expensive materials. They also contained more illustrations and more qualitative information covering school achievements in the academic and

sporting fields. These features seemed to make the schools more attractive to parents, in addition to their already good reputations.

5.5 *Reporting Feedbacks*: Schools in the case studies reported that there had never been much feedback from the Ministry on the annual reports sent to them every year. The schools did not know how the Ministry judged them in terms of their performance. The Ministry seemed to depend largely on ERO for information on school performance, rather than on the annual reports.

The schools also reported that there was very little interest among the parents and the community in school annual reports. Copies of the annual reports were available at the school counter but members of the public seldom read them. The schools could not depend very much upon parental and community guidance for policy formulation. The school annual reports did not seem to be useful for parental decision making and control. Schools prepared the annual reports mainly for accountability purposes.

The use of the annual reports by the schools themselves was also limited because most of the staff had little knowledge of accounting. Even the administrative staff, like the bursar, had difficulty in understanding the reports. The rest of the staff and most of the members of the BOT had little interest in the report. As Alice's principal commented, 99 percent of the BOT members and the staff had no knowledge about financial reporting. This is mainly due to its complexity.

5.6 *Section Summary*: This section has discussed the change in school reporting and how the schools reacted to the various types of reporting requirements. There seems to be a dearth of research on school reporting at present. This part of the study should serve as a development of the existing literature.

It was found that the schools generally complied with all the reporting requirements, in particular, the reports to the Ministry as required by the Acts. However, they were generally more positive about financial reporting than performance reporting. Some of the words used against performance reporting were found to be quite strong. The schools also provided information to the parents, mainly through newsletters. There was little formal reporting to the community. With regards to the feedback on reporting, very little interest was shown, even by the Ministry in the school annual reports. This is similar to earlier findings by Jacobs, (1995). In this sense, the use of the report was more focused towards meeting the needs of accountability. Its use as a tool for decision making was rather limited, even by the schools themselves as discussed earlier. School perception about reporting, in particular, financial reporting in relation to performance reporting, seemed to show attempts to preserve the educational values.

In general the reports of the 'richer' schools were more informative and more attractive than the reports of the 'poorer' schools.

There is plenty of scope for future research in school reporting. Research within the school context should attempt to follow the track of TEI studies where several areas have already been explored (see Dixon et al., 1991, 1992; Coy et al., 1993, 1994), including the quantitative, qualitative and the timeliness aspects of reporting.

Thus, the changes in reporting were again associated with the changes in the design archetypes and subsystems. School dislike of performance reporting and its positive attitude towards accountability for continuous support towards the educational objectives seemed to show adherence to the interpretive schemes.

## 6. Summary

It would be appropriate at this final stage to go back to the research question in terms of, first, what changes have occurred and second, what the impacts of these changes have been.

As regards the first question, there were numerous changes in the schools concerned, affecting structures, resourcing, budgeting and reporting. Many of these changes were tangible, for example, changes in the design archetypes and the subsystems. As regards the second question, these changes seemed to have very little effect upon the school interpretive schemes.

The schools welcomed the change in the external structure and the related increased decentralization because, among other things, the change provided for greater local control and decision making to facilitate the drive towards the educational objectives. However, they were critical of the market principle and of ERO, both being primarily concerned with economic efficiency at the expense of the educational objectives. The change in the external structure has not received much attention in the existing accounting literature. This part of the study may serve as a development of the existing literature in that area.

The 'richer' schools had various advantages over the 'poorer' schools. Among these were more qualified trustees, greater availability of up-to-date information, greater community support, and greater interest amongst the parents in the affairs of their children.

The schools managed the increased workloads through the changes in the internal structure. The changes ranged from the rearrangement of the existing staff to the recruitment of additional staff. The changes had merely impacted upon a small group consisting mainly of the administrative staff with little impact upon the teaching group which protected the interpretive schemes. The

findings in this part of the study have many similarities with those of Broadbent et al., (1992a), and Jacobs, (1995).

In this study the small group was further analysed in terms of factor x and factor y. From the observations in the case studies, it was found that the reactions of the schools to the changes seemed to depend on which factor (x or y) within the small group was affected more directly.

Although the schools welcomed the devolution of resources, they found the new funding system problematic, because of the loss in curricular time and the need to generate income. The 'poorer' schools were at a disadvantage. This situation seemed to be consistent with the claims among the teachers of the 'poorer' schools that they were getting fewer teaching resources after the reform than before. School perception about funding reflects their concern for the curriculum which may be affected by a lack of resources. There does not seem to be much research at present in NZ in school resourcing. This part of this study may serve as an extension of the existing work.

In terms of budget design, the schools continued to use the incremental approach for the purpose of limiting debates and discussions. The schools seemed able to use the budgetary information for internal control purposes. The staff, including teachers, were also found to be using the budget information to drive curricular priorities.

Budgetary control by the BOT was done through monthly meetings, as required by the Ministry. The resourcing difficulty, in particular among the 'poorer' schools, had 'reduced' their budgets, although it had little impact upon their educational activities and programmes. This suggests that the new concern for economic efficiency has not brought many benefits to the schools.

The standard of financial reporting seemed similar in all the four schools. The schools were rather critical of performance reporting mainly because they did not believe that economic efficiency and accounting measurement were appropriate for education. Although the standard of annual reporting was similar in the schools, the 'richer' schools seemed to have a slight edge with more information on their performance and achievements.

School reporting has not currently received much interest among accounting researchers. This study may be considered as a development of the existing literature. Future research in school reporting should follow the track of the works in TEI reporting which have probed into the quantitative, qualitative and timeliness aspects.

That the changes have had little impact upon the school interpretive schemes are not only evident from the formation of the small protective groups and the use of the budget in the 'private' and 'public' spheres, but also from school perception of the reform philosophy, such as the market principle. The schools did not believe that cost control associated with the market principle, economic efficiency, and performance measurement were appropriate for schools. In addition, it was also repeatedly observed that most of the school arguments were made in terms of the curriculum and the children's education, rather than 'keeping to the budget'.

All the changes are similar to what Laughlin, (1987, 1991) and Broadbent et al., (1992a) called 'first order change'. These appeared to be only tangible changes, that is, changes in the design archetypes and the subsystems. It is evident that the interpretive schemes of the schools had remained intact. The schools seemed to have undergone a 'reorientation' rather than an 'evolution' (Laughlin, 1987; Broadbent et al., 1991).

However, the situation may change in the long term. Several factors observed in the schools may in the long term cause a 'second order change' with the constant change influence of the steering media such as ERO. The principal seems to be the main factor because of his or her increasing power and authority. The way the reform is managed or his/her characteristics, (as identified in Laughlin et al., 1994) may also be important. As argued by Laughlin et al., (1994) the "absorber-soaker-sinker" may be more likely to be influenced than the "informer-involver". In addition, the built up tension between the teaching and the administrative groups may be another factor especially with the principal more and more involved in administration.

I intend to reflect further upon the study covering a summary of what has been achieved, the implications of the findings, the limitations, and a conclusion. In addition, I also intend to examine the scope for further research in all the four areas. This shall be elaborated in the next chapter.

## Chapter Seven

### Summary and Conclusion

#### 1. Introduction

In this closing chapter of the thesis, the aim is to provide a summary and conclusion to the study, including giving consideration to the study's implications for future research. It is intended, first, to take a brief, critical reflection on what has been done. The next section provides a summary of the major findings which may be related back to the research question (discussed in Chapter One). This is followed by a conclusion related to the findings. In the section that follows it is intended to analyse further the major issues raised in the previous chapter with regard to their possible future impact upon the educational objectives. This is to be followed by an outline of the limitations of this study. The chapter will end with a discussion of the implications of this study for future research.

#### 2. Looking Back - A Brief Reflection

As discussed in Chapter One, this study has been carried out within an environment where there has already been a substantial amount of research carried out on school financial management reform, but mostly in the UK. The past studies are useful in many ways. In particular, they have provided the platform and the direction from which this study could proceed. Within these works, of importance to this study are those that focus on the way school members see the financial management and accounting changes associated with the reform and their perceptions of the impact of these changes upon school education. It was argued that while the existing studies are important, they do not yet provide an adequate picture of how the reform is operationalised in terms of the new accounting regime, and what its consequences are.

Chapter Two outlined the background of school reform. Chapter Three discussed the research perspective within the context of existing literature, and analysed the methodology and methods adopted for this study. There is abundant literature on the pros and cons of each methodology and method (see, for example, Burrell and Morgan, 1979; Chua, 1986). The scientific method has been, and still is, the major methodology not only for scientific but also for social research (see Abdel-Khalik and Ajinkya, 1980; Chua, 1986). It is for this reason that accounting research, on the basis of the functionalist approach, is sometimes labelled 'mainstream accounting' (Chua, 1986). However, since the 1980s, there was increasing interest among accounting researchers in the alternative naturalistic or interpretive approach.

For the purpose of this study, the anti-positivistic tendency is particularly preferred because positivism fails to place much emphasis upon the perceptions of the participants, for example, upon how and why the observed phenomena are defined by the participants. The naturalistic or interpretive approach was adopted because it is consistent with the aim of this study, which is trying to make sense of the observed phenomena by uncovering meanings those phenomena have for individuals directly involved with the reform.

Data collection was mainly qualitative. All the methods associated with this approach were employed, except participant observation. The exclusion of the method of participant observation is because, first, as impressed upon me by the principals themselves, schools under the reform were extremely busy and could find a participant observer disruptive. Nevertheless, the case studies research which used interviews taken from a cross section of the school members, reinforced with a questionnaire survey and document analysis, have been able to provide sufficiently useful data for the purpose of this study.

Four schools in the Waikato region were involved in the case studies. The number selected was in common with other research, for example, Broadbent et al., (1992) and Jacobs, (1995). The research was not longitudinal; the interviews had only covered a period of about two months<sup>1</sup>. The questionnaire survey covered a total of 129 schools in the Waikato, Auckland and the Northland regions. It received a response rate of about 40 percent.

Ideally the research should have been carried out mainly within the environment of New Zealand works. But, as mentioned, much of the prominent work in this area had consisted of studies carried out in the UK. Studies in New Zealand school reform, especially those focusing on financial management and accounting, are not substantial. Some of the New Zealand contextual research on accounting related changes in schools reviewed in this study were by Hay, (1990, 1995); Jacobs, (1995) and by Charsley, (1996). However, as there has been no significant local research in this area, particularly using a similar perspective to that of Broadbent et al., (1992, 1994) and Laughlin et al., (1994), then this study has had to rely heavily on these overseas studies.

The accounting related studies have so far explored mainly the changes in the internal structure and budgeting. There has been relatively little work done on resourcing, reporting and school perception of the wider accountability (external structure), and the reform philosophy.

There are some limitations to the overseas research literature. First, public sector financial management reforms in New Zealand are uniquely different from the reforms in the other parts of the world (Hay, 1991). Although in many respects school systems in the UK and New Zealand are similar, the UK reform associated with ERA (Education Reform Act, 1988) is slightly different from the NZ reform under *Tomorrow's Schools*. For example, as

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<sup>1</sup> See the Research Timetable in Appendix A

discussed in Chapter Two, in terms of the external structure, while NZ has done away with the Department of Education, thus removing departmental control, UK still retains its LEAs. Also, New Zealand secondary schools already had some amount of freedom even before the 1989 reform by virtue of an earlier Act, whereas secondary schools in the UK did not have much autonomy when ERA came into force<sup>2</sup>. In addition, because of the dearth of research on school reporting, even in the UK, the review has also included the work on the reporting of the TEIs, both in the UK and New Zealand. TEIs share many common features and problems with schools, such as those associated with funding and reporting. They also come under common legislation: the Public Finance Act, 1989 and the Education Act, 1989.

The literature covered has served the purpose of providing the location for this study. Reform, be it in the UK or in NZ or be it in schools or in universities, had involved changes in structure and policies associated with various aspects, in particular, with resourcing, budgeting, and reporting, and their impact upon education and the institutional culture. It is on the basis of these commonalities that these external works are included in the review.

