

**Statement of Intent  
2012 - 2015**

December 2012



Network for Learning



4



New

# Zealand

This Statement of Intent (SOI) is submitted by the Board of Directors of The Network for Learning Limited (N4L), pursuant to the Crown Entities Act 2004. It sets out the objectives and intentions of N4L for the period July 2012 to June 2015.

## Statement of responsibility

N4L is responsible for the prospective financial statements contained in this document, including the appropriateness of the assumptions underlying them. The analysis underpinning the financial statements in this document was prepared in advance of the formation of N4L and reflects assumptions made by the Ministry of Education in developing a business case for a managed network for schools.



**Helen Robinson**  
Chair  
March 2013



**Mark Yeoman**  
Deputy Chair  
March 2013



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The New Zealand Government is making significant investments in infrastructure that will deliver ultra-fast broadband to more than 97% of New Zealand schools.

In October 2011 the Minister of Education announced Cabinet's approval of a business case for a dedicated online and managed network with managed services for schools and a decision that this network would be overseen by a new Crown-owned Company.

N4L was formed to manage the delivery of that network, and was incorporated on 2 July 2012 as a Crown-owned Company.

It is expected that N4L will be critical to realising the benefits of the Government's infrastructure investment in terms of improved educational outcomes for learners. This forms the basis for the Company's overarching plan and objectives.

As N4L is a new company, this SOI is presented in short form. The SOI outlines N4L's objectives, intentions and supporting performance measures.



# Our Future

N4L's scope and purpose are defined in its Constitution.

