



## Education Report: New Zealand Qualifications Authority End of Year 2019/20 and Quarter 1 2020/21 Performance Assessment

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	3 November 2020	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1241366
<b>Drafter:</b>	Katherine Fahey	<b>DDI:</b>	s 9(2)(a)
<b>Key Contact:</b>	Fiona O'Leary	<b>DDI:</b>	s 9(2)(a)
<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

This paper provides our assessment of the 2019/20 and the Quarter 1 2020/21 (Q1) performance of the New Zealand Qualifications Authority (NZQA) and asks you to sign and send the letter to the Board Chair of NZQA (attached as Annex 4) relating to the entity's performance.

### Summary

- This performance assessment covers the end of year advice for 2019/20 and Q1 (1 July to 30 September 2020) of the 2020/21 financial year. The report sits alongside NZQA's Annual Report which you have received and its Q1 report which will be sent to you shortly. The financial performance assessment covers the end of year position at 2019/20 only.
- NZQA has shifted its performance focus to bring equity to the forefront. This is challenging work and NZQA is undertaking activities to develop in this area while it works through how to continue to build its equity story.
- NZQA notes that some components of equity, such as equitable access to computer devices and household internet connectivity, are required in order for the sector to realise the full benefits of online learning and assessment supported by NCEA Online.
- COVID-19 has had an impact on many areas of NZQA's core business and its change programme. NZQA has had to be agile and responsive in a challenging second half of the 2019/20 performance year and Q1 of 2020/21.
- NZQA is aware of the ongoing challenges of COVID-19 on the sector given the existing work programmes. It is continuing to plan and progress implementation of key shifts in the system, while also accounting for high levels of uncertainty.

## Recommended Actions

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The Ministry of Education recommends you:

- a. **note** that in order to satisfy section 150 (3) of the Crown Entities Act 2004 along with Treasury's instruction for this year, the responsible Minister must present NZQA's Annual Report to the House of Representatives by the second day of the new Parliament.  
**Noted**
- b. **note** NZQA published its Annual Report on 1 October 2020 to satisfy section 150(4) of the Crown Entities Act which requires entities to publish their Annual Reports within 10 days of submitting the report to their Minister  
**Noted**
- c. **note** our assessment of NZQA's performance for the 2019/20 year and Quarter 1 of the 2020/21 year  
**Noted**
- d. **sign and send** the attached letter to the Chair of the NZQA Board  
**Noted**
- e. **agree** that this Education Report is proactively released as part of the next publication

**Release** Not release



Emily Fabling  
**Deputy Secretary**  
**Strategy, Planning and Governance**

3/11/2020



Hon Chris Hipkins  
**Minister of Education**

7/1/2021

## Background

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1. In its monitoring function the Ministry provides advice over the Crown agency's Annual Report by reviewing and analysing its financial and non-financial performance.
2. Given the timing of the audit report, the dissolution of Parliament for the 2020 General Election and the risks to the 2020 Exam Season posed by COVID-19, we have combined our monitoring advice to you. This report comments on both the end of year performance for 2019/20, and upcoming risks and how they have been managed through Q1 of 2020/21.

## Annual Report Overview

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3. The Crown Entities Act 2004 (the Act) sets out the statutory requirements that a Crown agency must comply with when preparing and publishing its Annual Report.
4. NZQA received its final audit report on 27 August 2020, provided it to you on 17 September 2020 and published it on 1 October 2020. Crown agents must provide you with an Annual Report no later than 15 working days after receiving the final audit report and publish it no later than 10 working days after you have received it.
5. To satisfy section 150(3) of the Act, you are required to table NZQA's Annual Report as soon as possible after commencement of the next Parliamentary session. Treasury's instruction for this year is that you must table the Annual Report by the second day of meeting of the new Parliament.
6. The Tertiary Education Commission and Education New Zealand final Annual Reports will be provided to you before the end of January 2021.
7. Crown agents can choose to provide you with a draft annual report for your input, but it is not required. While NZQA has not provided you with a draft they have involved the Ministry of Education (the Ministry) throughout the drafting process so that feedback could be provided and considered.

## Statutory requirements for content

8. The Ministry's view is that NZQA's Annual Report for 2019/20 met statutory requirements for content. The requirements for the content of an annual report are set out in sections 150-156 of the Act and include having compliant information about the entity's:
  - final audit
  - responsibility and Board
  - organisational capability, and
  - annual financial statements.
9. In the upcoming year, we will engage with NZQA, and report to you, on its compliance with whole of government requirements (eg Property, Procurement, Information and Communications Technology).