The results of the survey and the case studies are presented in Chapter Four and Chapter Five respectively. They are analysed and discussed in the previous chapter.

### 3. Summary

This section provides a summary of the major findings discussed in the previous chapter, in terms of the existing literature.

School reform in NZ is part of the public sector reform that began in the 1980s in most of the Western countries. The objective of the reform was to improve

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<sup>2</sup> The comparison between UK and NZ school reforms may also be found in Dale and Ozga (1993).

public sector performance (McCulloch and Ball, 1992) through the adoption of the 'corporate culture'. The 'corporate culture' associated with market competition, economic efficiency and accounting measurement is not consistent with the existing traditional culture where the central concern is education, not a measured level of economic efficiency.

In this study it was argued that the 'corporate culture' has not so far been able to displace the education culture. They seemed to show that although there were numerous changes in the schools associated with the four accounting technologies resulting from the reform, these changes were found to be mainly tangible. They were merely the changes in the design archetypes and the subsystems. The school interpretive schemes were little affected.

The schools had reacted to the reform in such a way that the work associated with financial and accounting changes had not been allowed to have much impact upon the teaching group and the curriculum. Teachers had remained as they were and left to carry on with their traditional tasks with minimum disturbance, in spite of the increased concern for economic efficiency. This was done primarily through the formation of a small group that absorbed the change.

The formation of this small absorbing group had entailed much rearrangement and reorganization of the administrative group, with the principal and the deputy principal having to sacrifice much of their respective curricular duties. The rearrangement and reorganization had involved slightly different changes amongst the two groups of schools - the 'richer' and the 'poorer' schools. The 'richer' schools chose to adopt the centralised financial management system while the 'poorer' schools contracted them out to an external accounting agency. This system provided the 'richer' schools with an edge over the 'poorer' schools in terms of the quality of information.

Similar in function to the formation of the small group are the changes in the budgetary practices which constituted changes in the subsystems. Apart from its simplicity, the use of the incremental approach (the use of the budget in the private sphere) was primarily argued as an attempt to limit discussions and debates about the educational objectives (Broadbent et al., 1994). The budget information seemed to be used openly (the use of the budget in the public sphere) throughout the school even by teachers to make educationally driven justifications. It was argued that there was a similarity between the aims of budgets in both the private and public spheres.

Besides the formation of the small group and the use of the budget in the private and the public spheres, there is more evidence, mainly from the perceptions of the participants regarding the various aspects of the reform, that the interpretive schemes have little changed. School preferences for, or dislikes about, the changes were often argued in terms of the curricular objectives. It was found that the schools were often supportive of the changes that were perceived as contributing towards the educational objectives. To the principal and other members of the school, a measured level of economic efficiency associated with the reform was not really the main concern. Rather, it was the curriculum that had served as the main focus of the schools. Thus, in terms of the changes in the structure, the schools were positive about increased decentralisation. It was argued that devolution has allowed for faster decision making to drive the educational priorities.

The schools were critical of the funding system, in particular, the centrally determined formula which was believed to be an instrument for underfunding. This was based on the belief that the formula was devised with the assumption that schools had also to depend on the community for resources and other support. Thus, all schools, even those which received the additional TFEA funding, were expected to raise local income. The 'poorer' schools felt that the system was not quite fair, in particular, to those situated in the lower

socio-economic areas which would find it much more difficult to get adequate local support. The 'poorer' schools often had to seek the much needed additional income from large companies outside their immediate community. Thus, they often have to operate on 'smaller' budgets which affected the supply of teaching materials and pupil performance although the smaller supply of resources had little impact on the educational activities as a whole. In this sense, the reform has put more strain upon the 'poorer' schools, not only in resourcing but also in such other areas as parental interest and the quality of the trustees. However, in both the 'richer' as well as the 'poorer' schools, the time lost in the process of raising local income was perceived as precious time lost from the curricular activities.

The schools did not believe in tailoring school activities to suit the level of funding as suggested by the Ministry (See Ministry of Education, 1989). They were prepared to work hard to raise local income in whatever way they could, and were prepared to run at a deficit if necessary. This attitude reflects the way the schools felt about the changes and about their concern for educational values.

The schools were quite positive about financial reporting. It was argued that it was quite appropriate for schools to be financially accountable for the resources entrusted to its care. This attitude may also be associated with the need to get continuous support from the Ministry.

The schools were critical of performance reporting. This may be related to their suspicion and doubt about the reform philosophy associated with the market principle. The schools did not believe that economic efficiency and accounting measurement were appropriate for schools.

In addition to the above findings, this study had also made certain observations about the small group discussed above. This is slightly different

from the approach taken by Laughlin et al., (1994) which examined the small groups in terms of the characteristics of the principals. It was observed that school perception of the changes seemed to hinge strongly upon which of the two elements within the small group were directly affected in terms of the educational objectives. Changes, such as performance measurement and income generation that impacted upon the educational element (the principal and the deputy principal, that is factor x), would affect the curricular work negatively. The schools were found to be critical of these changes. On the other hand, there was not much resentment against those changes that directly affected the administrative element (factor y), such as financial reporting and budgeting.

The above findings suggest that the changes associated with the four financial management and accounting technologies are mainly changes in the design archetypes and the subsystems. The school interpretive schemes were quite unaffected. The arguments by the participants in terms of the educational objective plus their suspicion about the reform philosophy, provide further support to the argument that the educational tradition had been little shaken by the new concern for a measured level of economic efficiency. According to Laughlin, (1991), the changes in the schools concerned were merely 'reorientation', not an 'evolution'. It was a first order change.

However, the above situation might change in the long term. A second order change may depend on several factors, including the constant influence of the steering media, the increasing distance of the principals from the classrooms, and the possible tension between the teaching and administrative groups.

#### 4. Conclusion

From the above findings, it is apparent that the reform has not been fully accepted. While some of the changes have generally been accepted, in

particular, those associated with local control, there are several other changes that were resented.

The reform represents a departure from the traditional model of school administration. Under the traditional model schools were in the main fully government funded and the decisions were mainly made at central level. As discussed in Chapter Two this model was associated with 'public sector overload' and had proved to be too expensive to maintain. The reformed model is associated with the concept of 'cash limits', or limited funding, coupled with parental control and community support. It is also associated with Peters and Waterman's (1982) 'loose-tight structures' of increased decentralisation and recentralisation as discussed earlier.

With the limited funding schools were expected to actively raise local income. Schools became more involved in business activities, for example, selling books, uniforms, canteen food and drinks, and other business activities. Money was also raised from fundraising and other means.

Associated with a much bigger devolution of resources and decision making, schools were required to ensure that the money was efficiently and effectively spent. Schools were required to be more accountable. Accrual accounting was introduced to ensure the reporting of total inputs. Performance measurement and reporting was insisted upon to ensure 'value for money'. The principal and the deputy principal were pulled away from their classrooms and became more and more involved in business and financial management. Thus the 'corporate culture' began knocking at the school gate.

However, as apparent from the above findings, the new culture had not gained much foothold. First, it was not quite welcome. The concept of economic efficiency and accounting measurement was not thought to be appropriate for schools. The schools groused at performance measurement, property

management and the need to raise local income, but did them anyway, reluctantly.

There were other setbacks to the coming of the 'corporate culture'. The concept of community control did not seem to work, as envisaged under the reform. In theory community control looked workable, but it did not seem to work as well in practice. The trustees, who were mainly parents could not give much of a governing role, but only a supportive role. There was very little interest among the parents and the community in school affairs, judging from their lack of interest in the school reports.

Not all the schools were able to get adequate community support. Additional grants had to be provided, in particular, to the schools in the lower socio-economic communities. Both the 'richer' and the 'poorer' schools were critical of the funding formula.

While financial reporting appeared to be well accepted and schools adhered closely to the requirements of the Act, there was little interest in it. The Ministry apparently used it mainly for the purpose of consolidation<sup>3</sup>. The information contained therein was little used for the purpose of planning and control. The yearly total input figure produced in the financial statement was seldom matched with the related school outputs. Performance reporting as originally envisaged in the Act, did not seem to be working well in practice. The Ministry set up a working party in 1992 for the purpose of establishing a new framework for objective determination and performance measurement. Possibly a set of performance indicators might be developed for schools, similar to those being used in the TEIs.

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<sup>3</sup> See The Treasury (1996) p.53

The above issues and shortcomings have kept the reform from going full swing. The schools have for the time being, been able to hold back the new culture.

Perhaps the reform issues and shortcomings have something to do with the way the reform was formulated and implemented. There could be serious flaws in the reformers' conceptualisation of change. One of these was their failure to realize that schools, like other organizations, had social and cultural significance. Bowe et al., (1992) noted the basis of these flaws (citing Dahl, 1970):

*'...men and women who failed not only because of the forces arrayed against them, but because the pictures in their minds about power and influence were simplistic and inaccurate'* (Bowe et al., 1992 p.140)

It was further argued that the reformers suffered from two flaws. First, there was the single change focus. Changes in schools were assumed by the reformers as uni-dimensional, that is, each facet of change could be treated in isolation, as if it had no effect on other facets of change. In fact, the various changes in the school, for example, changes in the BOT, in the resourcing system, in budgeting and in the curriculum cannot be treated in isolation because they are interrelated and impact upon one another.

The other flaw was that the reformers neglected the existence of school culture, or what Bowe et al., (1992) referred to as 'institutional history'. They noted:

*'For there is a history of innovations in schools that stretches far back beyond the ERA. That history cannot be swept away. It is not a simple matter of 'off with the old and on with the new'. Schools develop an ethos and a culture, practices become routinized, commitments embedded and beliefs and meanings accumulate in fairly unplanned and often diverse ways'* (p.142).

The above citation suggests that 'institutional history' is similar to the concept of the 'lifeworld' or the 'interpretive schemes' associated with Critical Theory

in that each constitutes the common values and beliefs that have developed over time and are shared by a group of people in an organization. The reform had assumed that schools could start with a 'clean slate'. The reality is that reform does not eliminate historical cultures: it confronts them. In the case of the schools involved in this study, it is the strength of their interpretive schemes that has carried them forward towards their authentic objectives.

Lastly, it may be worthwhile, as a concluding remark, to relate back to the Malay proverb that appears at the beginning of this thesis, that reminds us that in life we are embedded by culture as in death we are embedded by the earth. A culture may change over time. There is always the possibility that school culture may change with the change in values and beliefs. After all, as Schein (1987) put it, culture is but 'learned responses to a group's problems of survival in its external environment and its problems of internal integration'. But culture is always there whatever form it may take. It may prove to be a help or a hinderance to any attempt at organizational change.

## 5. Implications of Findings

5.1 Introduction: The reform has some positive aspects. In many instances the schools are now able to get the resources and make decisions much quicker without having to wait for approval from the central authority. This policy is seen as contributing towards the needs of the mainstream activities.

If given the choice, the schools never want to go back to the former system. In this sense the reform has, to a certain extent, gained school acceptance. However, within the new scenario, the changes have brought into schools various issues and complexities. This section is aimed at discussing the major issues in terms of their implications upon the future of the educational

objectives. The issues are discussed under three headings - economic, social and cultural.

5.2 *Economic Issues:* One of the main issues associated with the reform is resourcing. What the future holds in terms of school funding may most probably depend on the policy on education and those on the other sectors of the government. This may also most likely depend on what happens in other countries, in particular, the UK. The reversion back to the 'left', to the welfare state system with bigger budgets and more government intervention in the economy, cannot be foreseen. This may be gauged from the policy of the new labour government in the UK, in which the previous education policies of the former government are little changed, the main reason being that society governed on the basis of past practice is becoming much too expensive.

On the basis of the above argument, the policy of adequate funding for schools is difficult to conceptualize. The government will continue with its cash limit policy and the Ministry will continue with the additional 'equity' funding such as the TFEA grant for the economically and socially underprivileged schools. And school principals will continue to involve themselves with income raising and other non-curricular activities. But, as revealed by the study, the 'poorer' schools will be at a disadvantage because of their lack of resources and hence, their budget constraint. Unless the resourcing system is improved through more government funding or more community support, or both, the 'poorer' schools will continue to show poor performance relative to the 'richer' schools. It would also mean that the 'poorer' schools will continue to serve only the poor children since the richer children are bused away to the richer urban schools, bringing in an equity issue.