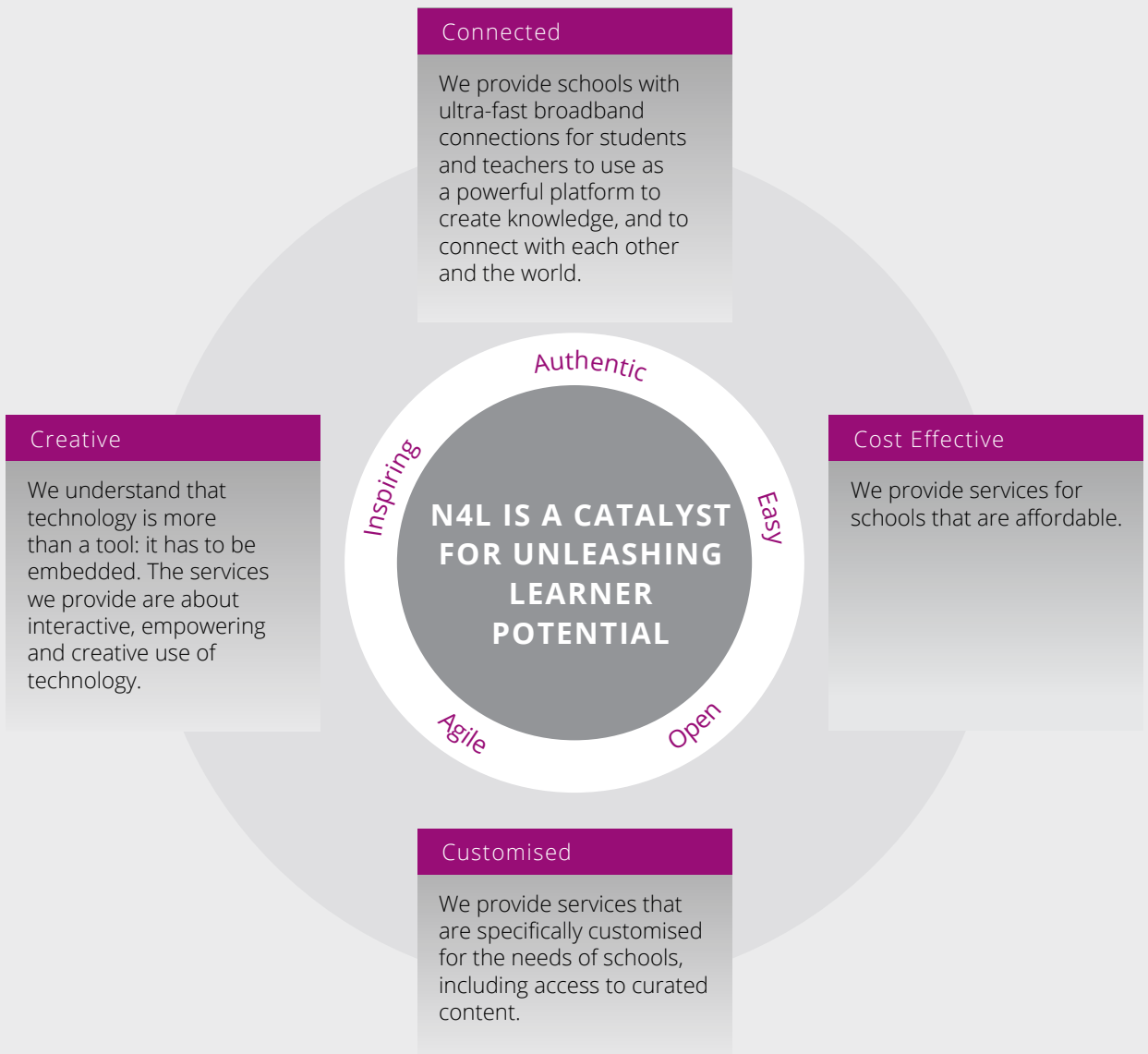
## Scope of N4L's role

The purpose of the Company is to establish and operate a student-focussed network that offers schools and kura access to affordable, safe, fast broadband services, and internet based content and services, and to:

- *operate in a financially sustainable manner;*
- *minimise risks to the Crown; and,*
- *establish and operate the Company in such a way that it:*
  - *provides services that enable best practice learning and teaching, supporting learner achievement.*
  - *is responsive to the needs of schools and kura, teachers, learners and their whānau.*
  - *engages directly with the education sector and government agencies including establishing any advisory groups as may assist its purpose.*
  - *supports the delivery of the New Zealand curriculum and Te Marautanga o Aotearoa.*
  - *contributes to the efficient administration of schools and kura.*
  - *supports the implementation of government policy.*
  - *is flexible enough to respond to challenges and opportunities posed by emerging technological change.*



# N4L will deliver value to schools in four ways:



### Overall objective

N4L's overall objective is to make a significant contribution to improving educational outcomes with a vision of **unleashing learner potential**. N4L's focus is to deliver what schools need in connectivity, content and dynamic "learning to learn" online services that are safe, easy, relevant and affordable. These services will enable and encourage collaborative, interactive, fast-paced, learner-focussed education, reflecting the needs of individual learners and teachers.

N4L is committed to using fibre based ultra-fast broadband technology to support its services.

### Commercial objectives

N4L is expected to operate in a financially sustainable manner within its allocated operational budget. Recognising that N4L is a new company, capital funding is expected to be provided by Shareholding Ministers to fund operational requirements in the first three years. This includes funding any required investment. N4L is not initially expected to return any profit, distribution or dividend to its shareholders.

### Contribution to Government outcomes

The Government considers success in education to be essential to its goal of building a more productive and competitive economy. The Government has set challenging targets for the education sector to achieve over the next five years as part of its Better Public Services results, including increasing the proportion of 18-year-olds with NCEA Level 2 or equivalent qualification.

N4L aims to **unleash learner potential** by delivering innovative solutions across an ultra-fast broadband network with related content and interactive online services to teachers and learners in all schools. N4L has also set a specific stretch goal which articulates this vision: that every learner will be connected wherever and whenever, enabling them to create knowledge and realise strides in educational achievement.

By delivering a unique value proposition to schools, N4L will act as a catalyst for improving educational achievement. N4L will contribute to the Government's goals for education, and ultimately to its goal of building a more productive and competitive economy.





# Robust Governance

N4L has the independence to make decisions and as a Crown-owned Company, has a robust framework for governance and accountability.

### Organisation form

N4L was incorporated on 2 July 2012 under the Companies Act 1993. It is a Crown-owned Company, listed under Schedule 4 of the Public Finance Act 1989.

N4L's operational mandate is provided by the statutory framework that applies to it, including (but not limited to) the Public Finance Act 1989, the Crown Entities Act 2004 and the Companies Act 1993.

N4L is subject to certain provisions of the Crown Entities Act 2004, and to the Official Information Act 1982 and the Ombudsmen Act 1975. The nature and scope of N4L's day-to-day operations are primarily governed by the Companies Act regime.

N4L's shareholding is 100% vested in the Crown – its shareholders are the Minister of Finance and the Minister of Education in their capacities as Ministers, with each holding 50% of the issued share capital.

### Accountability

N4L is accountable to its Shareholding Ministers. The Crown Ownership Monitoring Unit (COMU), a business unit of the Treasury will assist the Shareholding Ministers in monitoring N4L's performance in terms of delivery against the financial and non-financial measures set out in this SOI.