## Overview of performance for 2019/20 through to the end of Q1 2020/21

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10. A detailed analysis of the both the non-financial and financial performance is provided in Annexes 1 to 3.

### **Summary of non-financial performance** (detailed in Annex 1)

11. NZQA's new Statement of Intent (SOI) and Statement of Performance Expectations (SPE) took effect on 1 July 2019 (the beginning of the 2019/20 financial year). A visual overview of its new performance measurement approach and NZQA's reported performance against it is provided as Annex 3. Given the new SOI and SPE, it was difficult to perform meaningful analysis comparing this year's performance with previous years as few of the measures were maintained.
12. For the measures that have carried over from previous SPEs, NZQA consistently meets these targets year on year. We can be confident that NZQA will continue to meet these targets and we would support them to identify growth opportunities in these areas or stretch targets. This reflects our advice to you of 2 May 2019 [METIS 1181845 refers] about the new framework.

### *NZQA planning further improvements to measures*

13. NZQA has shifted to a greater proportion of narrative measures in its performance framework. This gives NZQA opportunity to gain insights that might otherwise be missed with quantitative data. To strengthen this shift, we would support NZQA undertaking impact analysis on its activities. We understand that NZQA is planning to carry out work to improve its performance story, ensure its performance measures are fit for purpose and allow it to understand the impact its activities are having.
14. In our advice to you on 24 September 2018 [METIS 1137358 refers], we advised you that a focus for NZQA in their development of the SOI and SPEs for 2019/20 was to reduce reliance on demand driven measures. This has dropped from nine measures in both the 2017/18 and 2018/19 framework to three in the 2019/20 framework. Going forward, we would support NZQA to consider reducing this even further or consider shifting the framing of these measurements from reporting on volume to reporting on their response to the demand (where applicable). Measure 2.2c<sup>1</sup> of the new framework is a good example of where their framing would have allowed them to demonstrate quality of service delivery but there was no demand in 2019/20.
15. Assurance measures are underrepresented in the performance framework and NZQA is aware of this. We understand NZQA is looking at how it can use data insights to improve their analysis and inform its regulatory role in the system.

### *COVID-19 has affected ability to measure*

16. The COVID-19 pandemic had an underlying impact on NZQA's performance story as it was unable to undertake some of its planned activities and reviews.

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<sup>1</sup> Measure 2.2c: The percentage of Tertiary Education Organisations in category 4 that improve to category 3 or higher as a result of their next external evaluation and review, or exit the system.

### *Focus on equity*

17. Overall, NZQA has made a positive shift in its performance framework by incorporating equity as a major focus. NZQA has identified that lifting Māori and Pacific learner participation and achievement is a core goal in achieving equity. NZQA also focused on continuing to improve equity in access to assessment support for disabled students and students with additional learning needs.
18. NZQA recognises that the measurement of equity is difficult, and we recognise NZQA is on a journey to improve this. We look forward to successive iterations of SPEs and SOIs as this improvement continues.
19. NZQA also recognises that some components of equity, such as equitable access to computer devices and household internet connectivity, are required in order for the sector to realise the full benefits of online learning and assessment, supported by NCEA Online.

### *Criticality of the Treaty*

20. The Public Service Act (2020) and the Education and Training Act (2020) articulate greater expectations for entities to work with Māori and honour and give effect to Te Tiriti o Waitangi. Now these Acts alongside system-wide frameworks such as the refreshed Ka Hikitia and the Pacific Education Action Plan are in place, we expect to see these reflected in future performance frameworks.

### **Upcoming Challenges and Opportunities**

21. The upcoming National Certificate of Educational Achievement (NCEA) exam season is one of the main risks in NZQA's calendar due to COVID-19 creating uncertainties for the sector. Our monitoring in Quarter 2 of 2020/21 (Q2) will be heavily focused on this area.
22. There are system dependencies in implementing the NCEA change package, and NZQA's role in pastoral care and wellbeing in the international education recovery area. These will require careful navigation and organisational agility.
23. Development of the SPE for 2021/22 will be a key opportunity for NZQA to round out its current SOI and respond to the new education landscape that may emerge in the coming year. There will be an opportunity for you to provide direction on this through your Letter of Expectation. Further advice will be provided on this in due course.

### **Summary of financial performance** (detailed in Annex 2)

24. NZQA performed well in the 2019/20 financial year with a net surplus of \$2.845m against a budget surplus of \$0.02m.
25. However, NZQA are facing risks in the current financial year as a result of COVID-19, where the impacts are not fully known at the end of Q1.

## Proactive Release

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26. It is intended that this Education Report is proactively released as per your expectation/the expectation of the previous Government's Minister of Education that information be released as soon as possible. Any information which may need to be withheld will be done so in accordance with the provisions of the Official Information Act 1982.

