

Statement of Intent
2013 - 2016
June 2013



Network for Learning



1. Introduction

This **Statement of Intent** (SOI) is submitted by the board of directors of The Network for Learning Limited (“N4L” or “the Company”), pursuant to the Crown Entities Act (2004). It sets out the objectives and intentions of N4L for the period 1 July 2013 to 30 June 2016.



Statement of responsibility

N4L is responsible for the prospective financial statements contained in this document, including the appropriateness of the assumptions underlying them.

The Company is also responsible for internal control systems that provide reasonable assurance as to the integrity and reliability of financial reporting.



Helen Robinson
Chair
28 June 2013



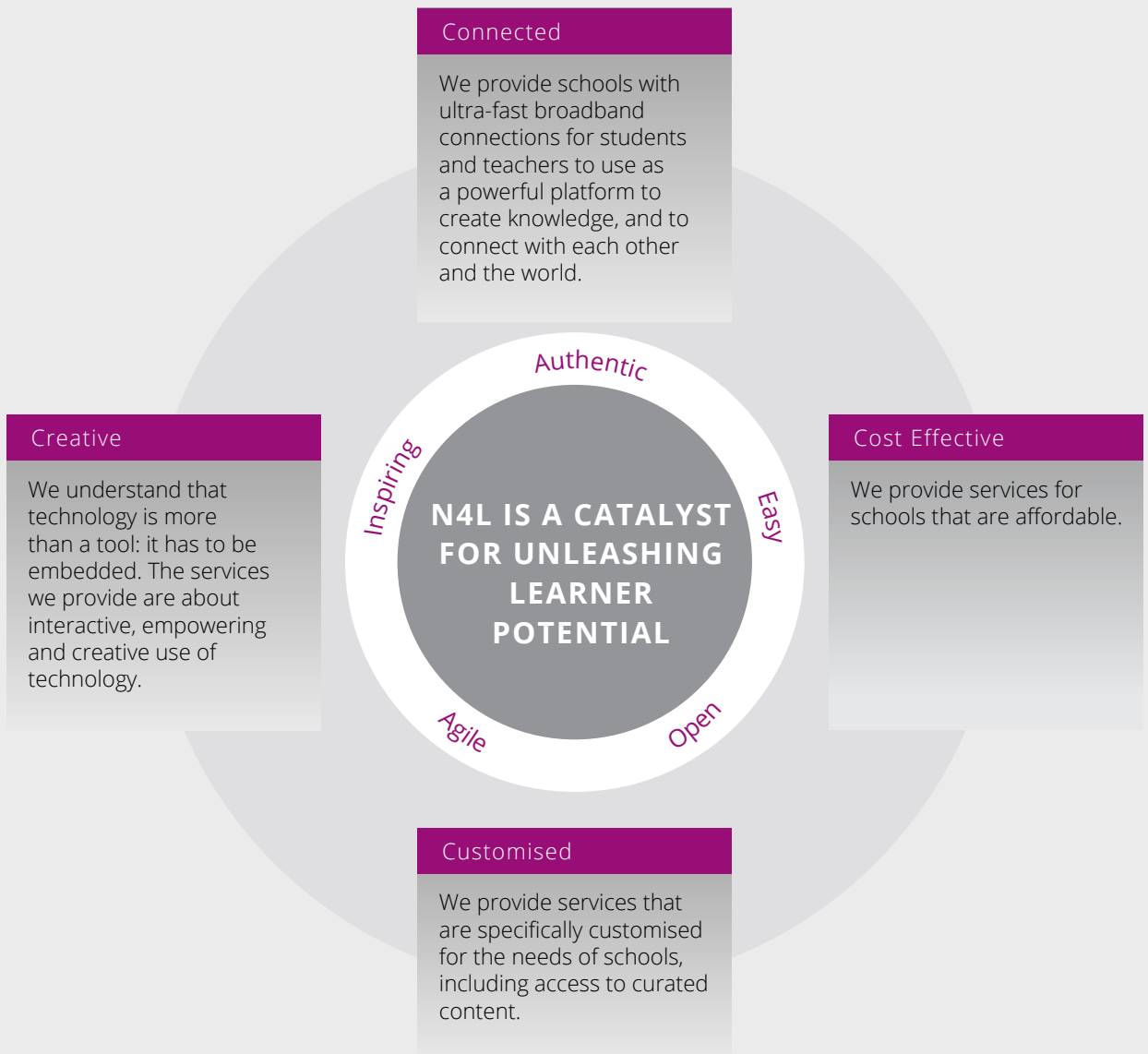
Mark Yeoman
Deputy Chair
28 June 2013





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N4L will deliver value to schools in four ways



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

The Company will do this while:

- operating in a financially sustainable manner;
 - operating in a way that minimises risk to the Crown; and
 - operating 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, 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; and
 - is flexible enough to respond to emerging challenges and opportunities caused by emerging technological change.



From 'You'll Be Home
as Home can be
with the whole world
waiting you with on TV'

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-focused education, reflecting the needs of individual learners and teachers.

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 for the first three years. N4L is not initially expected to generate a surplus, nor make any distribution 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 an equivalent qualification.

The Company 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 that 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. The Company will contribute to the Government's goals for education, and ultimately to its goal of building a more productive and competitive economy.

Primary streams of activity

The Company will meet the needs of learners through three strategic initiatives:

- the provision of a *Managed Network Service*;
- the identification, selection and provision of *Dynamic Services*; and
- a dedicated strategy to *Love the Customer*



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

The Company will establish and operate a managed network, providing all schools with high-speed access to services both directly connected to the network and through the wider internet. The network will be built across the fibre infrastructure being established by the Government through the Ultra Fast Broadband (UFB) programme and the Rural Broadband Initiative (RBI). The Company will actively “manage” the connectivity to ensure the consistent performance of high priority content, services and applications over the network.

