

Though the provisions of section 3 of the Physical Drill in Public and Native Schools Act have not been complied with literally, physical drill has been taught with varying success in all the schools in the district. During the latter part of the year 1902, systematic instruction was given by Instructor Hanna to the pupils attending the larger schools; and at present there are special classes for the instruction of teachers of physical drill going on both at Invercargill and Gore, the former being taught by Instructor Hanna, the latter by Lieutenant Fraser. The teachers appear to be intensely interested in the matter, and it is confidently expected that through the medium of these classes physical drill will be taught successfully in at least three-fourths of the Board schools. It is also intended that the subject shall be taken as one of the courses of instruction at the proposed summer school to be held in Invercargill at the end of this or the beginning of next year.

FINANCIAL.—The Board's annual statement of receipts and expenditure, duly certified by the Auditor-General, has already been forwarded to your Department. This document shows that the balances to credit of Building and General Accounts, which at the close of the preceding year stood at £377 and £561, have increased to £620 and £897 respectively.

It is very satisfactory to note that, amid the change and dislocation of accounts inseparable from the introduction of a completely new system of payments, the general tendency of the Board's financial position should show signs of improvement. It must not, however, be forgotten that several changes in the incidence of the Board's expenditure during the year have not yet had full time to operate, so that for the coming year the payments from the General Fund will be somewhat heavier than those for the year just ended.

The payment of the increased rate for incidental expenses of Boards, as allowed by the last clause of subsection (b) of section 5 of "The Public-School Teachers' Salaries Act, 1901," which was understood to be authorised by last session of Parliament, has been expected for some months past. This extra allowance, amounting to 9d. per unit of average attendance, will, the Board regrets to note, benefit this district to a very limited extent indeed, as the good effect of the increase will be neutralised by the deduction of £250 per annum from the amount at present payable. The net increase to this district under the new method of payment when introduced will amount to something like £59 per annum.

The Board would direct special attention to the unjust provision, whereby two only out of the thirteen Education Boards in the colony will be deprived of the full benefit of the proposed increase of payment. If the deduction of the fixed allowance of £250 as a condition of raising the capitation from 11s. 3d. to 12s. is a necessity, then it is submitted that such deduction should not be regulated by a rigid hard-and-fast rule to apply only to Boards having just over 8,000 pupils in average attendance, but should rather be fixed on a sliding scale, the deduction being graded according to the average attendance in each district. It is generally admitted that the cost of administration in thickly populated districts, where the number of schools rather than the average attendance should form a basis of calculation, is not or should not be so great proportionately as in localities less favoured in this respect.

The net income and expenditure (exclusive of balances) for the year 1901 were, omitting shillings and pence, £36,276 and £37,586; the corresponding figures for this year were £41,800 2s. 11d. and £41,220 10s. 2d. respectively.

The principal items in the finance of the past year in which material alteration appears are as follows: In respect of teachers' salaries the receipts were £30,116 2s. 2d. (inclusive of reserves revenue); £323 10s. 9d., final payment of special increases to salaries made under the Public-school Teachers' Salaries Act of 1900; grant for relieving-work, £176 0s. 8d.; and capitation in respect of District High Schools, £156: a total of £30,771 13s. 7d. The items of expenditure in this same connection were as follows: Teachers' salaries, including payment of (1) special increase for the last quarter of 1901, (2) salaries to special assistants in District High Schools, (3) allowances paid to relieving-teachers, £30,404 18s. 7d.; teachers' house allowances, £222 12s. 8d.; pupil-teachers' lodging allowances, £105 9s. 4d.: a total of £30,753 0s. 7d. These figures show an apparent surplus on the Teachers' Salaries Account of £18 13s. As an asset the payment of district high schools capitation for the December quarter, not received till after the close of the year, has to be reckoned in balancing this (Teachers' Salaries) Account. Similarly, the surplus revenue from District High Schools has to be allocated; and considerable adjustments in the salaries of the ordinary teaching staff, incidental to changes made during the last quarter of the year, have to be made. When these assets and liabilities are taken into consideration, the net amount to credit will be only slightly altered.

The liabilities against the General and Building Accounts are, as shown in Departmental Return No. 6, £904 2s. 8d. and £2,188 8s. 5d. respectively, the latter sum being counterbalanced by special grants due by your Department in respect of additions to buildings amounting to £1,103 17s.

By order of the Board,

JOHN NEILL, Secretary.

The Hon. the Minister of Education, Wellington.