### Annexes

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- Annex 1: Analysis of non-financial performance and next steps  
Annex 2: Analysis of financial performance  
Annex 3: NZQA 2019/20 Non-Financial Performance: Summary of Results from NZQA Annual Report  
Annex 4: Letter to Chair of the NZQA Board

## Annex 1: Non-financial performance

### Background to non-financial performance monitoring

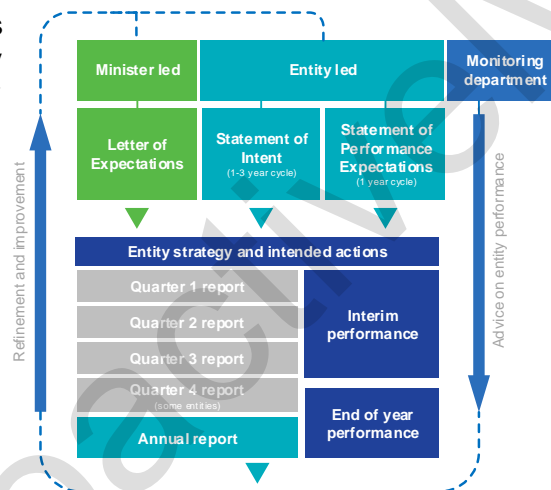
A Crown entity assesses its performance against intentions and measures set out in its accountability documents.

- Strategic intentions, impact measures and organisational capability measures are set out in its Statement of Intent (SOI)
- Output measures are set out in its Statement of Performance Expectations (SPE).

Letters of Expectations (LOEs) are issued by Ministers to enable them to strengthen their expectations and drive the entity's priorities across the year. Where timing allows, accountability documents are shaped by the current LOE.

Ministerial feedback on the Annual Report and other reports can indicate any changes Ministers would like the entity to consider moving forward and can be used to advise of improvements they would like to see in the entity's performance measurement framework.

As the monitor of NZQA's performance, the Ministry engages regularly with the entity on its implementation of key areas of work and provides the Minister with independent advice on the entity's performance and annual reporting through tracking the entity's progress against the intentions and measures in its accountability documents (SOI and SPE) and the LOE.



### High level overview of performance through Q1 2020/21

COVID-19 has impacted NZQA's performance and some of their 2019/20 SPEs could not be measured. Despite this, some of their performance highlights over the year include:

- its focus on and work to increase equity of access to qualifications,
- implementing the Education (Pastoral Care of Domestic Tertiary Students) Interim Code of Practice (the Interim Code) which was an agile shift midway through the performance year,
- its seamless transition to remote working required by COVID-19 and the support it has provided and is continuing to provide to the sector through this challenging time, and
- managing business-as-usual while planning for the extensive work required of it for the Education Work Programme.

### New Statement of Intent and performance measurement framework

NZQA has an increased focus on equity and lifelong learning in its new SOI and performance measurement framework. Telling a performance story that demonstrates the impact that NZQA activities are having on meeting Te Tiriti obligations and addressing inequity is challenging given it is systematic and complex. In its first Annual Report against its new SOI, NZQA has shown strong commitment to change by highlighting the activities it has carried out in the equity area.

NZQA is aware that telling its performance story requires further focus and improvement to its measures. It has indicated to us that it is committed to prioritising this stream of work, noting it is in the midst of a significant change environment which will impact the timing of when new or improved performance measures are put in place to reflect the new assessment and assurance environments.



## Annex 1: Non-financial performance

We will engage with NZQA on its intervention logic and building up its impact and output measurement to better understand its activities which contribute to achieving shifts in the system.

### Te Tiriti o Waitangi (Te Tiriti)

NZQA is committed to its Te Tiriti obligations. Its corporate documentation is clear the education system has been inequitable for Māori and about the importance of actively addressing this. This is a strong focus for NZQA and it has undertaken much activity to improve outcomes for Māori. This is reported in its Annual Report and discussed briefly in the section below.

In order to carry out this work, NZQA has invested in organisational capability by establishing individualised development plans for its staff to learn Te Reo. This is specifically reflected in measure 1.2a<sup>2</sup> which was an establishing baseline measure in 2019/20.

### Equity of Access

Leading on from the focus on Te Tiriti obligations is NZQA's wider focus on equity of access and achievement. Key areas of focus are Māori learners, Pacific learners and disabled learners. This reflects the focus of the Board on equity in the organisation and across the sector.

Internally, each area of the organisation is now required to undertake an annual equity self-review and plan for improvement. Increase in organisational maturity has been demonstrated by individuals and business groups thinking through the equity implications of their work.