The Company does not expect to own telecommunications infrastructure, but instead will procure network services from a provider to be announced shortly. The upcoming selection of that provider follows a rigorous procurement process started by the Ministry of Education and taken over by the Company after its formation in July 2012.

The Company intends to connect the first schools to its managed network by the end of 2013 and will progressively connect all schools that wish to participate during the following two to three years.

The Government plans to establish a drawdown fund to be administered by the Ministry of Education which will allow all state and state-integrated schools to connect to the network at no cost to the schools during the period covered by this SOI.

How we will measure our success

The Company's primary objective during its initial period of operation is to launch schools to its managed network in line with a target rollout plan. N4L plans to connect initial schools by end 2013 with all schools that wish to participate able to be connected by mid 2015.

N4L recognises the importance of ensuring performance (network quality) and reliability and will develop appropriate metrics during the network development and establishment phase. These metrics, and associated targets, will be included in the SOI for 2014 to 2017.



A fundamental element of N4L's value proposition is the provision of **dynamic services** – the content, applications and services that the Company will make available as part of its product for schools.

A managed network service is key to maximizing the use of technology in schools over ultra-fast-broadband but it is the dynamic services which sit on this managed network service which will truly inspire learners and ensure the successful transition for schools to modern learning environments.

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

As the first schools are connected to the managed network, the Company will launch an interactive, widely accessible web platform, sharing with users a rich, but intuitive, environment of products and services provided by N4L and others. N4L and the Ministry of Education are in the process of agreeing a launch package of core learning and administrative content and services (including services currently provided by the Ministry) to be directly connected to the network. These core products and services will all be accessible 24/7 using N4L's web platform and will be funded directly by the Ministry of Education without additional cost to schools.

Beyond the core launch package of content and services, in the short term N4L will focus on providing dynamic services, of greatest need that are externally sourced and that 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. The Company also expects some external content and service providers to see value in offering their services in association with the Company and to provide appropriate levels of funding to enable this.

How we will measure our success

Schools and students will have access to a base package of content and services when it launches its managed network and will implement a wider set of services on an ongoing basis.