5.3 *Social Issues:* As apparent from the case studies, the reform seemed to have enhanced the administrative group relative to the teaching group. Practices such as budgeting, financial control, and performance reporting have

gained a new level of importance. The administrative section is further enhanced by the shift in the duties of the principal and the deputy principal from teaching into administration. The increased workload in the schools is not followed up with the provision of additional staff and facilities. This is different from the health reform where additional staff are provided in the new administration (see Lawrence et al., 1994). There is now relatively much more spending on administration than ever before. The reverse may be true in terms of the classroom budgets, in particular, for the 'poorer' schools where the annual departmental allocation is now less than before the reform. Thus, the difficulty in getting enough resources for teaching and learning is compounded by increased spending on administration. From the teachers' perception, much of the precious and limited resources are being sucked into administration. This can be a source of organizational tensions and conflict - a social issue. Ball, (1994) observed:

*'Headteachers and teachers are differently positioned in all this in relation to key environmental issues and potentially in relation to key values in the organization. And again these nascent tensions carry with them the possibility of micropolitical conflict and demoralization in the organization' (p.95).*

Such tensions and even attempts at diffusing them could disrupt school activities and waste efforts and resources, resulting in a negative impact upon the educational objectives.

5.3 *Cultural issues:* Although the schools studied did not seem to have lost sight of their educational objectives, the prolonged and continued involvement of the principal in the new management and economic domain may cause him/her to be slowly lost in the management role, and become more and more remote from education as the administrative hierarchy grows. In the longer term, this distance could provide problems for the legitimacy of the principal's role as a curricular head, which means the place could be taken over by a professional manager. This may cause a shift in motive from education to

profit making, putting the educational objectives and the children at risk. Despite the presence of some positive aspects mentioned earlier, this cultural shift should pose a real worry to the educationalists.

Even if the principal is not displaced, his/her role may sooner or later change. For example, Ball, (1994) indicated that:

*'Self-management provides a framework for a new institutional culture and for a process of resocialization; it interpolates a new kind of headteacher...'* (p.81).

This is especially true when school reform is not only concerned with structural changes, but also with changing school management itself. In this context, the schools are encouraged to raise their own income, determine their missions and their objectives, manage their resources and measure their performance. Bowe et al., (1992) observed that:

*'...for the most part Heads and the senior management team, are also seen as "objects of change" with respect to their culture and practices. In particular, they are being encouraged to be more self-determining, entrepreneurial, cost effective and consumer orientated'* (p.140).

The gradual shift in the nature of the duties of the principal, from the pastoral head to that of the manager, seems to be becoming more and more real. There is the possibility that principals will be teaching less and less, especially in the 'richer' schools which have the resources to employ more teachers. The principal's increasing control coupled with his/her distance from education, may impact upon the educational objective negatively through his/her increasing concern for the budget. This may lead to a gradual shift in the value of the principal, who might then begin to influence the rest of the school into the new interpretive schemes.

## 6. Limitation of Study

This study has its own strengths and limitations. Its strength lies in its dual approach to data collection, which consists of the case studies as well as the questionnaire survey. The case study approach required the gathering of a considerable amount of information from various sources: from observations, interviews, and document analysis. From these sources, considerable insights into the changes, and their impact on the structure, resourcing, budgeting, and reporting were gained.

There was an opportunity to extend the case studies with an extensive questionnaire survey in three regions of NZ: Waikato, Auckland and Northland. This proved to be a useful exercise as it provided a valuable complementary component to the study. The mixture of quantitative and qualitative data in this study provides a more rounded picture of financial management changes and their impact upon the schools.

As noted in Chapter Three, this study takes a contextual approach. It is not designed towards generalisation. It is aimed at exploring and understanding the situation within a limited and specific context. Therefore, there is a need for caution, especially in any attempt to extrapolate the results of this study to the New Zealand school financial management reform as a whole. The reasons for this are, first, much of the emphasis of the study was on the *perceptions* of school members, and perceptions may not coincide with the *reality* of what was happening in the schools.

There are certain limitations regarding the perceptions themselves. First, in the case of the questionnaire survey, the members consisted mainly of the senior administrative group, mostly the principals. There was very little involvement of academic staff. The perception from the survey is, therefore, more heavily weighted towards the administrative side relative to the academic side and, in

this sense, some skewing of the total picture may have occurred. In addition, very few of the questions were fully answered and, in most cases, some questions were left unanswered, leaving blanks here and there. Second, regarding the case studies, as mentioned previously an in-depth study of school perceptions is limited by the time constraint. The case studies were not longitudinal. The total period for the case interviews took only about two months. Each interview took only about between forty minutes to one hour. Nevertheless, the considered opinions of a wide range of respondents from the case studies cannot easily be discounted.

As admitted in Chapter Three, while the study has been able to gather data on the basis of interviews and questionnaires, it is not able to do so by way of continuous and detailed observations of the participants' behaviour in a range of situations. The position was such that it did not allow the observer to be involved in the day to day activity of the schools. In this sense, attempts to penetrate the opinion of people, place a limit on the extent to which the researcher can claim to have fully understood the impacts of the reform in the schools in this study.

In addition to the above, while the schools in the case studies were selected to include as much of the various characteristics as possible on the basis of the interpretive approach, these cannot be taken as the representative characteristics of all the schools throughout the country. The characteristics of the schools that have been selected in the urban areas of Hamilton may not exactly be the same as those in the urban areas of Wellington or Christchurch, for example, in terms of the socio-economic status or the local curriculum. In this sense it should also be true that the results from this study may not reflect the circumstances in Wellington and Christchurch.

Next, it is to be noted that this study is one of several studies of a complicated concept: financial management and accounting related changes and their

impacts upon New Zealand schools. It is complicated because the financial and economic factors are intertwined with political and social factors. There is a need to stress again that the emphasis of this study is upon people's perceptions. People are involved in every phase and level of the changes. As the studies of the sciences suggest, many more advances have been made in establishing laws for the purpose of predicting the behaviour of the physical world than they have in the social world.

Lastly, it is important to note that school reform associated with *Tomorrow's Schools* is complex because it is made up of a set of changes that were introduced not only quite suddenly, but also because they were not always done in a planned and systematic fashion (Mitchell et al., 1993, p. 105). In terms of financial management reform in the secondary schools, the changes may be considered to have arisen from a 'second wave' movement<sup>4</sup>, because some aspects of decentralisation have been introduced under an earlier legislation as previously discussed. And this 'second wave' has been done without much knowledge of the working of the 'first wave'. This is evident from the dearth of discussion or literature on the earlier changes. School financial management reform was introduced in 1989 (Education Act, 1989), simultaneously with reform in the public sector (Public Finance Act, 1989), without adequate pilot studies or surveys. The complexity of school reform is compounded by various other changes introduced almost all at once. Among the changes that are intricately within school reform are the introduction of increased parental choice, increased decentralization, changes in financial management associated with a wider accountability, changes in the national and local curriculum, and changes in the provision for Maori education (Mitchell et al., 1993). These changes must interrelate with one another and this makes any study covering any one aspect of the reform rather limited in its conclusions.

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<sup>4</sup> Hanaway (1992) also noted that the changes in the curriculum and assessment and their consequent effects on pedagogy were part of a 'second wave' of school reform.

## **7. Implications for Further Research**

The findings from this study should provide an input into an important and on-going debate about school reform. This section will discuss the findings of this study, as summarised earlier on, as a ‘basis for further research’.

This study has gained some insights into the financial management changes and their impacts upon the secondary schools. Further research should be aimed generally at confirming and extending these insights and the issues associated with them. As indicated in the previous chapter, existing research has mainly focused upon structure and budgeting. There is plenty of scope for future research in the areas of resourcing and reporting.

In terms of structure, some light has been shed on schools’ perception of ERO. This area needs further research, in particular, in terms of ERO’s examination of financial management and asset management within its assurance audit (which are carried out once every three years), and how these relate to the *yearly* examination by external auditors. As argued earlier, a substantial number of respondents are critical of ERO and, quite clearly, its functions are in conflict with the market principle. Also of interest would be the question: How does ERO’s three yearly reviews and audits contribute towards the quality of school financial management and administration?

This study has thrown some light on the centralized financial management system (all financial and accounting work done on site). What is left is the comparison of the quality of outputs from the centralized system with those done by external agencies. A corollary to this is the study of the validity of the claims by principals that the centralized system provides certain advantages over the alternative system.

Research on the nature of small groups, as conducted by Laughlin et al., (1994), has not yet been attempted in New Zealand. There is a need for New Zealand research on the nature of small groups in the schools in order to understand their potential. In line with the research done by Laughlin et al., (1994) this study has also researched the nature of small groups but from a slightly different perspective. It was observed that school perception of the changes seems to depend on which element within the small group is directly affected (factor x and factor y analysis). More research is needed to confirm this observation.

As regards resourcing, there appears to be scope for research into the funding formula, in particular, the search for a more equitable formula for the purpose of reducing the impacts of 'gainers' and 'losers' and for providing for a greater linkage between government funding and delivery needs. The new formula should also give weight to social factors in addition to economic factors.

The reformed system is aimed at introducing into schools a new level of efficiency and effectiveness. Under the reform school success is seemingly measured in terms of economic efficiency. An important area to be looked into is the impact of the new system upon the delivery of learning and pupil performance. The evidence provided from the case studies, in terms of the availability of resources and pupil performance, needs to be supported and confirmed by further research.

The accumulation of reserves by schools has been the subject of some interest in the UK (see Edwards et al., 1995, 1996). In NZ the establishment of reserves is allowed but not encouraged by the Ministry. Teachers in the case studies even those from the 'richer' schools, complained of a lack of up-to-date teaching resources. Could this be the result of reserve accumulation, in particular, among the 'richer' schools?

School reporting is an area that is, at present, least researched. From the case studies it was found that there was little quality differential in financial reporting. Financial reporting seems stereotyped, being based mainly on the format provided by the Ministry. Unlike the TEIs there seems to be little attempt among the schools to go beyond the mandatory requirements. The need for research in the area of reporting quality is obvious.

There seems to be more variation in the presentation and standard in performance reporting compared to financial reporting, although there are guidelines and examples of both types of reporting provided by the Ministry. There is abundant scope for research in performance reporting. Research into this area of reporting may be considered in terms of a two prong attack: first, there is the need to search for a suitable set of performance indicators for New Zealand schools. This should not pose much problem because some school indicators have already been developed in the UK; second, there is the need to look into the problems of performance reporting that is being practised now - the determination of goals and objectives and the measurement of performance related to those goals. The difficulty associated with the measurement of service performance is well recognized.

This study has a rather limited scope, covering only financial and performance reporting. It has not looked at the timeliness aspect of annual reporting, which is important because it affects quality in terms of relevance. This area has aroused much interest amongst TEI researchers. Thus, besides the need to explore the quantitative and qualitative aspects of financial reporting, there is also a need for an investigation into the timeliness of school annual reporting.

There is also scope for research into wider issues, such as the impact of the current reporting requirements upon school outputs or performance. Also, at present, the school annual report appears to have served only one objective - accountability. The wider use of annual reporting, in particular, for decision

making purposes is worthwhile. There should be more research into the type of school reporting that would contribute towards this end.



**Appendix A**  
**Timetable for Data Collection**

The following is the timetable for the questionnaire survey, case studies and data processing:

**Questionnaire Survey**

<b><u>Activity</u></b>	<b><u>Period</u></b>
Preparation (1st Draft)	7/7 - 21/7/96 (2 weeks)
Preparation (2nd Draft)	22/7-28/7/96 (1 weeks)
Final Draft	29/7- 4/8/96 (1 week)
Despatch	5/8- 9/8/96 (1 week)
Replies Expected	- - (3 weeks)

**Case Studies**

Interviews are to be conducted while waiting for the questionnaire replies. These are to be carried out on 4 schools with about 8 respondents per school. On the basis of the pre-tests carried out earlier on, it is estimated that there should not be more than 2 interviews per day. The timetable associated with the interviews is as follows:

<b><u>Activity</u></b>	<b><u>Period</u></b>
Finalising interview questions	6/8 - 12/8/96 (2 weeks)
Interviews	14/8- 15/10/96(2 months)

**Data Processing**

It is estimated that the processing of the results from the case studies and the questionnaire will take about one and a half months. The work associated with data processing should be complete by mid December 1996.