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<sup>2</sup> Measure 1.2a: The increase in number of NZQA staff who:

1. Have a Te Reo Māori plan
2. Reach higher levels of proficiency through language planning and development

NZQA is putting in place a cohort of equity champions who have and will work across the organisation to support ongoing capability in addressing inequity.

NZQA has a clear focus on equity through using student feedback to co-design examinations, thinking innovatively about examination centres and sharing data and best practice information with kura, schools, whānau and Pacific families.

NZQA consults widely and works closely with its key advisory groups:

- Ngā Kaitūhono, its Māori external strategic group
- the Taupulega, its Pacific Advisory Group, and
- the Māori Medium Secondary Qualifications Advisory Group.

Its newly published Action Plans for ākonga Māori and Pacific students (Te Kōkiritanga and Takiala Pasifika) have clearly outlined actions to improve outcomes for learners and clear responsibilities are delivery across the whole of the organisation and its work programme. We understand future performance frameworks will reflect these plans.

NZQA has also worked hard to ensure Special Assessment Conditions (SAC) are simpler to access for those students who need them and are better understood by Resource Teachers Learning and Behaviour (RTLBs) and those schools where the level of SAC applications are lower than national averages.

The shift to bringing equity and the learner to the forefront has meant a significant shift in its performance measures. NZQA's performance against the new SPEs shows that equity is difficult to measure and has wider sector dependencies, such as device access.



## Annex 1: Non-financial performance

As outlined in paragraphs 18 to 20 of the main report, NZQA is committed to improve its performance measurement framework and we look forward to seeing more clearly demonstrated linkages between its activities and desired outcomes, particularly in the equity area.

### Assurance on operational performance

NZQA's 2019/20 performance framework has shifted the three main areas of the previous framework to one "lifetime learning" outcome, in order to bring equity to the forefront and create a leaner model. This shift to equity, as outlined above, is important and challenging work for NZQA and we recognise that it will take some time for it to refine the operational performance side of the framework to accurately reflect the work of the organisation as well as its capability to respond to a shifting environment.

One of NZQA's key growth areas to enable this shift is to improve its intelligence capability. In practice, it is considering what processes need to change (for example in the quality assurance space), which areas can it extend good evaluative practices into, and how it uses internally generated data in conjunction with input learner data.

### NZQA's change programme

#### *The NZQF review and RoVE*

The NZQF review has clarified the framework is complex and needs to be simpler and more user friendly.

Reprioritisation due to COVID-19 has meant NZQF review timelines have been slowed down and brought into line with RoVE timelines. NZQA considers this has benefitted both programmes as it has provided the opportunity to align the framework and strengthen the changes to vocational pathways.

NZQA has also been able to test with Ministers new ways of looking at clusters of qualifications. NZQA says this has also allowed a Treaty lens to be applied to every qualification. Ministers have directed comprehensive engagement with Māori learners, wānanga and other Māori tertiary sector providers.

NZQA recognises the importance of sound quality assurance systems continuing through the time of change. It has agreed it will undertake targeted evaluations of Te Pūkenga – New Zealand Institute of Skills and Technology subsidiaries (that is, former Institutes of Technology and Polytechnics (ITPs) rather than full External Education and Reviews (EERs). The only exceptions are Category 3 organisations which will continue to receive a full EER as this will provide the level of data required to help lift those organisations into higher performing categories.

NZQA is focussed on what it looks like to be a modern regulator. In doing so, it is considering what changes to assurance functions are required when the new structures and qualifications are in place

### **Implementation of the NCEA Change Package**

NZQA has appointed a programme manager for the implementation of the NCEA Review Change Package and has begun planning the programme design to support delivery of the changes alongside the Ministry's Change Programme. Specialist assessment staff have extensive and increasing involvement in the development of new achievement standards as part of the Ministry of Education led Review of NCEA Achievement Standards. NZQA is considering what changes will be required to its resourcing and quality assurance processes to implement the new standards. Of particular focus for monitoring moving forward will be how NZQA manages its overlapping roles as delivery-arm, assessment design expert, and quality assurer, to ensure that product design and delivery proceeds smoothly.

## Annex 1: Non-financial performance

Innovative processes, and stress testing (to ensure scalability) will need to be built into the design of the operating model. A challenge for successful implementation is sector readiness (teachers confident with the new assessment tools and processes) and production of the right collateral to support this.

There will be a big wave of work required of NZQA next year and beyond (eg 55 subject groups working simultaneously, both in strategic review and external assessment) which will require considerable technical resource in place to ensure NZQA can deliver within the planned implementation timeframes. This has been costed by NZQA, and significantly exceeds their capacity to self-fund this work without external funding.