Over the coming year the Company will develop metrics and performance indicators and these will be included in the SOI for 2014 to 2017. These measures 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.
- Confidence and capability in using content and services.



As important as the managed network and the dynamic services are, it is critical that all learners and schools have **excellent, second-to-none service delivery.**

It is the Company's intention that the "Love the Customer" Strategy will receive equal attention and priority to ensure customer satisfaction.

Schools will have access to a range of customer support services, including helpdesk services, user support and collaborative and communication tools. Government funding (through the Ministry of Education) will be provided to support a core level of helpdesk provision.

In the process of working with schools, it is anticipated that the Company will be asked questions within and beyond the scope of the Network for Learning. To support schools, the Company, through its connections, will be able to direct enquiries to appropriate sources of existing information.

How we will measure our success

Over the coming year the Company will develop metrics and performance indicators and these will be included in the SOI for 2014 to 2017. These measures 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.

During the period covered by the SOI, N4L will continue to **develop its capability** as it establishes and rolls out its managed network and services.

To do this, the Company will:

- consistently develop the capability of its people and the quality of its systems and processes;
- manage the risks that could prevent it from delivering its work programme;
- ensure that the services it delivers are as cost effective as possible;
- ensure that its capital spending supports its essential capabilities;
- aim to achieve a high level 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 both technical and commercial expertise. Accordingly, the Company's ability to attract and retain skilled staff is of critical importance. It will do this by being a good employer and by ensuring the attractiveness of N4L as a place to work.

The Company is expected to comply with sections 116-119 of the Crown Entities Act (2004). It does this by developing and operating personnel policies that are consistent with the principles of being a good employer.

Measuring N4L's progress in these areas

N4L will measure its progress in these areas by:

- aiming to achieve 'good' ratings from audits of its management control environment, its financial information, systems and controls and its service performance information, systems and controls; and by
- regularly reviewing its progress and priorities with Ministers, and allocating resources to address changing requirements as required.

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

Organisational 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).

The Company is subject to certain provisions of the Crown Entities Act (2004) ("CEA"), 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. The Minister of Education has delegated responsibility for all matters relating to the development of a managed network to connect all schools to Hon Nikki Kaye, Associate Minister of Education.

Accountability

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

Crown Entities Act (2004)

Some CEA provisions apply automatically by virtue of N4L being listed in Schedule 4 of the Public Finance Act (1989). These 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 the Company by Order in Council.

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

Companies Act (1993)

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 the Company'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, the Company has considerable discretion in how it goes about its day-to-day operations.

The board of directors

The board comprises six non-executive directors, appointed by the shareholding Ministers. 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 that Ministers' expectations of N4L are met.

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, advice and information concerning its:

- accounting; financial and statutory reporting; and responsibilities under the Companies Act (1993) and other legislation; and
- identification and management of all material risks, both financial and non-financial, including through the operation of a robust internal control environment.

Remuneration committee

The remuneration committee assists the board in fulfilling its responsibilities by providing recommendations, advice and information concerning:

- the Company's remuneration and human resources policies;
- the performance and remuneration of the Chief Executive Officer; and
- the recruitment of members of the senior executive team.

The Company will be provided with a degree of **capital funding to meet its operating expenses** in its first three to four years, as its revenue base develops. This funding provision is as set out in the Prospective Statement of Movements in Equity, below.

Sources of revenue

The Company expects to receive revenue from two primary sources:

- Revenue from providing core network services to schools. A drawdown fund is being established for the initial three years of the Company's operation. This fund, to be administered by the Ministry of Education, will enable N4L's services to be provided at no cost to schools during this period.
- Revenue from Government contracts, including in respect of:
 - a helpdesk to support network services;
 - the provision of a core package of content to schools (including associated helpdesk services); and
 - the provision of transition support services to schools, designed to ensure that schools benefit from a seamless and high quality transition onto the managed network.

