

the method of future payments to Boards. The abolition of the working average as a basis on which payments to Boards had been made, and the withdrawal of the extra capitation allowance of 4s. per pupil paid in past years, affected very seriously the Board's prospective income. A calculation, based on past experience in the matter of attendance, made it obvious that retrenchment to the extent of £1,919 per annum would require to be provided for, the credit balance at the end of 1887, after making provision for payment of outstanding liabilities, being only £29.

After years of experimental application the Board's scale of payments in respect to the administration of its Maintenance Fund has proved to be so carefully drawn out as to leave little (if any) surplus wherewith to meet such emergencies as have arisen in consequence of the introduction of the changes before alluded to. Accordingly, in January last the Board appointed a special Finance Committee to investigate and report generally on the financial condition of the Board, and where retrenchment was practicable in its system of expenditure. This committee held several meetings, and, after long and anxious deliberation, brought forward a report which, with the exception of one subclause, proved acceptable to and was adopted by the Board. The Board had, prior to the appointment of the Finance Committee, resolved that payments to teachers and School Committees should in future be calculated on the "strict" and not on the "working" average as hitherto. The effect of adopting this resolution was, the Board reckoned, to reduce its expenditure by a sum equal to £438 per annum. The actual deficiency therefore for which it was necessary that provision should be made was £1,481. To meet this in an equitable manner to all concerned was the problem which the committee had to solve. In a district where from the very nature of the surrounding circumstances the salaries of teachers and allowances paid to School Committees in the past were by no means on too liberal a scale it required the exercise of more than ordinary prudence and discernment to submit a satisfactory scheme whereby an all-round reduction equalling at least 7 per cent. could be effected without inflicting too great a hardship on any individual teacher or Committee.

The Finance Committee's report was laid before a meeting of the Board held on the 3rd February last. The following are the principal changes effected in the Board's scale of payments by its adoption: (1.) Bonuses hitherto paid on teachers' classification were abolished. (2.) Rent allowances were reduced. (3.) Teachers' salaries of £150 and upwards were reduced from 3 per cent. to 10 per cent., beginning with the lowest. (4.) School Committees' allowances were reduced by 10 per cent. The total estimated saving effected by the foregoing, and other reductions of minor importance was £1,609. This sum was somewhat in excess of the amount required, but it was thought desirable to provide a moderate margin over and above actual requirements, as the estimate was based on what might prove not altogether reliable data.

This Board is now, after nine months' experience of the changes in payments here referred to, able to report that the reductions have proved more drastic than was necessary. This result is doubtless partly owing to the fact that the percentage of average attendance to roll number has been more favourable than in past years, thus augmenting the Board's income without in a corresponding degree affecting its expenditure.

FINANCE AND ACCOUNTS.—Departmental Returns Nos. 4, 5, and 6 (forwarded to the Auditor-General) give all necessary information concerning the Board's financial condition. The balance-sheet shows a surplus to credit of Maintenance Account of £1,869 16s. 11d., to which must be added a sum of £106 18s. 8d., due by Government in respect of payments made for scholarships during December, thus making a total of £1,976 15s. 7d; while to the credit of the Building Account there is a balance of £1,007 19s. 8d. From the credit balance of Maintenance Account must be deducted a sum of £455 12s. 7d., as due on the 31st December to teachers and School Committees; and from the balance to credit of Building Account a sum of £303 16s. 6d., being balance of amounts due or to fall due under contracts, thus leaving the net balances to credit of these accounts as follows: Maintenance, £1,521 3s.; Buildings, £704 3s. 2d. Return No. 7 shows in detail how the principal items of expenditure given in Return No. 4 have been apportioned: Teachers' salaries and allowances, £19,080 19s. 1d.; School Committees' allowances, £1,300 0s. 8d.; buildings (old and new), £3,011 18s. 11d.

While the basis on which the calculation of revenue is made is so liable to fluctuation the same satisfactory relation of income to expenditure as is exhibited in the preceding paragraphs of this report cannot be relied upon. The Board can readily imagine how, for instance, the prevalence of an epidemic in any one or more subdivisions of its district would diminish the average attendance, and as a direct result its income, without in a corresponding degree lessening its expenditure. The Board is strongly of opinion that the injustice which might arise from the operation of such an important factor in controlling its finances should, at least, be minimised, if not wholly removed, seeing that the cause for its existence is beyond ordinary control. The restitution of the working average as a basis on which payments to Boards should be made would in a great measure affect this (to Boards) very desirable consummation.

The departmental returns to which reference is made in this report have already been forwarded.

The Hon. the Minister of Education.

By order of the Board.

JOHN NEILL, Secretary.