**Appendix B**  
**Framework for Data Collection**

1. **Information Sought:** Change in Structure  
**Sources:** Interviews, survey, observation, documents
2. **Information Sought:** Changes in Resourcing  
**Sources:** Interviews, survey, budgets, annual reports
3. **Information Sought:** Changes in Budgeting and Accounting  
**Sources:** Interviews, survey, financial policies, Ministry circulars, BOT Handbook, BOG Handbook, minutes of BOT and finance committee meetings
4. **Information Sought:** Changes in Annual Reporting  
**Sources:** Interviews; school annual reports; Public Finance Act (1989) and Amendments; Education Act (1964) and Amendments; Education Act (1989) and Amendments; Financial Reporting Act (1993); Framework of Differential Reporting NZSA (1994); ERO Reports; BOT Handbook; Ministry Circulars; NZ Financial Reporting Standards.
5. **Information Sought:** General Perception  
**Sources:** Interviews, survey



How did the recipient use the reports?

Besides the Ministry who now reads the financial reports?

Any feedback? If so what kind of feedbacks? What kind of feedbacks do you expect? (Ask for copy of report) (BOT/Mgt)

### Perceptions of Accountability

1. What were the strengths and weaknesses in the annual financial reporting as practised before the reform? (e.g. in terms their understandability, and as useful instruments of control and feedbacks).

What are the strengths and weaknesses of the current financial reporting?

How would you describe the cost of each type of reporting?

Which reporting is more appropriate for schools?

(HOD/Mgt)

2. How did your school report its performance before the reform and to whom?

Regarding the present reporting requirement, do you think all those chartered objectives need to be reported? Should some be left to trust?

What is your feeling about the present need to measure and report school performance? (BOT/MgtHOD)

3. What do think of the present need to report to so many parties (e.g. to the Ministry/ERO, the parents and the community at large)?

Would you prefer to see a more limited scope of accountability?

If so what party or parties should schools report to? Why?

How does your school make performance reporting (a) to the community and (b) to the parents?

How would you describe present and past reporting in terms of cost effectiveness?

Which reporting system do you prefer? Why? (BOT/Mgt/HOD/T)

### Accounting Roles

1. Can you give some examples of decisions you often make using accounting information?

Can you give some examples of accounting information that you often use? (BOT/Mgt/HOD)

### Accounting Implications

1. Do you think the new system has made classroom work more efficient than before? How?

In terms educational effectiveness or pupil achievements, how do you see the present system compared to the one before the reform? (BOT/Mgt/HOD/T)

2. Which do you think is more important for schools - the budget or the curriculum?

Do you see any undesirable consequences that may arise from the overdue concern for economic efficiency in schools? (eg it may lead to cost cutting in order to meet some predetermined economic target which may at times hamper the supply of resources including delaying the filling of occasional vacancies).

Should schools focus solely upon education, and leave financial management and accounting to be done elsewhere? (BOT/Mgt/HOD/T)

3. What is your feeling about parental choice and parental control for school?

How do you see the effects of the reform upon (a) parents (b) the business community and suppliers (c) the community at large (d) staff morale?

4. What do you think is the government intention behind the reform?

Is it for more control in schools? Or is it for the purpose of making schools more efficient and effective?

Has the government achieved its objectives?

Do you think NZ school reform will be completely implemented in the near future, in terms of bulk funding for example?

In which direction is the reform going to move in ten years' time in terms of funding, financial management and reporting?

Do you think the present system needs changing? If so what kind of changes would you like to see?

Do you have anything to add to what you have already said about the reform and its impacts upon schools? (BOT/Mgt/HOD/T)

**Appendix D**  
**Questionnaire on NZ School Reform**  
**All Responses Will Be Kept Strictly Confidential**

This study is designed to gain an understanding of your perception in the context of *Tomorrow's Schools* reform introduced in NZ on 1 Oct 1989. In particular it seeks the views of school financial management and accountability in this context. Please note that 'accountability' denotes non-financial as well as financial accountability. Space is left at the end of certain questions for your comments where you deem this appropriate. You are welcome to continue on a separate sheet if you feel there is insufficient space available. Your contribution towards this study will be greatly appreciated.

We hope that this questionnaire can be completed by the principal or alternatively by the deputy principal or the next senior administration officer. We appreciate the time pressure upon those working in education but would hope that as many as possible of the following questions can be answered - if particular questions are too time consuming, we would appreciate return of the questionnaire with those questions unanswered and the others completed.

Although all responses will be kept confidential, we would appreciate you giving the name of your school to enable us to send you a copy of the survey results.

**Name of School:** .....

**Position of Person Completing the Questionnaire:** .....

**School Characteristics**

1. For each of the items listed *please circle* one characteristic that best describes your school:

a. <i>Location</i>	Urban	Suburban	Rural
b. <i>Enrolment</i>	1,000+	500 - 999	Less than 500
c. <i>Enrolment trend (Past 3 years)</i>	Increasing	Steady	Declining
d. <i>Budget (past 3 years' average)</i>	Surplus	Balanced	Deficit
e. <i>Socio-economic status ranking</i>	1 - 4	5 - 7	8 - 10
f. <i>Government funding</i>	Bulk funded		Operational grant
g. <i>School type</i>	Co-education	Boys only	Girls only
h. <i>Origin</i>	State		State integrated

General and Financial Changes in the Context Since 1989 (to gain an insight into perception of change in context)

2. Where enrolment has changed (size and/or ethnic composition) what do you believe to have been the key factors impacting upon enrolment since the 1989 reform?(answer if applicable).....

3. Where there has been a change in the amount of time devoted to administration since 1989 please briefly elaborate upon the nature of this change (e.g. have new jobs been created or previous jobs altered to meet the needs of change? Do academic professionals ie principal and teachers now carry a greater burden of financial administration?)(answer if applicable).

4a. Apart from government funding, what were/are the other sources of funding for 1988 and 1996? Please tick against each item if that item was/is a source of funding:

<u>Sources</u>	<u>1988</u>	<u>1996</u>
School fees/donations	[ ]	[ ]
Fund raising	[ ]	[ ]
Hireage of facilities	[ ]	[ ]
Donations/grants from organizations	[ ]	[ ]
Overseas paying students	[ ]	[ ]
Sponsorship	[ ]	[ ]
Evening class fees	[ ]	[ ]
Canteen	[ ]	[ ]
Interest income	[ ]	[ ]
Other (please specify) .....	[ ]	[ ]
.....	[ ]	[ ]

b. Has revenue received from non-government sources increased over the period relative to government sources? If so please elaborate, perhaps referring to the above list .....

5. Did/does your school have the following? Please circle Yes or No for each year.

	<u>1988</u>	<u>1996</u>
a. a formal written financial policy or financial procedures/documents	Yes/No	Yes/No
b. a formal written accounting manual (covering eg the chart of accounts and the accounting system and policies)	Yes/No	Yes/No
c. a budget committee	Yes/No	Yes/No
d. a finance committee	Yes/No	Yes/No
e. an audit committee	Yes/No	Yes/No
f. an asset register	Yes/No	Yes/No
g. a log book for major assets eg car, computer	Yes/No	Yes/No

Comments. ....  
.....

**Financial Management Accounting and Reporting**

6. Does the financial policy/procedures (if applicable) include the following?  
Please circle.

- a. a spending limit is imposed on new asset purchases beyond which authority from the finance committee or Board of Trustees is necessary Yes/No
- b. a procedure to control expenditures Yes/No
- c. a procedure for the control of cash Yes/No
- d. a procedure for the control of departmental assets Yes/No
- e. a procedure to control spending in each department Yes/No

7. Please elaborate whether there is a central and/or regional purchasing system of items (like stationery) .....

8a Please briefly describe the procedure in budget preparation.....

b. How is the budget followed up? .....

c. If a department generally has an annual budget allocation of \$2,000, and if it had a surplus of \$200 in the previous year, will it be given \$1,800(A) or \$2,000(B) in the current year? Please circle the appropriate response. A/B

9a. What year end financial statements did your school submit to the Department of Education before the *Tomorrow's Schools* reform? (e.g. income statement, balance sheet).....

b. What did the Department do with this/these statement(s)?.....

10a. Currently how often do the HODs submit financial reports to the Principal?.....

b. Besides the HODs who else submit financial reports to the Principal and how often?.....

11. How much work associated with accounting and financial reporting other than the audit by external parties is done by an external firm/agency? Regarding any work done internally, is it done manually or using computer software? Please elaborate your answer, giving reasons for why certain things are done externally if this is the case.

.....  
.....  
.....

12. Please indicate the kind of financial and accountability reports submitted at the following BOT meetings:

- Monthly .....
- Yearly .....
- Others (please specify) .....
- .....

13a. In connection with accountability to the community, how does your school report (1) to the community .....  
(2) to the parents?.....

b. How do you see the usefulness to your school of the different modes of reporting? .....

c. What are your views about the need to report to the community and the public at large beyond sending the reports to the Ministry and the ERO? .....

14a. What performances are reported in the Statement of Service Performance (required as part of the annual report)?.....

b. In what way does this report measure your school outputs? .....

15a. Leaving aside the Ministry, what parties do you expect to read the school annual financial report? .....

b. Do you have any evidence that anyone does read your school annual financial report? (e.g. letters from the public or the Department of Education or knowledge of the Department of Education procedures on receipt of the annual report). .....

c. What parties have in your experience specifically asked for or showed interest in the school financial report? .....

d. If you get questions or feedback from users of the reports please elaborate upon the kind of questions or feedback received (eg feedback asking for more detail on expenditure) .....

General Perceptions

16. *Learning Opportunities:*

If in your view your school has improved since 1989 in terms of learning opportunities, how significant in your view are the following possible reasons? Please circle appropriately: 1 = Highly Significant; 2 = Significant; 3 = Not Sure; 4 = Insignificant; 5 = Highly Insignificant (answer if applicable)

- a. School has more money per pupil now than before *Tomorrow's Schools*:  

1	2	3	4	5
---	---	---	---	---
- b. Management uses accounting and budgetary control more effectively:  

1	2	3	4	5
---	---	---	---	---
- c. Everybody in school is now more cost conscious:  

1	2	3	4	5
---	---	---	---	---
- d. Increased parental control reduces waste:  

1	2	3	4	5
---	---	---	---	---
- e. School authority (BOT) is now placed on location:  

1	2	3	4	5
---	---	---	---	---
- f. School feels that the fund is their own and to be used with care:  

1	2	3	4	5
---	---	---	---	---
- g. Other (please specify) .....  

1	2	3	4	5
---	---	---	---	---

17. *Accounting and Accountability*

Please respond appropriately to the following statements: 1 = Strongly Agree; 2 = Agree; 3 = Not Sure; 4 = Disagree; 5 = Strongly Disagree

- a. There has been a significant increase in the time devoted to accounting and financial management matters since 1989:  

1	2	3	4	5
---	---	---	---	---
- b. The significant increase in the time devoted to accounting and finance associated with the new funding system has resulted in an improved availability of resources to schools compared to the situation before the reform:  

1	2	3	4	5
---	---	---	---	---
- c. The current annual financial reporting to the Ministry is more meaningful in discharging school accountability than the reporting prior to the reform:  

1	2	3	4	5
---	---	---	---	---
- d. Education Review Office's (ERO's) assurance and effectiveness reviews are helpful to schools:  

1	2	3	4	5
---	---	---	---	---
- e. ERO's effectiveness review should link pupils' educational achievements to the use of resources:  

1	2	3	4	5
---	---	---	---	---
- f. For each of the following please indicate whether you are of the opinion that its control should be either entrusted to the school (trust) or should be enforced by a formal accountability mechanism (accountability). Please circle appropriately.