### Crown Entities Act requirements

Some Crown Entities Act provisions apply automatically by virtue of N4L being listed in Schedule 4 of the Public Finance Act. These sections are:

- section 133, which requires the Board to supply to its responsible Ministers any information relating to its operations or performance that the Ministers request;
- section 134, which details good reasons for refusing to supply requested information;

- sections 154-156, which relate to the preparation of the annual financial statements; and
- section 158, which relates to bank accounts.

Sections 139, 150 and 153 of the Crown Entities Act, relating to preparing an SOI, Annual Report and Statement of Service Performance respectively, were applied to N4L by Order in Council.

N4L's constitution also requires it to report to Shareholding Ministers on any activities which would be restricted under sections 161-164 of the Crown Entities Act had those sections been applied to N4L by Order in Council.

## The Companies Act regime

Under this Act, the Board, each director and each Shareholding Minister have the rights, powers, duties, and obligations set out in the Act, except to the extent that they are negated or modified, in accordance with the Act, by N4L's Constitution.

## Other statutory requirements

Under the Public Audit Act 2001, the Controller and Auditor-General is to be the auditor of the company.

## Operations

N4L is required to operate within the functions, powers and constraints outlined above. Within this framework, N4L has considerable discretion in how it goes about its day-to-day operations.

## Governance

The Shareholding Ministers have appointed N4L's inaugural Board, which will govern N4L. All decisions about N4L's operations are made under the authority of the Board. The Board is responsible for agreeing outputs with the Shareholding Ministers and ensuring expectations of N4L are met.

The Board is made up of six Directors.

The Board currently has two standing committees: Audit and Risk and Remuneration.

### *Audit and Risk Committee*

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by providing recommendations, counsel and information concerning its:

- accounting, reporting and responsibilities under the Companies Act 1993 and related legislation. Its Terms of Reference also cover the role of Internal Audit; and
- management of all material risks including investment flows across all N4L operations. Its Terms of Reference also include an annual review of N4L's insurance coverage. The Audit Committee is also responsible for identifying areas of financial risk to which N4L may be exposed.

Mark Yeoman is the Chair of the Audit and Risk Committee. Helen Robinson and Rick Shera are members.

### *Remuneration Committee*

The Remuneration Committee assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate remuneration policies and human resources policies for the Company.

Helen Robinson is Chair of the Remuneration Committee. Rick Shera, Linda Tame, Humphrey Wikepa, Mark Yeoman and Martin Wylie are members.



# Effective Management

N4L’s initial focus will be recruitment and capability development.

## Structure

As outlined above, N4L has a board of six Directors, appointed by its shareholding Ministers following agreement by Cabinet.

The board has appointed a Chief Executive Officer (CEO) who is responsible for day-to-day operations of N4L. N4L currently has three other staff who report to the CEO. Further staff will be employed as N4L grows and its resourcing needs increase.

N4L’s senior leadership team is likely to consist of seven roles reporting to the Chief Executive:

Chief Financial Officer	Responsible for Strategy, Corporate affairs, Legal, leading and managing company infrastructure, finance and ‘back office’ services.
Chief Technology Officer	Lead and guide technology integration work including management and responsibility of the managed network. Ensure that service delivery to schools is monitored and supported. Engage with the education sector and wider government on school technology matters.
Head of Dynamic Services	Understand the needs of our e-learners. Develop and deliver a learning to learn platform to provide packaged solutions to all users. Lead initiatives to develop N4L’s reputation as a recognised authority on contracting and bundling content and services.
Chief Marketing Officer	Overall strategic and delivery responsibility for all communications and marketing to drive customer take-up and retention of N4L services. Ownership of the brand and the brand experience.
Head of Customer Acquisition	Attract and retain customers for N4L product and service offerings. Primary responsibility is for all things customer and to ensure take-up is maximised. Will have a deep understanding of the technology needs of the schools.
Stakeholder Liaison	Establish and maintain relationships with key stakeholders, including the Ministry of Education and key influencers and work with the N4L leadership team to ensure all services are aligned with stakeholders. Ensure “no surprises” in all relationships maintained.
Sector Engagement Lead	With strong education sector experience and influence will establish and maintain relationships with key stakeholders and key influencers in the Education Sector. Will work to ensure all services are aligned to stakeholders needs.