The Ministry considers early planning is essential for successful implementation. NZQA is undertaking planning to strengthen capacity to support the participation in the Review of Achievement Standards (RAS) while managing the 2020 examination round and preparing for the 2021 assessment cycle. This planning will also consider ways to address resourcing pressure on the organisation to manage both the existing assessment system, and the outputs of the RAS, during the next four years of change and implementation.

### ***Implementing the Education (Pastoral Care for Domestic Tertiary Students) Interim Code of Practice (Interim Code)***

NZQA has worked well to implement the Interim Code which was required midway through the 2019/20 performance year.

NZQA focused on capability-building in 2019-2020, publishing implementation guidance for all TEOs and running introductory workshops for Private Training Establishments (PTEs) to outline the new responsibilities. It is developing ongoing, more detailed workshops to further cement understanding of the Interim Code and plans to run training sessions for wānanga and Te Pūkenga.

Given that the Interim Code has been extended to remain in effect to December 2021, NZQA is confirming the quality assurance approach for the Interim Code and has advised us this is likely to be based on scrutinising self-reviews undertaken by providers and taking appropriate follow-up action.

NZQA has worked with Universities New Zealand (UNZ) to ensure universities understand their new responsibilities under the Interim Code, and to agree in principle a proposed delegation arrangement for UNZ to undertake some of the Interim Code administration. NZQA advised us that, as a new responsibility for UNZ and the universities, it expects it will be a long process before systems for internal and external monitoring and review of student pastoral care are fully operational. UNZ is setting up a committee, with NZQA expecting to have observer status, to oversee the effective implementation of the Interim Code for universities.

As systems are set up with UNZ, NZQA will need to keep confirming its role as Code administrator.

NZQA sees that the future work with the Ministry on the development of the permanent Code for domestic tertiary students will provide the opportunity to review parts of the Education (Pastoral Care of International Students) Code of Practice 2016.

The Ministry and NZQA are doing further work to clarify enforcement functions, costs and cost drivers associated with the Interim and ongoing Code.

### **Challenges and opportunities in Quarter 2 and beyond**

Key challenges include:

- Managing the upcoming exam cycle and getting results out to students given the complexities of the COVID-19 environment

## Annex 1: Non-financial performance

- The vulnerabilities of learners and disparity being further highlighted in the system, especially heading into a complex and delayed exam/assessment cycle
- The vulnerabilities in managing wellbeing for all students as stresses are high due to COVID-19. There are also particular wellbeing issues for those international students unable to travel home through the summer break, and risks regarding the accessibility of mental health services for international students
- The resilience of the sector to absorb changes given their volume and complexity. This will require careful stakeholder management and strong commitment to partnerships and open communication
- The alignment and management of risk in setting up the new vocational sector
- Delivering on the NCEA change package, i.e. meeting tight timeframes for quality assuring new assessment standards and developing new external assessment processes given limited funding
- The continuing resilience of NZQA staff to deliver on the high and complex workload
- Careful financial management, as the organisation has sufficient funding to reprioritise and meet current obligations, but any funding pulled forward runs the risk of insufficient funds downstream.

Key opportunities include:

- Delivering a more equitable assessment system for New Zealand, through the continued review of the NZQF and the changes required by RoVE, the NCEA change package and NCEA Online
- Reviewing and strengthening its quality assurance processes for both the international and domestic Codes of Pastoral Care and ensure they are aligned

- Developing a more agile, risk-based assurance system for the tertiary sector, and in support of the International Education Recovery plan
- Better use of data to enhance system intelligence and performance measurement
- Refining and developing its performance measurement framework to better reflect the entity's performance and impact
- Improving its communication tools, for example its website.

### *The 2020 Exam Season*

This year, accommodations have been made for the impact of COVID-19 to enable as many students as possible to be successful in gaining their NCEA qualifications.

As many students will do better through examination than through derived grades, it is important to ensure that students have the opportunity to sit their exams if possible. NZQA has planned to run the 2020 exams within Ministry of Health (MoH) guidelines as if the country is at COVID-19 Alert Level 3. This means exams can run despite any possible increases to alert levels (up to Level 3) in any region, or nationwide.

More exam supervisors will be required to run exams in higher alert levels. Recruitment and training of the examination centre workforce has been expanded this year to ensure sufficient staffing.

NZQA has established procedures under the Unexpected Grade provisions to ensure that students can access a derived grade if they are unable because of changes in COVID-19 Alert levels or other events to attend their examination. NZQA has provided guidance and standard specific templates to assist schools gather evidence required for derived grades and has reminded schools throughout the year about the importance of submitting derived grades.