Cash	Trust/Accountability
Use of properties/buildings	Trust/Accountability
Frequency of meetings	Trust/Accountability
Compliance with regulations	Trust/Accountability
Building community partnership	Trust/Accountability

Curriculum implementation  
Equity  
Progress of pupils

Trust/ Accountability  
Trust/ Accountability  
Trust/Accountability

18. *Philosophy*

Please respond appropriately: 1 = Strongly Agree; 2 = Agree; 3 = Not Sure; 4 = Disagree; 5 = Strongly Disagree.

- a. There is conflict between accountability to the parents (taken as the market in school reform) and accountability to the Ministry/ERO (resource provider):  
1 2 3 4 5
- b. Parental control through the BOT operates in the best interest of children's education:  
1 2 3 4 5
- c. There is the danger that with the emphasis given to resource control or cost cutting, the educational objective may be downplayed.  
1 2 3 4 5
- d. Market principles and consumer choice are applicable to education because parents are in the best position to know what is best for their children  
1 2 3 4 5
- e. Evaluating education in terms of economic and financial accounting measurement is not appropriate. 1 2 3 4 5
- f. The reform has imposed more control upon schools compared to the situation before the reform in the form of greater financial and performance reporting requirement. 1 2 3 4 5
- g. The reform has imposed increased work-loads and stress on staff without any significant benefits in terms of pupils' achievements  
1 2 3 4 5

19a. In your view how could the school's financial management be improved?.....

b. Similarly, how could school accounting (including financial reporting) be improved?.....

20. Do you have anything to add to your views on the changes to schools that came with *Tomorrow's Schools* reform of 1989 associated with finance and accounting? .....

*Thank you for responding to this questionnaire. This is very much appreciated. Please return the completed questionnaire in the enclosed self addressed post-paid envelope. If you have any further comments re the questionnaire (e.g. you want to highlight ambiguities in the questions or elaborate further) please do so below.*

## Appendix E Summary of Research Findings

### Structure

Survey External structure generally acceptable.  
Perception of ERO inconclusive.  
Perception of BOT not clear.  
Financial and accounting workload - some indication that use of the centralized and contracted out system related to economic status, little reasons given.  
Excess workload - some evidence that much of the workload absorbed by administrative groups.

### Budgeting

Budget practices seemed similar in all the schools in terms of design and control  
Budgetary policies, not clear.  
Evidence that schools did not generally like the system with emphasis upon control.

### Resourcing

Most schools (85%) did not accept bulk funding.  
General dissatisfaction with operational grant.  
Locally raised income - evidence that the schools were actively raising income from various new and old sources - various features seemed important, eg. overseas pupils, school location.

### Reporting

Wider accountability acceptable but strong evidence of dislike of performance reporting.

## Case Studies

### Alice

#### Structure

External structure acceptable - believed to provide better and faster decisions.  
ERO not believed to be useful  
BOT provided little governing roles, not much support either because of lack of professional skills.  
Financial and accounting workload - contracted out, the only choice because cheaper, anyway seemed to work well, although on line data not often immediately available.  
Excess workload - absorbed by small group, teachers little involved. Change impacted mainly upon structure and practices.

#### Budgeting

Confirms the budgetary practices shown in survey in terms of budget design and control. Control followed Min. guidelines.  
Wide use of budget information in the school for the sake of curriculum.  
Much budget constraint due to resource difficulty - depart. allocation less than before reform, but able to carry on with all curricular and other activities

#### Resourcing

Against bulk funding, believed it might lead to underfunding.  
Dissatisfaction with formula system of operational funding.  
Income generation difficult - poor community, necessary to go outside immediate community - strong belief that the system was robbing school of curricular time.

#### Reporting

Complied with much of the new reporting legislations, in particular, financial reporting. Critical of performance measurement and reporting.  
Parental reporting mainly through newsletter and parent-teacher interviews, the latter did not seem quite popular with parents.

Community reporting limited  
Little feedbacks from Ministry.

**Betty**

**Structure**

Very happy with new external structure, believed to provide greater flexibility for school decision making.  
BOT little governing roles, however, able to provide support because of professional and business skills.  
All financial mgt. and accounting work done internally (centralized system) , believed to provide more up- to- date information - involved extra staff, outside consultant little involved.  
Rearrangement and rescheduling of duties mainly amongst the administrative staff and principal, teachers little involved.  
Change merely in the structure and practices (design archetypes and subsystems).

**Budgeting**

Budget design/ control similar to previous case , but much less budget constraint with departmental allocation well maintained.  
This budget situation was reflected in the excellent academic and sports records.  
Budget information being used widely in school. Budget policy reflected in various community related projects.

**Cathy**

**Structure**

New ext. structure preferred, old structure considered 'unweildy'.  
BOT not able to provide much support due to lack of professional skills. School also lacked administrative leadership, principal new and lacked adm. experience.  
Financial and accounting work contracted out - only choice, but quite happy with it.  
Excess workload shared amongst existing staff, mainly administrative, teachers little involved - curricular activities undisturbed, thus the changes merely tangible.

**Budgeting**

Budget design/ control similar to previous cases, also evidence of much use of budget information even at departmental levels.

**Resourcing**

Rejected bulk funding for similar reason - fear of underfunding.  
Dissatisfaction with SES Decile ranking re operational grant.  
Little problems with raising local income - had to raise both for for operational and capital needs.  
Loss of curricular time regretted.  
Greater community dependence compared to previous case.

**Reporting**

Complied with much of the legislative requirements as in previous cases. Also evidence of resentment against performance measurement  
Parental and community reporting similar to previous case, but using much more attractive materials  
Much more parental interest in school affairs, evident from good response to parent-teacher meets.

**Resourcing**

Also against bulk funding for a similar reason.  
Operational grant, concern for need of social consideration in funding formula. Call for special funding for counselling. Present funding inadequate even with the additional TFEA grant.  
Difficulty in raising local income impacting upon budget.  
Worry about loss of curricular time.

**Reporting**

Complied with much of the legislative requirement, in particular in financial reporting. Also critical of

Budget policy dictated by limited resources affecting classrooms, need to improvise teaching materials sometimes. However, school activities little affected by smaller budget.

performance measurement and reporting.  
Parental/ community reporting; similar to previous cases but done in a more modest scale using much cheaper materials. Parents showed little interest in parent-teacher meetings. Little feedbacks from external parties even the Ministry.

## Diane

### Structure

New ext. structure preferred for similar reasons. But ERO not considered useful. BOT provided little governing roles but has prof. skills and able to provide support.  
Financial and accounting work done on site, immediate availability of data. Additional workload shared amongst the staff, mainly administrative, principal highly involved.  
Changes merely in the structure and practices with little impacts upon the curricular activities.

### Resourcing

Suspicious of bulk funding for a similar reason.  
Strong believer in community involvement and support.  
Little problem in raising local income for operational and capital needs

### Budgeting

Budgetary practices similar to the previous cases. Little evidence of budget constraint. With little budget problems, Diane was proud of performance in various areas including music and sports besides its academic performance.

### Reporting

Much similarities in the previous cases in terms of compliance to the legislative requirements. This was also true in parental and community reporting although it shared more similarities with Betty than with the other two 'poorer' schools. Like Betty and unlike the 'poorer' schools, Diane's parents showed more interest in school affairs.

**Appendix F**  
**Summary of Similarities and Differences**

**The following similarities are found amongst the case study schools:**

- a. Perceptions of:
  - 1. external structure/ increased decentralisation / wider accountability,
  - 2. ERO,
  - 3. bulk funding/ funding formula,
  - 4. impacts of some of the new activities upon the curricular time,
  - 5. financial accountability
  - 6. performance measurement and reporting
  - 7. teachers that more resources being taken away from the classrooms into administration
  - 8. reform philosophy
- b. Little governing roles amongst the BOT although for a different reason - lack of time for the 'richer' BOTs and lack of skills and interest amongst the 'poorer' BOTs.
- c. Increase in the workload
- d. Related changes mainly absorbed by small group with the principal at the centre. Teachers little involved and able to carry on their curricular duties
- e. Much increased scale in income generation
- f. Budgetary design/ control, and use of budget information
- g. Standard of reporting, in particular, financial reporting.
- h. increasing distance of the principals from the classrooms

**The following differences are found between the 'richer' and 'poorer' schools:**

- a. Difference in the quality of BOT - greater ability for the 'richer' BOTs to provide support with management and professional skills.
- b. Difference in the way the increased work associated with finance and accounting was managed. The centralized system adopted by the 'richer' schools made available more immediate up-to-date information, contributing towards better management.
- c. Greater difficulty for the 'poorer' schools to raise local income causing a 'smaller' budget. This had some effects on the quality of delivery, although little impacts upon the activities and programmes as a whole.

- d. **Difference in the expenditure pattern, for example, greater incidence of social problems like family violence amongst the 'poorer' communities gives rise to more expenditures on counselling. The greater need amongst the 'richer' schools to please the community is another cause of the difference in the expenditure pattern.**
- e. **Although the reporting standard amongst the schools were rather similar, in particular, financial reporting, but the 'richer' schools had a slight edge with more qualitative information with more pictures showing the various activities and the school performance and achievements.**
- f. **Greater interest amongst the parents in the 'richer' community in their children's education, judging from their better response to the parent-teacher meetings.**

**Appendix G**  
**Extracts from Related Ministry Circulars**

The following documents are extracts from relevant Ministry circulars. The whole documents are not included for obvious reasons.

*Operational Funding for New Zealand Schools (June 1996)*

*Annual Financial Reporting Requirements  
- for the Year Ending 31 December 1994*

*Statements of Objectives and Statements of Service Performance  
Requirements for 1992 and 1993 (Circular 1992/50)*

*Part 2: School Listings (From Ministry of Education, 1996  
NZ Schools 1995, Statistical Annex)*



June 1996

## OPERATIONAL FUNDING FOR NEW ZEALAND SCHOOLS

### INTRODUCTION

Operational funding paid to boards of trustees covers all operating costs incurred by schools except teachers' salaries and major property costs. Some boards have elected to receive their teacher salary costs directly in addition to their operating grant.

### DEVELOPMENT OF THE FUNDING FORMULA TO NOVEMBER 1989

Following *Administering for Excellence* (the Picot Report) and the Government policy decisions contained in *Tomorrow's Schools*, a Funding Working Group was established in October 1988 to recommend to Government an equitable formula for funding the operating grants for schools under the new education administration. This was to be within the allocation of money available.

The group comprised ten members: three teachers, including representatives of the New Zealand Educational Institute and Post Primary Teachers' Association; three representatives from the private sector; a member from Treasury and three officers from the Department of Education.

In the first stage of checking the funding formula devised by the working group, schools were sent a "test" funding allocation. Test budgets from 2,005 schools were received and analysed by an independent statistician. This exercise identified issues to be addressed in order to make the formula fairer for all schools. A consultant's report on the components of the formula was based on a study of 84 representative schools' test budgets.

As a parallel exercise the Ministry of Education analysed 24 of these trial schools' budgets. These schools represented a range of school types, including primary, intermediate, secondary, form 1 to 7, area schools and rural and urban schools. They were geographically spread throughout New Zealand. Their budgets were assessed to determine what their funding would be in 1990 under the existing allocation procedures. This was then compared with the draft budgets submitted by those schools. The Principals and a Board of Trustee member of the 24 schools were consulted by Dr Russ Ballard, Funding Consultant, to isolate those expenses which led to differences between the two totals.

In the light of all the above exercises, the funding formula was adjusted by the Funding Working Group to take account of the anomalies. The new formula and its ramifications for funding were presented to and largely endorsed by independent evaluators. As a result of their report Government approved an additional \$3.2 million for operational funding to allow for their suggested adjustments.

The modified formula provided to each school an allocation which reflected the estimated level of support which schools had received through the Department of Education and Education Boards, a share of the money available for new functions, and a share of money available from central administrative savings. The total amount of funds to be distributed as operational funding to schools in 1990 was \$440 million, \$48 million greater than that distributed during 1989.