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## Capability development

As a new company, N4L's key challenge over the next period will be in developing its capability as the business grows. To do this, N4L will:

- maintain and increase the capability of its people and quality of its systems;
- manage the risks that could prevent it from delivering its work programme;
- ensure the services it delivers are as cost effective as possible;
- ensure its capital spending supports essential N4L capability;
- aim to achieve high and increased levels of staff engagement;
- aim to achieve reliable and cost effective technology management and operating systems; and
- maintain sound financial and governance systems.

## Ensuring N4L is a good employer

The successful achievement of N4L's objectives is dependent on adequate capability in a number of areas including technical, commercial and investment expertise. Accordingly, N4L's ability to attract and retain skilled staff, be a good employer, and enhance the attractiveness of N4L as a place to work is important.

N4L will develop good employer policies that are consistent with the *State Services Commission Guidance on Expectations for Pay and Employment Conditions in the State Sector*.

## Measuring N4L's progress towards these matters

N4L will measure its progress towards capability development and being a good employer as follows:

- N4L will aim to achieve 'good' ratings from auditing of its management control environment, its financial information, systems and controls and its service performance information, systems and controls; and
- N4L will regularly review its progress and priorities with Ministers, and will allocate resources to address changing requirements as required.



## Key Information

N4L's reporting will include an Annual Report and SOI, quarterly performance reports to the Treasury, ad hoc reports to Ministers of the Crown on issues as requested by Ministers of the Crown, and reports to Parliament. N4L will report on its progress in each Annual Report.

N4L will provide any other information within its control as requested by its Shareholding Ministers or other Ministers of the Crown, subject to confidentiality requirements.

### **Role of Ministers**

N4L's Shareholding Ministers will:

- monitor the performance of N4L (via the Treasury);
- appoint and remove N4L Board Members; and
- approve transactions defined by the Companies Act as 'major transactions'.



# 4 Success

As a new company, the primary focus for N4L in the 2012/13 period is to establish its business. This includes completing N4L's Business Model (including product strategy and pricing strategy) and the Operating Model (including organisational structure, procurement approach and cost structure).

N4L also needs to implement the right team, the right systems, and the right processes, and set clear accountabilities and milestones to achieve its financial and non-financial targets.

N4L has set high-level financial and non-financial measures against which to track its progress over the period to 2015. These are set out below. More detailed output measures are listed in Section 8.

### **Financial targets:**

- N4L will operate within the funding that has been budgeted for its initial year of operations.
- N4L will manage revenue as described in forecast financial statements.
- N4L will measure Shareholder Returns by tracking return on Equity.
- N4L will measure Profitability by the tracking return on Capital employed and operating margin.

### **Non-financial targets:**

- N4L will complete a product definition process including managed network services and dynamic services. This will form its initial offering to schools.
- N4L will provide service to initial schools by mid 2013.
- N4L's products will be available to the wider school market in 2013, subject to any external dependencies.
- N4L will monitor and measure take-up of services.



# Excellence

This section provides forecast statements of service performance for N4L's output classes for 2012/13. Performance against these measures will be reported through N4L's Annual Report.

N4L is in the process of developing its Business Model, and the RFP process to appoint a Retail Service Provider (RSP) is in train. It is therefore not appropriate nor possible for it to include performance measures, targets and metrics at this stage. N4L is currently working to develop confirmed targets and metrics, and to ensure that they are able to provide an accurate reflection of performance for future years. These will be assessed, and tested with N4L stakeholders, including N4L's Shareholding Ministers, with a view to inclusion in N4L's next SOI.

N4L intends to provide services and outputs under three output classes in 2012/13:

- A managed network service
- Dynamic services
- Customer Services

### **A managed network service**

A network service refers to access, or connectivity, which is the underlying platform for services that N4L will offer.

N4L does not intend to own its own telecommunications network infrastructure, but to procure network services from RSPs. The product procured from RSPs is commoditised, and will be sold directly to customers.

N4L aims to provide an initial service to selected schools by mid 2013, and to the wider school market during 2013.

Examples of metrics and performance indicators in this output class could include:

- Completion of an initial offer to selected schools.
- Percentage of positive feedback received in customer satisfaction survey on quality of N4L's service to schools.

- Technical measures for quality of service provided to schools.
- Completion and launch of first-line products and services.
- Level of uptake of N4L products and services.

### Dynamic services

A fundamental part of N4L's value proposition is providing dynamic services – that is, to bundle dynamic services that meet schools' needs with the network services connectivity described above.

N4L will enable schools to enhance the learning environment through the use of integrated, interactive, two-way knowledge platforms which encourage collaboration not just within classes but across schools, regions, communities and the enriched online world everywhere.