In addition the Company may develop additional sources of revenue, potentially including:

- Revenue from providing additional services to schools on a paid-for, fully commercial basis.
- Revenue from enabling commercial content and service providers to benefit from the establishment of direct connectivity.

Statement of significant assumptions

The prospective financial statements included in this Statement of Intent are reliant on a set of critical assumptions made by the Company. Many of these assumptions will be validated in more detail over the coming year.

The most significant assumptions reflected in these financial statements are as follows:

- An assumption that initial schools will be connected to the managed network by end 2013 with all schools that wish to participate able to be connected by late 2015.
- Assumptions around the costs, and associated balancing revenues from the Ministry of Education, of the supporting services set out above. These costs will be developed and finalized prior to network launch and pricing will be agreed and contractually documented with the Ministry of Education.

How we will measure our success

N4L will measure its success against the following high level financial targets:

- N4L will operate within the funding that has been set aside for its initial three years of operations.
- N4L will generate revenue as set out in the Forecast Statement of Financial Performance.
- N4L will operate in a financially sustainable manner, ensuring that its operating expenses and any required capital expenditure are covered by its operating revenue and agreed shareholder funding.

Prospective statement of financial performance for the period FY2014 – FY2016

	Notes	2013/2014 Forecast \$000	2014/2015 Forecast \$000	2015/2016 Forecast \$000
Income				
Sales of services to schools		1,400	11,400	25,000
Sales of services to Government	6	2,700	6,400	1,600
Total income		4,100	17,700	26,600
Expenses				
Network services	7	1,000	8,400	18,500
Infrastructure	8	1,300	1,200	200
Content and services	9	400	600	600
Transition support	10	1,800	5,300	500
Personnel costs	11	3,700	3,700	3,700
General and overhead expenses		2,200	2,200	2,200
Total expenses		10,400	21,400	25,700
		-	-	-
Total comprehensive income		(6,300)	(3,700)	900

Prospective statement of movements in equity for the period FY2014 – FY2016

	Notes	2013/2014 Forecast \$000	2014/2015 Forecast \$000	2015/2016 Forecast \$000
Movements in equity				
Balance as at July 1st		2,060	3,260	560
Total comprehensive income		(6,300)	(3,700)	900
New Crown investment in the period		7,500	1,000	0
Closing equity		3,260	560	1,460
Made up of:				
Retained earnings - prior period		(3,440)	(9,740)	(13,440)
Total comprehensive income for the period		(6,300)	(3,700)	900
Crown investment - cumulative		13,000	14,000	14,000
Closing equity		3,260	560	1,460

Prospective statement of financial position for the period FY2014 – FY2016

	Notes	2012/2013 Forecast \$000	2013/2014 Forecast \$000	2014/2015 Forecast \$000	2015/2016 Forecast \$000
Current assets					
Cash and cash equivalents		2,060	3,060	260	760
Accounts receivable & prepayments		0	700	1,800	2,200
Total current assets		2,060	3,760	2,060	2,960
Non-current assets					
Fixed assets	12	200	300	300	300
Total non-current assets		200	300	300	300
Total assets		2,260	4,060	2,360	3,260
Current liabilities					
Accruals and payables		200	800	1,800	1,800
Total current liabilities		200	800	1,800	1,800
Total liabilities		200	800	1,800	1,800
Shareholders' funds					
Share capital		5,500	13,000	14,000	14,000
Retained earnings		(3,440)	(9,740)	(13,440)	(12,540)
Total shareholders' funds		2,060	3,260	560	1,460
Total liabilities and shareholders' funds		2,260	4,060	2,360	3,260

Prospective statement of cash flows for the period FY2014 – FY2016

Notes	2013/2014 Forecast \$000	2014/2015 Forecast \$000	2015/2016 Forecast \$000
Operating activities			
Receipts from school and Government	3,400	16,600	26,200
Payments to suppliers and staff	9,800	20,400	25,700
Net cash flow from operating activities	(6,400)	(3,800)	500
Investing activities			
Purchase of fixed assets	(100)	0	0
Net cash flow from investing activities	(100)	0	0
Financing activities			
Capital contribution from Government	7,500	1,000	0
Net cash flow from financing activities	7,500	1,000	0
Net increase/(decrease) in cash	1,000	(2,800)	500
Cash available at the start of the period	2,060	3,060	260
Cash available at the end of the period	3,060	260	760

1. Reporting entity

The Network for Learning Limited (N4L), a limited liability company incorporated in New Zealand under the Companies Act (1993), is a Crown entity as defined by the Crown Entities Act (2004). It is listed in Schedule 4 of the Public Finance Act (1989).