## **FINE TUNING**

In February 1990 the Ministry of Education established a Fine Tuning Task Force whose job it was to determine whether criticisms of the formula which had been voiced were substantive and what amendments were needed to take account of those concerns. The Task Force found in its analysis that the formula had disadvantaged the larger primary and secondary schools and had unfairly penalised intermediate schools. In its report issued at the end of May 1990 the Task Force therefore recommended specific changes to the formula to recognise these issues, as well as the concerns faced by sole teacher schools.

The *Review of the Operational Activities Grant for Schools*, released at the end of July 1991, made recommendations for continuing research and some further limited refinement of the funding formulae. Issues considered included the basis of funding for property services, heat, light and water, targeted funding to meet educational needs, local body charges, economies of scale, and isolated schools.

The Minister of Education asked the Ministry to undertake a review during 1994 of the adequacy and effectiveness of the funding formula. The review found that large schools were disadvantaged by the current formula, and a fairer redistribution of resources was needed. Minor changes were made to the calculation basis to better reflect the needs of schools. A transfer of resources from the base funding to a higher per pupil rate to strengthen the link between roll size and funding was approved. The Government approved an additional \$20 million to the demand-driven operational funding in the July 1994 Budget to help schools implement the reforms in curriculum, assessment and qualifications.

## **INFORMATION SENT TO SCHOOLS**

Before November 1989 a series of circulars provided information about the new funding formula as it was developed.

In November 1989 a package of material was despatched to each school. It included the school's final funding allocation for 1990; an account of the formula, its development and the support offered to boards; sample budgets from schools of a similar size and type, and financial management guidelines prepared by Ernst and Young.

Since November 1989 boards have received funding information on a regular basis. Circulars are sent to boards with each of their regular funding notices and extra circulars are despatched as necessary. Information is also been printed in the *Education Gazette*. Detailed entitlement notices, which show the calculation of the operations grant and any adjustments, are sent late each year to indicate funding for the next school year, and again when calculations are made. Prior notice of each school's funding is provided no later than 15 November of the previous year.

## **SUPPORT FOR SCHOOLS**

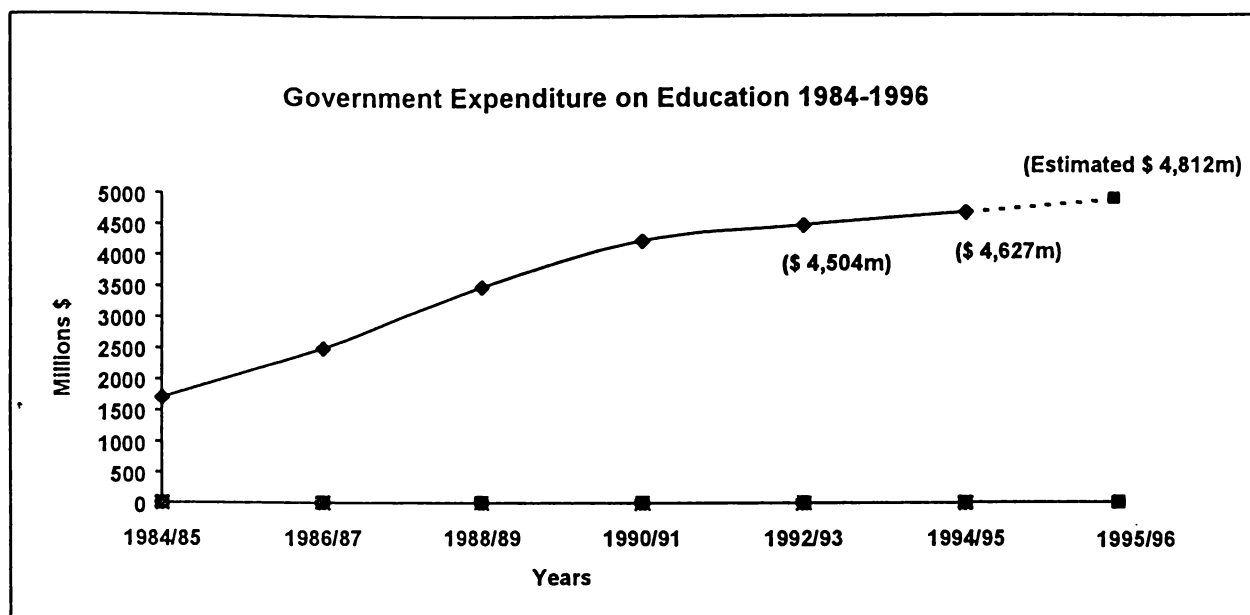
In the last months of 1989 Ministry of Education Liaison Officers with specific responsibility for funding and budgeting participated in training seminars to enable them to act as Budget Project Officers in the districts.

In addition, two principals (one primary and one secondary) from each district agreed to act as budget facilitators to assist schools in their districts to prepare their budgets. They were seconded until the end of the 1989 school year. At the same time, a temporary 0800 toll free hotline was established in each of the district offices of the Ministry of Education to answer calls from schools which needed more information.

Until the end of 1995 Liaison Officers continued to act as a link between schools and the Ministry's National office in the sharing of information and the resolution of funding issues. This function is now carried out by the Early Childhood and Schools Funding Section of the Ministry's National Office.

## FINANCIAL HELP DESK

If a board experiences budgeting difficulties or cash flow problems, advice is available through the Ministry's Financial Help Desk. The Help Desk may be contacted through the nearest Ministry Management Centre.



### EXPENDITURE TO BE FUNDED FROM THE OPERATIONS GRANT (State and State Integrated Schools)

- all maintenance which can be expected to occur within a ten-year cycle. For example, internal and external repainting, repair of broken windows/doors/furniture, vehicle and machinery repairs, swimming pools and filtration plants;
- provision of textbooks and other resource material needed to meet curriculum requirements;
- payment of non-teaching staff costs, e.g.-. administrative, support, caretaking and grounds staff wages and salaries;
- full cost of heating, lighting and water usage;
- all postal and telephone charges;
- charges for all other goods and services purchased by the school;
- payment of all tax liabilities as appropriate;
- cost of insurance on all school assets except land and buildings;
- payment of any charges imposed by local authorities;
- fees and expenses for Boards of Trustees, including training;
- all costs associated with staff development;

- most provisions for relieving teachers;
- measures taken to ensure that gender issues are addressed;
- transfers to the teaching salaries component within Ministry restrictions and as appropriate;
- vandalism and minor capital works (except integrated schools);
- travel expenses for itinerant teachers;
- audit fees;
- transition programmes;
- administration costs for continuing education programmes.

**Trustees will not be required to budget for the following:**

- large capital costs associated with new buildings (except integrated schools);
- major vandalism, earthquake, flood, storm, or fire damage to buildings;
- maintenance items outside the ten-year cycle;
- fire inspections of school buildings;
- school transport;
- salaries for teacher entitlement staffing in schools which do not have teachers' salaries directly resourced
- national in-service training courses;
- costs of central payroll services;
- provision of special education/advisory services;
- actual and reasonable costs of board of trustees elections and by-elections;
- teacher transfer and removal expenses.

## OPERATIONAL FUNDING COMPONENTS FOR STATE AND STATE INTEGRATED SCHOOLS

The operational funding formula has several components, some of which are based on the number of students in the school while others are determined on a property base.

The various components of the operating grant are not "tagged" funds and do not need to be accounted for separately from the rest of the operating grant. Boards of trustees have the responsibility to set their priorities and manage the total grant as they choose. Boards are responsible for achieving the objectives stated in their charters. Any surplus left after the objectives are achieved is retained by the board for reallocation during the current year or for carrying over to future years.

### Roll (for further detail see Circular 1995/34, 28 November 1995)

Accurate determination of schools' rolls underpins the calculation of the major components of schools' operating grants. For intermediate, secondary, and area schools a predicted 1 March roll is used as the basis for the first two quarterly instalments. At 1 March an actual roll return is forwarded by schools, and adjustments made necessary by any variation between the actual and predicted roll are taken into account when the third and fourth instalments are paid. These adjustments are retrospective for the school year.

For primary schools a predicted 1 July roll is used, with a factor added to take account of new entrants to November. The actual roll is then collected on 1 July of the funding year, and, with the same factor added as previously, is used to adjust the grant payable in the last quarter. Such an adjustment is retrospective for the school year. Where schools experience extraordinary roll growth after 1 July, funding adjustments can be considered.

### Base Funding

Base Funding was developed as an answer to issues of economies of scale. With the desire to have per pupil rates equal across the nation there was a need to ensure that small schools still retained their viability. Thus small schools receive a comparatively large base grant which is then abated with the increase in size of the school roll. There are separate base funding formulae for each type of school. From 1 January 1995, the base funding of most schools was reduced, and the savings reallocated into the per pupil rate. A new category of school, the "small, isolated school" was created. Schools meeting the criteria for "small, isolated school" had no reduction to their base funding for 1995 or 1996. To qualify as "small and isolated" a school must meet all three of the following criteria:

<b>SMALL</b>	<i>contributing and full primary schools (at 1 July) and intermediate schools (at 1 March): a roll of 150 or under All other schools: a roll of 250 or under as at 1 March</i>
<b>AND REMOTE</b>	<i>schools at least 30 km from a centre with the most recent census determined population of 2,000</i>
<b>AND NON-PROXIMATE</b>	<i>more than 10 km by road or more than 20 minutes by direct school transport to the nearest school.</i>

### Per-Pupil Funding

There are four levels of per-pupil funding. Each is set to recognise costs associated with educating students at that particular level. The levels are as follows:

Class Level	Funding Rates 1996
Y1-Y6	\$405.92
Y7-Y8	\$465.46
Y9-Y10	\$541.99
Y11-Y15	\$601.11

<b>Special Education Pupil</b>	
Primary	\$465.46
Secondary	\$601.11

These per-pupil rates apply across all state schools. For secondary students (Y9 - 15) transition education funding (for the transition from school to work) is now included in the total rates. The \$12.00 per pupil for school contents insurance for all those schools which have opted to use the Ministry Risk Management Scheme has been deducted from the per-pupil rates shown. Integrated schools and any other school which has opted to use alternative Risk Management Schemes will have the \$12.00 added to the above per-pupil rates.

### Relief Teacher Funding

The Government decided that school boards were to be funded from 1 January 1992 for the payment of wages and allowances for relieving teachers employed by the boards to replace teachers who are absent on leave with salary. In addition, a central pool is managed on behalf of schools by the Ministry to reimburse schools for relief costs in specific situations. There are three funding rates, but a 2% increase will be paid to primary schools after 1 July 1996:

Management Component (per school)	Primary, Intermediate, Area & Special Schools per FTE Teacher	Secondary Schools per FTE Teacher
Equal to or greater than 1.0 at the official roll count date	Rate 2 \$1,067	Rate 1 \$936
Less than 1.0 at the official roll count date	Rate 3 \$1,324	Rate 2 \$1,067

### Remoteness

Schools which qualify for the remoteness grant are those situated more than 30 kilometres from a trade service centre which has a population of 2,000 or more. The amounts in 1996 are:

Base funding	Per-pupil amount
\$2,029.00	\$10.15

### Normal and Model Schools

These receive an extra grant of \$5.20 per pupil in 1996.

### Vandalism (except state integrated schools)

This allowance was calculated on the inflation-adjusted three-year historical average costs for each school and distributed on a per pupil basis. Each school is funded in the mid range of its risk category and its board is expected to meet all the actual costs up to the top end of the range. The range and the amounts per pupil for 1996 are given below. Integrated schools do not receive this allowance.

Risk Category	Per-Pupil Amount
Low	\$2.54
Medium	\$7.61
High	\$12.68
Critical	\$17.75
Extreme	\$20.29

This grant is provided primarily so that boards can take positive steps to reduce vandalism and be rewarded for doing so. Actual costs of vandalism must be met from the fund up to the top end of the range.

#### **Maintenance**

This grant is to provide for property maintenance that is expected to occur within a ten-year cycle. It is calculated from the data collected by District Property Offices as part of the asset register survey.

#### **Minor Capital Works (except state integrated schools)**

This allocation is designed to enable boards to undertake small capital improvements. It is calculated in the same way as the maintenance grant, but is not given to integrated schools.