In the short term, N4L will focus on providing dynamic services, which are externally sourced and which are easily assimilated by learners and schools at various levels of connectedness and technology capability. All users of N4L's network will also be content providers and developers – sharers of knowledge for the good of themselves and others. In the medium-term, N4L will look to grow concepts and solutions that allow it to include new dynamic services in its product offerings. For example, N4L may be able to partner with a Crown Research Institute (CRI) and develop a product of access to particular data for schools. N4L will also seek to innovate and develop other specific dynamic services to meet learners' and schools' needs, either internally or by contract.

Examples of metrics and performance indicators in this output class could include:

- Percentage of positive feedback received in customer satisfaction survey on quality of N4L's service to schools.
- Ratio of new products to existing ones
- Technical measures for quality of service provided to schools.
- Completion and launch of first-line and iterative products and services.
- Level of uptake of N4L products and services.

### Customer services

N4L also intends to provide customer support services to schools, including Helpdesk services, user support and collaborative and communication tools. These services are expected to be provided as a "managed" service.

Examples of metrics and performance indicators in this output class could include:

- Completion and launch of new products and services/upgrade of original products and services.
- Percentage of positive feedback received in customer satisfaction survey on quality of N4L's support services to schools.
- Technical measures for quality of service provided to schools.
- Level of uptake of new service offerings.
- Learner, teacher and other contribution levels to development of new products and services.
- Level of uptake of customer support services.



# Sustainability

On establishment Shareholding Ministers each purchased 2,750,000 shares at an issue price of \$1 per share. This provided initial capital funding to N4L of \$5.5 million.

## **Funding**

Based on the forecast financial statements, N4L will require a degree of capital funding to meet its operating expenses in its first three to four years, as its revenue base develops.

The details of funding arrangements for N4L are yet to be established and agreed with the Ministry of Education who will administer this funding.

It should be noted that capital funding from the Ministry of Education for financial years 2013/14 and 2014/15 has not yet been formally appropriated.

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## Sources of Revenue

N4L may receive additional revenue from two sources:

- Revenue for providing services to schools. A draw down fund is being established. Schools may access funds from this fund to purchase N4L services. N4L may receive additional revenue from the Ministry of Education to provide services to schools.
- Revenue from the Ministry of Education for providing services that would otherwise be provided by the Ministry of Education to schools (for example, existing ICT helpdesk arrangements and SNUP).

## Statement of Significant Assumptions

The financial statements included in the SOI are substantively based on analysis performed by the Ministry of Education in advance of the formation of N4L as a company.

The statements still contain a number of critical assumptions which have not been tested or validated by N4L. For example, the statements make assumptions about revenue per school connected, customer churn and uptake of N4L services which need to be validated by the company. In addition the assumptions do not reflect N4L's emerging thinking about its business model.

As N4L develops further clarity around its business model (including its initial product offering and pricing model) it will provide updated forecast financial statements to the Ministers of Finance and Education for their information.

## Prospective Statements of Comprehensive Income

### Prospective Statement of Comprehensive Income for the Period 2012/13 - 2014/15\*

	Notes	2012/2013 Forecast \$000	2013/2014 Forecast \$000	2014/2015 Forecast \$000
Subscriptions from schools		1,896	9,848	26,829
Operating funding from the Ministry of Education		3,215	6,372	9,689
<b>Total income</b>		<b>5,111</b>	<b>16,220</b>	<b>36,518</b>
<b>Expenses</b>				
Board operations		160	160	160
Audit fees		100	100	100
Vendor, contract and services		4,812	14,669	32,293
Corporate costs	1	5,112	6,396	6,400
<b>Total expenses</b>		<b>10,184</b>	<b>21,325</b>	<b>38,953</b>
		-	-	-
<b>Total comprehensive income</b>		<b>(5,073)</b>	<b>(5,105)</b>	<b>(2,435)</b>

\* These prospective financial statements should be read with reference to the statement of significant assumptions on page 19.

<sup>1</sup>Personnel, systems, overhead and establishment costs.

### Prospective Statement of Financial Position for the Period 2013-2015\*

	2012/2013 Forecast \$000	2013/2014 Forecast \$000	2014/2015 Forecast \$000
<b>Current assets</b>			
Cash and short term deposits	426	821	1,386
Other current assets	-	-	-
<b>Total current assets</b>	<b>426</b>	<b>821</b>	<b>1,386</b>
<b>Non-current assets</b>			
Property, plant, and equipment	-	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>426</b>	<b>821</b>	<b>1,386</b>
<b>Represented by:</b>			
Liabilities	-	-	-
Equity	426	821	1,386
<b>Total liabilities and equity</b>	<b>426</b>	<b>821</b>	<b>1,386</b>

\*These prospective financial statements should be read with reference to the statement of significant assumptions on page 19.

