**Education Report: Approval to operate a foreign currency bank account for Macleans College Board of Trustees and Auckland Grammar School Board of Trustees**

| To:                                      | Hon Chris Hipkins, Minister of Education  |
|                                          | Hon Grant Robertson, Minister of Finance |
| Date:                                    | 4 October 2019                           |
| Priority:                                | Medium                                    |
| Security Level:                          | In Confidence                             |
| METIS No:                                | 1178719                                   |
| Drafter:                                 | Nash Anand                                |
| DDI:                                     | e 9(2)(a)                                 |
| Key Contact:                             | Chad Britton                              |
| DDI:                                     |                                          |
| Messaging seen by Communications team:   | Yes / No                                  |
| Round Robin:                             | Yes                                       |

**Purpose of Report**

1. This report recommends that the Minister of Finance grant approval under section 158(6) of the Crown Entities Act 2004, for Macleans College Board of Trustees and Auckland Grammar Board of Trustees to hold a foreign currency bank account with the Bank of New Zealand (BNZ) and ASB respectively.

**Summary**

2. Section 158(6) of the Crown Entities Act requires boards of trustees to obtain approval from the Minister of Finance in order to operate a foreign currency bank account. All money in a bank account at a registered bank or a registered building society must be denominated in New Zealand dollars unless the Minister of Finance allows otherwise.

3. The Board of Trustees (the Boards) of both Macleans College and Auckland Grammar wish to hold a foreign currency bank account to enable payment of course and examination fees for students enrolled within the Cambridge International Examinations (CIE). Payment is required in Great British pound (GBP).

**Recommended Actions**

The Ministry of Education recommends that the Minister of Education:

a. note that as Minister of Education, this report is for your oversight of the approval process only;

   **Noted**
b. **note** that section 158(6) of the Crown Entities Act 2004, requires school boards of trustees to obtain approval from the Minister of Finance to acquire a foreign currency bank account;  

**Noted**

c. **note** that the following conditions apply for the approval of holding a foreign currency bank account by the Boards of both Macleans College and Auckland Grammar under the Crown Entities Act 2004:  
- approval is from the date of the decision and is not retrospective, and  
- approval is based on the foreign currency bank account being held for the express purpose of transacting on behalf of students for the payment of CIE fees and associated costs only;  

**Noted**

d. **agree** that this Education Report is proactively released as part of the next publication.  

**Agree/Disagree**

The Ministry of Education recommends that the Minister of Finance:

e. **approve** the application for Macleans College Board of Trustees and Auckland Grammar Board of Trustees to hold a foreign currency bank account from the date of this decision under Section 158(6) of the Crown Entities Act 2004;  

**Approve/Not Approve**

f. **note** that in preparing this report, the Ministry of Education has consulted with The Treasury, and The Treasury concurs with the actions recommended above; and  

**Noted**

g. **sign and date** the attached letters informing Macleans College Board of Trustees and Auckland Grammar Board of Trustees, of your decision.  

**Agree/Disagree**

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Katrina Casey  
Deputy Secretary  
Sector Enablement and Support  
4/10/2019

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Hon Chris Hipkins  
Minister of Education  
23/10/19

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Hon Grant Robertson  
Minister of Finance  
3/11/19
Background

1. Macleans College and Auckland Grammar are decile nine secondary schools, situated in the Auckland region. Both schools are registered members of the Association of Cambridge Schools of New Zealand Incorporated (ACSNZ), allowing them the ability to offer their students the University of Cambridge International Examinations (CIE).

2. CIE international A and AS Levels satisfy the entry criteria for every university around the world and are equal in value to United Kingdom A and AS Levels. They are recognised by universities in New Zealand, Australia, Canada, United Kingdom (including Oxford and Cambridge) and throughout the European Union.

3. Students who enrol in CIE are required to pay all their course fees, examination fees and re-sit fees. These fees total over GBP 300,000 per annum for each school.

4. The Boards have found that the most effective and efficient method of managing the payment of these obligations is by operating a foreign currency bank account. All funds in the foreign currency bank account are held in trust on behalf of the students for CIE related costs.