N4L's purpose is to establish and operate a student-focused network that offers schools and kura access to affordable, safe, fast broadband services, and internet based content and services over a dedicated network. As such, N4L's principal aim is to provide services to the public, rather than make a financial return. Accordingly, N4L is designated as a public benefit entity (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Crown does not guarantee the liabilities of N4L in any way.

2. Statement of compliance

The prospective financial statements are for the years ended 30 June 2014, 30 June 2015 and 30 June 2016. The prospective financial statements have been prepared in accordance with the Crown Entities Act (2004), which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements comply with FRS-42 Prospective Financial Statements and NZ GAAP as it relates to prospective financial statements. It is intended that the annual historical financial statements for the above periods will be prepared in accordance with NZ GAAP, NZ IFRS and other applicable financial reporting standards as appropriate for PBEs using the policies outlined below.

The prospective financial statements were authorised for issue by the board of directors on 28 June 2013. The Board of Directors is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Actual financial results achieved for each forecast period are likely to vary from information presented and the variations may be material.

3. Measurement base

The financial statements have been prepared on a historical cost basis.

4. Functional and presentation currency

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand (\$000). The functional currency of N4L is New Zealand dollars.

5. Summary of significant accounting policies

Revenue

- (i) Sale of services: Revenue and cost of sales related to the sales of services are recognised by reference to the stage of completion of the transaction at the end of the reporting period.
- (ii) Interest: Interest income is recognised using the effective interest method.

Creditors and other payables

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying values of creditors and other payables approximate their fair values.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position. The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

N4L is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value.

Operating activities are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets.

Financing activities are those activities that result in changes in the size and composition of the contributed equity of the Company.

Critical accounting estimates and assumptions

In preparing these prospective financial statements N4L has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results and these differences may be material.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. Sales to Government

Income from sales of services to Government represents estimated income relating to network establishment costs; the provision of transition support services to schools; a helpdesk service; and the provision of a base package of content and services.

7. Network services

Network service expenses represent estimated payments to the network provider for connectivity, internet and related services.

8. Infrastructure

Infrastructure expenses represent estimated payments to the network provider in relation to the establishment of the managed network for schools.

9. Content & services

Content and service expenses represent estimated expenses related to the provision of a core package of content and services.

10. Transition support

Transition support expenses represent estimated expenses related to the provision of support services to schools in relation to their transition to N4L connectivity and services.

11. Personnel

Personnel costs represent the estimated cost of company employees, other than any staff directly related to the provision of the transition support services or the content and services package.

12. Fixed assets

Fixed asset purchases primarily comprise IT equipment and office fixtures.

Shareholders

Minister of Finance
(Hon Bill English)

Minister of Education
(Hon Hekia Parata)

Minister with delegated responsibility for the Company

Associate Minister of Education
(Hon Nikki Kaye)

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Auditor

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

Solicitors

Elwood Law
Simpson Grierson

Bankers

Westpac New Zealand Limited

Senior management

John Hanna,
Chief Executive Officer

Patrick Baker,
Chief Financial Officer

Jeremy Nees,
Chief Technical Officer

Chris South,
Head of Dynamic Services

Carolyn Stuart,
Education Sector Lead

Board of directors

Helen Robinson,
Chair

Mark Yeoman,
Deputy Chair

Rick Shera
Linda Tame
Humphrey Wikeepa
Martin Wylie





Network for Learning