## Annex 1: Non-financial performance

In mid-September NZQA advised schools and kura of the requirements for exam centres. Communicating the new processes and the safety of attendance for exams to students, families and the community remains the responsibility of schools and kura.

Running exams under the requirements of higher alert levels may present challenges for some schools such as time, room arrangements and resources to deep clean between exam sessions. NZQA has committed their Exam Centre Managers to work with those schools to develop individualised plans so exams can be held.

NZQA is planning for the need to complete marking in a shorter period as a consequence of the later start and finish of examinations this year. The release of NCEA, UE and New Zealand Scholarship results will be later in January than usual due to the need to process the changes made to NCEA and UE to recognise the disruption to assessment this year due to COVID-19.

We will continue to engage with NZQA on this and will report back in Quarter 2 on the full impact on NCEA achievement levels for the 2020 cohort.

While NZQA has well thought through plans to deliver examinations this year, there is still significant risk ahead.

### ***International Education Recovery***

NZQA has three streams of work to support the education sector in this area.

The first stream is to look at critical areas of change to quality assurance and regulatory settings that need to be made, in line with RoVE rule changes, to strengthen the educational outcomes for international students and enable the sector to respond to the new environment.

The second stream is to support consistent provider delivery capability through the development of good practice guidelines specifically in online delivery and sharing of information through capability building workshops, so providers have a better understanding of NZQA processes and compliance requirements.

The third stream is to enhance the global recognition of New Zealand qualifications. The recognition of qualifications delivered online is a challenge in some jurisdictions. There will be an area of focus for NZQA as more providers consider offshore and online delivery in response to current COVID-19 travel restrictions.

### ***NZQA's Work Programme and Workload***

NZQA's work programme is ambitious. It has been managing a complex and highly demanding work programme which has required it to manage and change current operational practices to meet the changing environment due to COVID-19 while also designing, with the Ministry and other partners, a future state environment.

Our quarterly reports for the 2019/20 year have emphasised NZQA's workload and pressure over the last year and the need to carefully manage the impact of it.

The cumulative effect of pressure created by an unexpected environment change on NZQA staff will also need to be carefully managed going forward.

## What we are doing to stay on top of NZQA's performance

As the monitoring agency, our key actions are:

- Planning with NZQA, our areas of monitoring focus
- Using monitoring frameworks to guide our review of key areas of growth and risk such as equity and digital and data services
- Regularly engaging with officials in NZQA and across the Ministry on key change projects

## Annex 1: Non-financial performance

- Planning for the appointment of a Board Chair. This appointment needs to occur in early 2021. Separate advice will be coming to you on this shortly
- Facilitating bi-yearly joint chair meetings between the chairs of crown agencies and education boards so they have the opportunity to consider sector issues and share lessons learnt and issues arising

### Overview

NZQA's financial position remains stable, albeit it is facing a number of risks, including those associated with COVID-19, in the current financial year. These are discussed further in the following section of this report.

NZQA recorded a net surplus for the financial year ended 30 June 2020 (FY19) of \$3.845m (Table 1). This was better than budget which was for a small surplus of \$0.02m.

As a result of the higher surplus, together with other factors detailed below, equity was also higher at \$26.308m compared to a budget of \$14.213m (Table 2).

There were a number of factors resulting in this performance, which are detailed below.

### Financial Performance

The majority of the line by line variances are a result of successful Budget Bids which were announced after the budget was produced. These are connected to NCEA Online, the removal of NCEA fees and a cost pressure increase for the specialist workforce.

The improved financial performance was largely driven by funding received for the Online Services project that was not fully spent in the financial year, together with high Qualification Assessment Fees. This was partially offset by COVID-19 related costs and revenue reductions, together with a higher capital charge.

### Financial Position

As previously referenced, the improved equity position at year end was the result of the higher net surplus, and better opening position and a capital contribution for NCEA Online.

The capital contribution was received late in the financial year and has yet to be used to develop related software or purchase hardware. As such it remains in cash and is the main driver of the higher current asset position.

Current liabilities are \$3.17m higher than budget primarily due to unbudgeted NCEA Online liabilities and revenue deferrals for projects not yet complete.