#### **Heat, Light and Water**

The calculation for this grant is specific for each school and takes account of the individual circumstances of each school, e.g. climate, type of construction, layout of school, heating plant, and fuel used. Where schools have major changes to the property and plant, adjustments to the grant will be considered if supporting evidence is provided.

#### **Attached Teachers and Units**

Schools with attached teachers, such as resource teachers of special needs, resource teachers of Maori and special care teachers, receive an attachment grant. Attachment grants are intended to cover expenses incurred by the base school, including in-service training, telephone costs, stationery and materials, and administrative support. The funding for schools with itinerant teachers includes a component to cover the travel for these teachers. There is also extra funding for units such as activity centres and visual and sensory resource centres.

#### **Careers Information Grant (from 1 July 1996)**

A separate grant totalling \$3.5 million in a full year will be distributed to state secondary and area schools to assist them to meet their responsibility for providing career guidance for their Year 9 to Year 13 students. Based on the TFEA decile ranking, the rates will range in 1996 from \$12.25 per student (Decile 1 and special schools) to \$4.75 per student (Decile 10 schools).

#### **Community Education**

For schools which qualify, mainly secondary and area schools, Government provides funding for school community education programmes. Examples of these programmes are: Adult Basic Education (eg literacy/numeracy, ESOL), training for volunteer community workers, Parent Education courses, Personal Development (eg work-related skills, anger management, self defence courses for women). Courses are not meant for day school students or school teachers, but for students over the age of 16 who are not full-time secondary students. A school intending to run a community education programme must provide the Ministry of Education with a general statement of its purpose or mission (to be included in the school's charter), an annual statement of goals and objectives, and a statement of service performance. The board of trustees must establish an advisory sub-committee and consult with the local community over the programmes offered.

#### **Transition Education Funding**

This covers administrative staffing, operations and travel for education for the transition from school to working life. In 1996 the transition education funding has been built into the per-pupil funding component:

Year level	Transition Education funding per student
Y9 -Y10	\$ 17.19
Y11 - Y15	\$ 19.06

### School Contents Insurance

Boards are required to insure all school assets other than land and buildings owned by the Crown. In 1996 \$12.00 (\$1 per student per month) has been deducted at source from the per-pupil rates in the operating grant for all state schools which use the Ministry's Risk Management Scheme. Boards of state schools which make alternative arrangements do not pay this levy, and neither do boards of state integrated schools.

## DISCRETIONARY AND SUPPLEMENTARY FUNDING

### Targeted Funding for Educational Achievement (TFEA)

Targeted Funding for Educational Achievement (TFEA) is intended to assist schools to remedy areas of educational disadvantage which are found in particular communities. The disadvantages envisaged here are those which arise on socio-economic grounds rather than through physical or intellectual impairments. A socio-economic indicator, based on census-mesh block data, determines the allocation of TFEA. The TFEA pool was derived from the previous equity funding, and learning assistance allowance. It is a more objective way of measuring educational disadvantage than the previous methods used for allocating supplementary funding.

TFEA is targeted at schools in the lowest 40% socio-economic band. Schools within this 40% are placed on one of thirteen funding steps, depending on the level of socio-economic disadvantage measured by the indicators. The rate in the school's funding step is multiplied by the number of students. In 1996, the funding steps are as follows:

A	\$270.00	H	\$87.00
B	\$238.00	I	\$74.00
C	\$205.00	J	\$58.50
D	\$179.00	K	\$53.00
E	\$151.00	L	\$48.00
F	\$129.00	Z	\$0
G	\$107.00		

### Maori Language Programmes

From 1990 to 1994 Maori language funding was provided to boards according to the number of Maori students. This was changed in 1995: boards now apply to receive extra support for Maori students in Maori language programmes. The per-pupil rates of funding for 1996 are conditional on the level of Maori language usage (immersion) of a programme:

Funding level	Immersion level	Funding
Level 1	81% to 100% immersion	\$800 per Maori student
Level 2	51% to 80% immersion	\$400 per Maori student
Level 3	31% to 50% immersion	\$200 per Maori student
Level 4	up to 30% immersion	\$58 per Maori student

### Secondary Tertiary Alignment Resource (STAR)

STAR is a proposals pool of \$15.7 million extra funding for secondary or composite schools seeking support for senior secondary programmes. Programmes, in full or in part, will lead to assessment towards credit against unit standards on the National Qualifications Framework and for a range of other tertiary qualifications in non-conventional subjects.

### **Innovative Approaches to Curriculum Delivery in Rural Schools**

In 1996 \$3 million of extra funding was made available in a proposals pool for rural schools which met defined criteria for remoteness. The funding was allocated to rural schools exploring innovative ways of enhancing curriculum delivery, such as distance learning and the increased use of information technology.

### **Students at Risk in Secondary Schools**

A proposals pool of \$1.5 million was created in 1996 to fund initiatives which help remedy problems of truancy and behaviour disorder.

### **Special Education Discretionary Assistance and Support for the Teaching of English for Speakers of Other Languages**

Funding is allocated to the Ministry's Management Centres from central pools. Boards may apply for grants to assist work with special education pupils or with programmes for pupils whose first language is not English. They may also apply for grants for special education equipment for individual students.

### **Out of Hours Music and Art Classes for Primary Pupils**

An allowance of \$6.50 per class hour is paid to the host school. Approval for classes is given by the Ministry, and the grant is paid at the end of each term to cover costs for heating, cleaning, caretaking and clerical support associated with these classes. The Supervisor and Principal of the host school must certify the number of classes that operated during the term. Tutors' salaries are paid separately in the same way as those of teachers.

## **SPECIAL EDUCATION**

Boards of all schools may receive funding for attached units and teachers, as well as Special Education Discretionary Assistance.

Special schools are funded according to their individual needs. Most are funded on notional rolls. This allows for the movement of children in and out of the facility while providing a stable funding base. Annual entitlements are enhanced according to the kinds of services provided to meet the disabilities of the students.

The following types of special schools receive funding:

- Day Special Physically Impaired Schools
- Day Special Intellectually Impaired Schools
- Hospital Schools
- Health Camp Schools
- Residential Special Schools
- Psychopaedic Hospital Schools
- Department of Social Welfare Schools
- Other Special Education Institutions.

## **OPERATIONAL FUNDING COMPONENTS FOR PRIVATE SCHOOLS**

Fully registered private schools receive per-pupil funding, which includes a teacher salary subsidy. This grant is increased when average per-pupil costs in state schools rise, and will be recalculated for the July 1996 funding instalment.

The proprietors of private schools meet all other expenses, including the capital costs of buildings. Fully registered private schools can also apply for funding for Maori language programmes (at level 4 only) and discretionary special education funding.

## Per-Pupil Funding

As for state schools, there are four levels. The figures for the first half of 1996 are:

Class level	Operations
Y1-Y6	\$585.00
Y7-Y8	\$636.00
Y9-Y10	\$859.00
Y11-Y12	\$978.00

## SCHOOL FINANCIAL YEAR AND PAYMENT SCHEDULE

The school financial year is now defined in Section 86 of the Education Act 1989 as ending on 31 December. Quarterly instalments are paid in advance at the beginning of each funding period. Discretionary payments are made as soon as possible after they have been approved.

The payment pattern is as follows:

Date Paid	Period Covered	No. of Months' Funding	Percentage of Outstanding Balance
3 January 1996	January-March 1996	3 months	25%
1 April 1996	April-June 1996	3 months	33.3%
1 July 1996	July - September 1996	3 months	50%
1 October 1996	October - December 1996	3 months	100%

This payment method ensures that when an entitlement is adjusted, either up or down, the board will receive 100% of the school's entitlement in the current year.

## MISCELLANEOUS

### GST

Goods and Services Tax (12.5%) is included in all grants paid to boards.

### Use of Operations Funds or Locally-Raised Funds to Employ Additional Teachers

From 1995, boards have had the authority to use funding from the operating grant, including TFEA and Maori language programme funding, or locally-raised funding, such as fees from foreign fee-paying students, for the purpose of employing additional teachers. This is subject to defined conditions, all of which the board must accept (see circular 1994/35 for further information).

### Replacement of entitlement and instalment notices

These notices form an essential record for audit purposes as well as for boards' own financial requirements. If they are mislaid, copies should be requested from Early Childhood and Schools Funding, Ministry of Education, Private Box 1666, Wellington.

## CHANGES IN OPERATIONAL FUNDING FOR 1997

The effects of the Government's Budget announcements are set out in circular 1996/18 (31 May 1996). Most of the changes will take effect from January 1997.



RECEIVED 13 SEP 1993

8 September 1993

Circular: 1993/38  
 Status: for Action  
 Category: Finance

**CHAIRPERSONS AND PRINCIPALS  
 BOARDS OF TRUSTEES OF ALL STATE SCHOOLS**

**Annual Financial Reporting Requirements  
 - for the Year Ending 31 December 1994  
 - minor amendments for Year Ending  
 31 December 1993**

Boards will soon be starting to plan their financial systems for 1994. To assist boards in their planning this circular sets out the financial reporting requirements for the year 1 January 1994 to 31 December 1994.

Circular 1992/46, dated 14 December 1992 established the reporting requirements for the financial statements for the year 1 January 1993 to 31 December 1993. Circular 1993/29 modified the 1993 requirements with regard to the Statements of Service Performance.

**Statutory Reporting Dates**

The annual financial statements for Boards of Trustees are for a year which ends on 31 December. The draft statements are required to be prepared within 90 days, ie by 31 March, and delivered to the auditor within that period. The audit should be completed within 30 days of the auditor receiving them and not later than 30 April. The Board has until 31 May, ie 31 days, to send 3 copies of the audited financial statements to the Ministry of Education's local Management Centre.

**Key dates for the financial statements for the year end 31 December 1994**

- 31 December 1994 - End of financial year. Begin preparation of draft financial statements
- 31 March 1995 - All draft financial statements to be completed and delivered to the auditor by this date
- 30 April 1995 - All audits to have been completed and audited reports returned to the school boards
- 31 May 1995 - 3 copies to have been forwarded and received by the Ministry's Management Centre responsible for your district.





## Timely Reporting

Filing of the Board's audited financial statements with the Ministry completes the financial accountability for the previous year. The Board, by its audited statements, is reporting to Parliament, the community and other interested parties on their stewardship of public assets and management and allocation of resources for the delivery of education at their school.

Parliament must be assured that the public funds managed by boards are used for the purpose for which they have been given and for the funding to be continued. Without the assurance gained from the audit report, that the Board's funds are being used for the purpose for which they have been given, it is questionable whether the funding from public monies should be allowed to continue.

Audited financial statements are required to be delivered to the Ministry by 31 May following the end of the financial year. Failure to deliver by this date may delay the 1 July instalment of the operating grant until they have been received.

## Strategies to Assist with the Prompt Preparation and Audit of Financial Statements

- Where possible, complete your ordering for the year by the end of November. This will minimise your accruals and balance date adjustments.
- Prepare statements of resources and other non financial statements before the year end. In most cases, it is a matter of updating them.
- Forward schedules of the December transactions and other data required by your servicing agent early in the year to ensure prompt preparation of the annual statements.
- Negotiate a timetable with the auditor and give a firm undertaking of delivery dates. Keep to them.
- Where possible, aim to complete and deliver statements to the auditors in January or early February when audit firms have a minimum load of work.
- Forward a full set of draft financial statements to auditors as soon as they are completed. Delegate approval of these drafts to a Finance Committee or sub-committee. This would be subject to approval at the next full Board meeting.
- Delegate the responsibility to approve changes, other than major ones, to a person or small sub-committee.
- Give the auditor the name(s), address, telephone and/or fax number and the time of availability of the person(s) they should contact with audit queries.
- Respond quickly to auditor's queries and make adjustments promptly by delegating the task and approvals to your sub-committee. You should aim to reply within two days.
- Forward the management statement to the auditor as soon as the Board has approved the draft statements.