## FORECAST FINANCIAL STATEMENTS

### Prospective Statement of Cash Flows for the Period 2012/13 - 2014/15\*

	2012/2013 Forecast \$000	2013/2014 Forecast \$000	2014/2015 Forecast \$000
<b>Cash flows from operating activities</b>			
Receipts from customers	1,896	9,848	26,829
Operating funding received from the Minsitry	3,215	6,372	9,689
Payments to suppliers and employees	(10,184)	(21,325)	(38,953)
<b>Net cash flows from operating activities</b>	<b>(5,074)</b>	<b>(5,105)</b>	<b>(2,435)</b>
<b>Cash flows from financing activities</b>			
Equity capital introduced	5,500	5,500	3,000
<b>Net cash flows from financing activities</b>	<b>5,500</b>	<b>5,500</b>	<b>3,000</b>
<b>Net increase / decrease in cash</b>	<b>426</b>	<b>395</b>	<b>565</b>
Opening balance	-	426	821
<b>Closing balance</b>	<b>426</b>	<b>821</b>	<b>1,386</b>

### Prospective Statement of Movements in Equity for the Period 2012/13 - 2014/15\*

	2012/2013 Forecast \$000	2013/2014 Forecast \$000	2014/2015 Forecast \$000
Opening balance	-	426	821
Net surplus / (deficit)	(5,074)	(5,105)	(2,435)
Equity capital introduced	5,500	5,500	3,000
<b>Closing balance</b>	<b>426</b>	<b>821</b>	<b>1,386</b>

\*These prospective financial statements should be read with reference to the statement of significant assumptions on page 19.



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## Reporting Entity

The Network for Learning Limited (the 'Company') is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is wholly owned by the Crown.

The Company was formed as a Crown-owned Company under the Companies Act 1993 on 2 July 2012. It is listed in Schedule 4 of the Public Finance Act 1989.

The purpose of the Company is to operate a network that offers schools and kura access to affordable, safe, fast broadband services and internet based content and services. As such, N4L's aim is to provide services to the public, rather than make a commercial return.

Accordingly, the Company has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial reporting Standards.

The Network for Learning Limited, as a public benefit entity, is exempt from taxation.

The Crown does not guarantee the liabilities of the Company, or the Company, in any way.

## Basis of Preparation

### *Statement of Compliance*

As N4L has not yet developed its own set of forecast financial statements, it is not able to confirm compliance with New Zealand generally accepted accounting practice.

### *Going Concern*

The financial statements have been prepared on a going concern basis. This basis has been applied as the Crown is supporting N4L in addition to being the primary source of funding in the near term.

### *Transactions with Government as Owner*

Amounts that are designated as equity injections for the financial forecast period will be recognised directly in contributed equity in that financial period.

### *Functional and Presentation Currency*

The prospective financial statements are presented in New Zealand dollars, which is the Company's functional currency. All financial information has been rounded to the nearest thousand (\$000).

### *Estimates and Judgements*

As discussed above, the financial statements included in the SOI are substantively based on analysis performed by the Ministry of Education in advance of the formation of N4L as a company.

The financial statements contain a number of critical assumptions, and estimates and judgements, many of which have not been tested or validated by N4L.

## Significant Accounting Policies

At this time N4L has not established its own accounting policies.

### Shareholders

Minister of Finance  
(Hon Bill English) and  
Minister of Education  
(Hon Hekia Parata)

### Registered office

C/- Simpson Grierson  
HSBC Tower  
195 Lambton Quay  
Wellington 6011  
New Zealand

### Contact address

Suite 306  
The Geysers Building  
100 Parnell Road  
P.O.Box 37118  
Auckland 1151

### Auditor

The Auditor-General,  
pursuant to section  
15 of the Public Audit  
Act 2001

### Solicitor

Simpson Grierson

### Bankers

Westpac Business Banking

### Senior Management

John Hanna  
Chief Executive Officer  
Patrick Baker  
Chief Financial Officer

### Board of Directors

Helen Robinson (Chair)  
Mark Yeoman  
Richard Shera  
Linda Tame  
Humphrey Wikeepa  
Martin Wylie





Network for Learning