**Table 1. Statement of financial performance**

\$'000	FY20 Actual	FY20B	FY19 Actual
<b>Revenue</b>			
Crown	69,817	41,071	49,351
Other	31,827	43,172	41,700
	<b>101,644</b>	<b>84,243</b>	<b>91,051</b>
<b>Expenditure</b>			
Personnel expenses	(64,325)	(57,406)	(57,751)
Other operating expenses	(30,263)	(24,097)	(28,396)
Depreciation & amortisation	(3,211)	(2,720)	(3,052)
	<b>(97,799)</b>	<b>(84,223)</b>	<b>(89,199)</b>
<b>Net surplus/(deficit)</b>	<b>3,845</b>	<b>20</b>	<b>1,852</b>

**Table 2. Statement of financial position**

	As at 30 June 2020 Actual	As at 30 June 2020 Budget	As at 30 June 2019 Actual
<b>\$'000</b>			
<b>Assets</b>			
Current assets	33,594	18,296	22,109
Non-current assets	8,650	7,645	8,349
	<b>42,244</b>	<b>25,941</b>	<b>30,458</b>
<b>Liabilities</b>			
Current liabilities	15,306	11,130	13,812
Non-current liabilities	630	598	601
<b>Total liabilities</b>	<b>15,936</b>	<b>11,728</b>	<b>14,413</b>
<b>Equity</b>	<b>26,308</b>	<b>14,213</b>	<b>16,045</b>



## Looking forward

### Statement of Performance Expectations (SPE)

NZQA's SPE budget (Tables 3 and 4) indicates a nil surplus and closing equity of \$24.284m. This is subject to material changes as a result of both the current uncertain climate created by COVID-19 and several other business variabilities.

### COVID-19 Impacts

NZQA is exposed to a number of financial risks associated with the COVID-19 pandemic. It has estimated that on a worst-case scenario there will be a \$5.5m reduction in third party revenue. This is made up of \$3m in qualification recognition services, \$1m in credit fees and \$1.5m in other revenue.

NZQA has some levers to pull to reduce associated expenditure, however it could be left with a significant shortfall. Whilst it has the ability to fund this shortfall from its accumulated reserves this would put significant financial strain on the business and would result in having to reprioritise some activity.

It should be noted that this is worst case and already signs are that performance will not be impacted to this degree.

Another major risk is associated with the possibility that 2020 NCEA examinations are impacted by increased restrictions to take account of COVID-19 requirements. While there is potential for savings if NCEA examinations are cancelled in part or in whole, additional costs would be accrued, which together with costs already committed/incurred i.e. exam preparation, would not result in as large a saving as one might expect. We do not have the full details of the additional costs or cost savings in these situations as the environment is moving fast and NZQA are continuing to undertake contingency planning for a variety of lockdown scenarios.

### Other uncertainties and additional costs

NZQA is working on several initiatives which come with no additional funding, and so NZQA is having to absorb these costs through its baseline. These initiatives include work on developing the system to process the changes made to NCEA (including the Learning Recognition credits and endorsement changes) and UE to recognise the disruption to assessment due to COVID-19 this year (\$0.7m), scholarship fees funding (\$0.4m) and the NCEA review (current amount uncertain).

In addition, NZQA's website is in need of a refresh which is a significant multiyear project that could cost in the region of \$6m.

All of the above put further pressure on NZQA's financial position and it will have to work hard to reprioritise initiatives as required to meet these costs.

NZQA and the Ministry will need to have regular engagement throughout the year as more clarity develops on the financial impacts of the initiatives and issues referenced in this report.



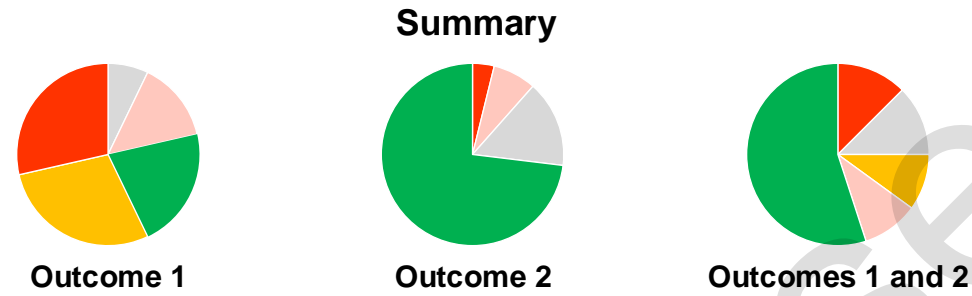
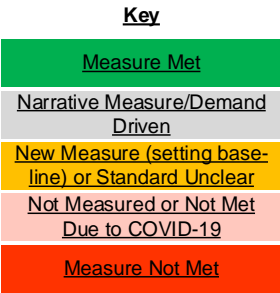
Table 3. SPE Budget statement of financial performance