5. Both of the Boards have operated a foreign currency bank account for the past decade, unaware that an approval from the Minister of Finance was required. Auditors have recently brought this requirement to the attention of the Boards, and notified them that they are in breach of the Crown Entities Act until such time approval is granted.

Discussion

Benefits of holding a foreign currency bank accounts

6. CIE curriculum provides the students of both schools with significant educational benefits. The ownership of a foreign currency bank accounts provides the Boards with an efficient and effective mechanism to hold funds on behalf of the registered students, and transact any CIE related costs.

7. Additional administration costs would be incurred if approval for a foreign currency bank account was not granted. The Boards could also incur foreign exchange losses as a result of the time lags between the students deposit and payment of the associated fees.

8. The specific benefit of the Boards holding a foreign currency bank account are listed below:

<table>
<thead>
<tr>
<th>Primary Benefit</th>
<th>Secondary Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of payment for CIE examination and course related fees.</td>
<td>Reduced administration costs.</td>
</tr>
<tr>
<td></td>
<td>Mitigate exchange rate risk.</td>
</tr>
</tbody>
</table>
Risks of holding a foreign currency bank accounts

9. There is a risk of exchange rate fluctuations in relation to student deposits. If students were to withdraw from CIE exams and the GBP were to fall against the NZD, the amount refunded to students would be less than deposited. The school may have to refund the difference.

10. The risk of GBP fluctuations are minimised as transacting to GBP on the day the funds were received creates a natural hedge for the school against any large movements in GBP exchange rate.

11. The schools may deposit funds in the foreign exchange account that are not for the purposes specified. This practice may be perceived as revenue gathering. This risk may be mitigated by the Minister of Finance providing approval for use of a foreign currency account only for the payment of CIE fees.

Financial analysis - Macleans College

<table>
<thead>
<tr>
<th>Macleans College</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus</td>
<td>$655,514</td>
<td>$1,230,555</td>
<td>$324,580</td>
</tr>
<tr>
<td>Working Capital + Term Investments</td>
<td>$4,327,583</td>
<td>$5,338,932</td>
<td>$4,528,153</td>
</tr>
<tr>
<td>Equity</td>
<td>$13,252,600</td>
<td>$14,525,333</td>
<td>$14,935,138</td>
</tr>
</tbody>
</table>

12. Macleans College has operated at a surplus for the previous three years, with their working capital plus term investment position equating to $4,528,153 (as at 31 December 2018).

Financial analysis - Auckland Grammar

<table>
<thead>
<tr>
<th>Auckland Grammar</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus</td>
<td>$1,060,652</td>
<td>$538,850</td>
<td>$106,469</td>
</tr>
<tr>
<td>Working Capital + Term Investments</td>
<td>$403,638</td>
<td>$651,279</td>
<td>$740,721</td>
</tr>
<tr>
<td>Equity</td>
<td>$20,246,692</td>
<td>$20,785,541</td>
<td>$20,938,285</td>
</tr>
</tbody>
</table>

13. Auckland Grammar has operated at a surplus for the previous three years, with their working capital plus term investment position equating to $740,721 (as at 31 December 2016).

14. The financial risk of approving this request is deemed to be low for both Auckland Grammar and Macleans College.

Recommendation

15. In conclusion, the Boards of both Macleans College and Auckland Grammar wish to hold a foreign currency bank account to act as a mechanism for the transfer and payment of costs associated with CIE. All funds paid/held into the accounts would be held in trust for the registered students. Therefore, we recommend that you approve this application.

16. The approval of the schools holding a foreign currency account is contingent on the accounts being utilised purely for the transacting of funds held in trust on behalf of the students, and for the purposes of CIE related costs. Foreign exchange trading for the purposes of deriving a financial gain is prohibited.
Proactive Release

Proactive release of Education Report

17. It is intended that this Education Report is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Annexes

Annex 1: Letter of Approval – Macleans College
Annex 2: Letter of Approval – Auckland Grammar