**Note:**

Some Boards have adopted the practice of drip feeding the various parts of the financial statements to the auditors. It is more satisfactory to the auditors for all statements and notes to be completed and delivered as one package. Boards should not expect the auditor to commence the work until all draft annual statements have been submitted and all supporting documents are available. It also quickens the audit process as the auditor has all the documents, drafts and working papers immediately available for examination.

**Exemptions****(a) Statements of Cash Flow**

The Minister of Finance has approved the exemption for Boards to exclude cash flow statements from the annual financial statements for 1993 and 1994 where the total grant income (including all teaching salaries) is less than \$1.5 million (GST exclusive). All Boards may, however, be required to produce Statements of Cash Flow for the year ending 31 December 1995.

Boards are encouraged to produce these statements which disclose to the local community in less technical terms the amount of cash received and the amount spent on operating, capital investment and financing activities.

**(b) Exemption of Statements of Service Performance from Financial Audit**

For the years 1993 and 1994, the Minister of Finance has given approval for the statements to be excluded from the financial reports and they will not be a part of the audited financial statements for those years. However, they are still required to be prepared on the basis as notified in circular 1992/50 and included in the non-financial section of the annual report. The exemption does not apply to the 20 pilot schools.

**Library Resources**

The library is one of the most valuable resources the school has to support teaching and learning. Managing this asset and knowing its value is very important.

Circular 1992/46 advised Boards to account for library resources as a fixed asset in the year ending 31 December 1993. This is consistent with generally accepted accounting practice and ensures that Boards are maintaining adequate management over these resources. The annual stock count and valuation is also necessary for insurance purposes.

If a board is already using a satisfactory method of valuation, accepted by their auditor to account for the library as an asset, they should continue to do so. The approach provided in circular 1992/46 should only be used when the library was not valued prior to 1 January 1993.

All boards will be expected to bring the school's library into account for the financial statements for the year ending 31 December 1993. All working papers should be kept for the auditor.

For the financial statements for the year ending 31 December 1994, the library valuation is a continuation from the previous year. A book count at 31 December 1994 will determine the stock of books held by the school and a reconciliation will determine the number of lost and missing books. (For full details, see the example in circular 1992/46.)

#### The strategy for valuing the library at 31 December 1994:

There are three points to consider when valuing the library at 31 December 1994. These are:

- 1 Valuing the stock of books at 31 December 1994
  - Count the library books at the year end when all borrowing has stopped;
  - Work out the replacement book cost, that is, the average price of a book purchased during the 1994 year;
  - To calculate the cost of replacing the library with new books, multiply the number of books in the library at 31 December 1994 by the average cost price of books purchased during the year
- 2 Value lost and missing books
  - Do a book reconciliation and calculate the number of lost and missing books. Determine the value of these books. (See circular 1992/46 for details);
- 3 Depreciate the library to arrive at its written down value
  - Depreciate the value of the books held by the library at 31 December 1994. (See circular 1992/46 for details.)

The example in circular 1992/46 adopts this strategy.

#### Off Site Records

It has become very apparent over the last two years that the library lists and asset inventories are invaluable if buildings are lost through fire. The lists enable a quick resolution to replacement value of assets. A copy of these records should be kept in a safe place off site at all times.

#### CHANGES OF FORMAT FOR THE PRESENTATION OF FINANCIAL STATEMENTS FOR 1993 AND 1994

There are minor changes to the format for presenting financial statements as issued in circular 1992/46.

**Operating Statement**

Those boards which make transfers to reserves need to disclose these below the surplus /(deficit) line. Note: The Ministry does not recommend the setting up of reserves.

**Statement of Financial Position**

The change also effects the Public Equity section of the Statement of Financial Position and should not require any change to a Board's chart of accounts. The Public Equity note will now disclose the individual categories which make up the total Public Equity.

As in past years a complete worked example using the Petone West Model and a classification schedule is attached.

**FUTURE DEVELOPMENT**

It is expected that there will be a further development to the annual financial reporting requirements for the financial year 1 January 1995 to 31 December 1995. It is envisaged that the Statements of Service Performance will be incorporated fully with the financial statements. The expenditure categories in the Operating Statement may need to be reorganised to reflect the outputs being purchased by government.

**HELP DESK**

Help desks are operated during normal business hours from Wellington (including coverage of Northland and Auckland), Napier (including coverage of Waikato, Bay of Plenty, Central West and Central East), and Christchurch (covering the South Island).

The help desk staff are:

Barry Dijksman - at Wellington:

Tel (04) 473-5544 Ex 6109 or  
direct line (04) 471-6109  
Fax (04) 499-1327

Also contact if other Help Desks are  
not available

Ann Clarke - at Napier:

Tel (06) 835-9671  
Fax (06) 835-2489

Diane Cross - at Christchurch:

Tel (03) 338 5470  
Fax (03) 339-5470.

All questions regarding the circular should be addressed to the Help Desk staff.

*T. W. Roach.*

T W Roach  
Chief Accountant

Distribution List B, C, D & G



21 December 1992

Circular: 1992/50  
Status: for Reference  
Category: Finance

**Chairpersons and Principals  
BOARDS OF TRUSTEES AND PRINCIPALS ALL STATE SCHOOLS**

**STATEMENTS OF OBJECTIVES AND STATEMENTS OF SERVICE PERFORMANCE  
REQUIREMENTS FOR 1992 AND 1993**

Background

From 1990 schools have been required to present annual statements as specified in the Education Act and Public Sector Accounting Concepts. Schools have also been required to report on how well they achieved the goals and aims set by the Board of Trustees at the beginning of each year. This aspect of reporting is called the Statement of Service Performance and will be required by the amended Public Finance Act 1989.

Over the past three years the Ministry has become increasingly aware that many boards of trustees found it difficult to identify their outputs and to set objectives and targets that related to these statutory outputs. Difficulty was also experienced in establishing performance measures, particularly those relating to the measurement of quality. Many schools audit reports included adverse comments on the statement from the Audit Office.

Working Party

The Ministry of Education acknowledges that the earlier circulars contained insufficient information to fully assist schools with the task. In acknowledging the problems being experienced, it also recognises the need to give better advice. Accordingly, the Ministry set-up a working group with representatives from the following organisations:

The Principals' Council of the Post Primary Teachers' Association  
Secondary Principals' Association of New Zealand  
Principals' Federation  
New Zealand School Trustees' Association  
Education Review Office  
Audit Office  
Ministry of Education.

The aim of the group was to develop a framework that will assist schools to -

- (a) specify their outputs and objectives
- (b) determine measures that can be used to gauge the level of performance in delivering the services provided,



### Schools Consultative Committee

In Late November the proposed framework was presented to the Schools' Consultative Committee, chaired by the Secretary of Education, Dr Maris O'Rourke, for consideration. The Committee acknowledged and supported the framework contained in this Circular.

### **MINIMUM REPORTING REQUIREMENTS FOR THE YEAR ENDED 31 DECEMBER 1992 (See Appendix 1)**

The reporting requirements for the year ended 31 December 1992 communicated to boards in circular 1992/16 (27 March 1992) still stand except that reporting on **quality** is no longer required. The minimum reporting requirements are explained in Appendix I.

A new framework has been developed to assist schools with their reporting requirements. This is set out in Appendix II.

**NOTE:** The quality measurement has been, temporarily, exempted from the reporting requirements under the powers given to the Secretary of Education by the Education Act 1989, section 82. However, if schools do report on quality measures they will be subject to audit. It is recommended, that schools take up the option of not reporting on quality measures for 31 December 1992.

The Statement of Service Performance should not include comment and opinions which cannot be verified by the auditor. Such comments are better recorded in the Chairman's or principal's annual report.

### G 1 Schools

G 1 schools will continue to be exempted from having to prepare Statements of Service Performance.

### **FOR THE YEAR ENDED 31 DECEMBER 1993**

### Pilot Scheme

During 1993 approximately 20 schools will be invited to be part of a pilot scheme to trial the framework. The schools to be involved will be contacted early in 1993 with details of the scheme they will follow.

### Schools Not Involved in the Pilot Scheme -

Reporting to be as for 31 December 1992 (see Appendix I)

### Option

Schools may if they choose enhance the 1992 requirements by reporting on quality measures. The board's full statement will be subject to audit.

G.1 Schools

G 1 schools will have the option of:

- i) not completing the statement for the year end annual reports.  
(Exemption has been granted by the Secretary of Education under Section 82 of the Education Act 1989, as amended), or
- ii) completing report for objectives and performance measures as for the other schools.

Training

It is proposed to set up training sessions for schools not involved with the pilot scheme so that they can report on quality measures. Details of these training sessions will be provided at a later date.

Terminology

The following terms are explained to give boards a better appreciation of their meaning:

**Outputs** - the services provided by the board of trustees for its students or for the Ministry of Education.

**Statement of Objectives** - records the planning of outputs (service to be provided during the year)

**Statement of Service Performance** - reports the outputs (services) actually provided during the year.

} these may be combined for end of year reporting

**Output Dimensions** - the criteria used to measure performance.

*T. W. Roach*

T W Roach  
Chief Accountant

Distribution List B, C, D & G

**MINIMUM REPORTING REQUIREMENTS FOR THE YEAR  
ENDED 31 DECEMBER 1992**

- a. At the end of 1991 or the beginning of 1992 schools should have set their objectives for the 1992 year.
- b. When the Statement of Service Performance is prepared it will be necessary to establish a comparison between the objectives set and what was achieved using a measurement criteria. The output dimensions for this criteria are as follows:

**Measurement Criteria**

	Planned	Actual
Quantity - how much of the activity/service has been performed (can be an incident rate - e.g. hours per week, number of students, or a participation rate)	X	X
Cost - how much the activity/service provided cost (it includes all items of expenditure in the operating statements)	X	X
Time - over what period of time was the service provided	X	X

- c. A minimum of three objectives will need to be reported on.
- d. Quality measures will not be required. Note that if quality measures are reported they will be audited.
- e. Statements of Service Performance should not contain comment or opinion. The appropriate place for these is in the Chairman's or Principal's report.
- f. The format and presentation of the Statement of Service Performance should be simple, easy to read and where possible kept to one page for each key performance measure (output). A suggested format with two examples follows:

## Part 2: School Listings

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### *Notes To The School Listings*

**July Roll 1995** - The total headcount roll of the school at 1 July 1995.

**Funding Roll 1995** - The maximum school roll at which each school was funded in 1995. For full and contributing primary schools this is equivalent to the total July roll plus one third of the new entrant roll. For composite/area schools the maximum roll for the year is calculated by adding two thirds of the new entrants to the March roll. For intermediate, restricted composite and secondary schools the actual March rolls have been used. March rolls incorporate adult students on a full-time equivalent basis, and exclude Ministry of Foreign Affairs and Trade scholarship (MFAT) and foreign fee paying students.

**SES Decile** - The socioeconomic indicator used to provide Targeted Funding for Educational Achievement to schools in 1995. The indicator is based on Census data for the areas from which each school draws students, along with school ethnicity data. The Census data includes equivalent household income, parents' occupation and educational qualifications, household crowding, and income support payments received. After combining the data, all schools were ranked into deciles. A decile is a ten percent grouping or tenth, with schools drawing from the lowest socio-economic groups being closest to decile one and schools drawing from the highest socio-economic groups being closest to decile ten. The indicator ranking given is the best possible from using either two separate dimensions for Maori and Pacific Islands students or from using a combined Maori and Pacific Islands dimension.

A number of schools were not allocated an SES indicator score in 1995, either because they had recently opened or integrated, or because they declared themselves above the anticipated threshold for TFEA funding and did not supply any catchment data (used to build the indicator) to the Ministry of Education.

**Maori Roll (%)** - The number of Maori students as a percentage of the 1 July 1995 headcount roll.

**Pacific Islands Roll (%)** - The number of Pacific Islands students as a percentage of the 1 July 1995 headcount roll.

**Asian Roll (%)** - The number of Asian students as a percentage of the 1 July 1995 headcount roll.

**Special Class Rolls** - The number of students at each school at 1 July 1995 with signed agreements to receive special education in an attached special education class or unit.

**Roll Change 1991-95 (%)** - The percentage change in the 1 July headcount roll from 1991 to 1995.

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