\$'000	FY21B	FY20	FY19
<b>Revenue</b>			
Government grants	58,290	69,817	49,351
Other	31,288	31,827	41,700
	<b>89,578</b>	<b>101,644</b>	<b>91,051</b>
<b>Expenditure</b>			
Personnel expenses	(61,566)	(64,325)	(57,751)
Other operating expenses	(24,026)	(30,263)	(28,396)
Depreciation & amortisation	(3,986)	(3,211)	(3,052)
	<b>(89,578)</b>	<b>(97,799)</b>	<b>(89,199)</b>
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>3,845</b>	<b>1,852</b>

Table 4. SPE Budget statement of financial position

	As at 30 June 2021 (Budget)	As at 30 June 2020	As at 30 June 2019
<b>\$'000</b>			
<b>Assets</b>			
Current assets	25,165	33,594	22,109
Non-current assets	10,192	8,650	8,349
	<b>35,357</b>	<b>42,244</b>	<b>30,458</b>
<b>Liabilities</b>			
Current liabilities	10,448	15,306	13,812
Non-current liabilities	625	630	601
	<b>11,073</b>	<b>15,936</b>	<b>14,413</b>
<b>Equity</b>	<b>24,284</b>	<b>26,308</b>	<b>16,045</b>

# Annex 3: NZQA 2019/20 Non-Financial Performance: Summary of Results from the Annual Report



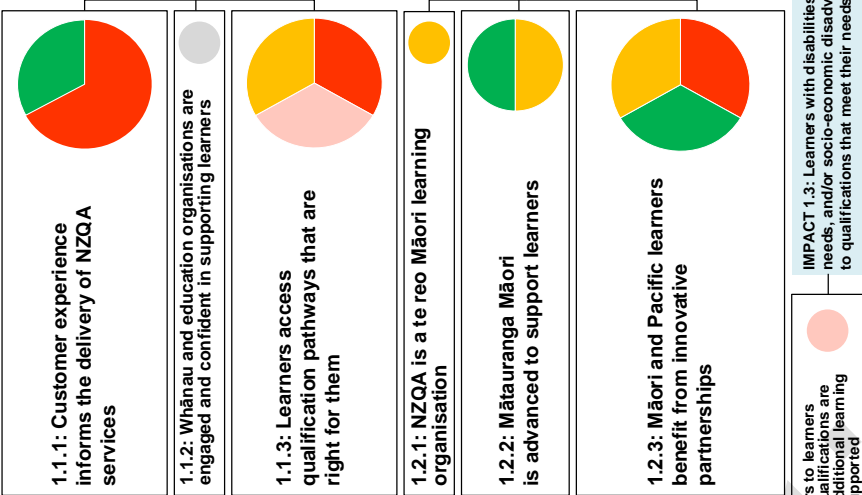
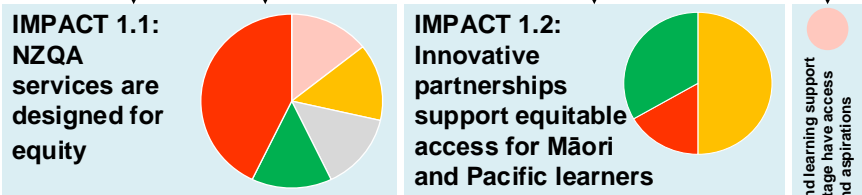
Support to the Minister of Education

i. The overall satisfaction rating given by the Minister of Education on the New Zealand Qualifications Authority

ii. The percentage of Ministerial items that achieve the deadlines agreed with the Minister's office

\*Note: these graphs do not include the Success Indicators and 2.2c of the measures from the SPE 19/20

## Outcome 1: Equity of Access to Qualifications Supports Intergenerational Wellbeing



1.1a The proportion of survey respondents who agree/strongly agree that information they received from NZQA met their needs

1.1b The proportion of survey respondents who agree/strongly agree that the NZQA website is easy to use

1.1c The average processing time (working days) of assessment standards reported by accredited TEOs put onto learners' transcripts

1.1d Co-design solutions to benefit learners

1.1e Participation in digital external assessment increases as a proportion of overall participation in external assessment

1.1f The percentage of Managing National Assessment reviews that report on the uptake of Māori and Pacific in STEM

1.1g Activities undertaken by NZQA to raise awareness of the availability of mātauranga Māori qualifications for which NZQA is the qualification developer

1.2a The increase in number of NZQA staff who: 1. have a te reo Māori plan; 2. reach higher levels of proficiency through language planning and development

1.2b The percentage of all applications that are quality assured using Te Hono o Te Kahurangi that meet the criteria to be approved

1.2c The rate of Māori learner participation in digital external assessment is the same as or better than their non-Māori learner peers

1.2d The percentage of Pasifika parents and families who attended NCEA Maie Pasifika workshops who report increased knowledge of NCEA and more confidence to engage with schools about NCEA pathways

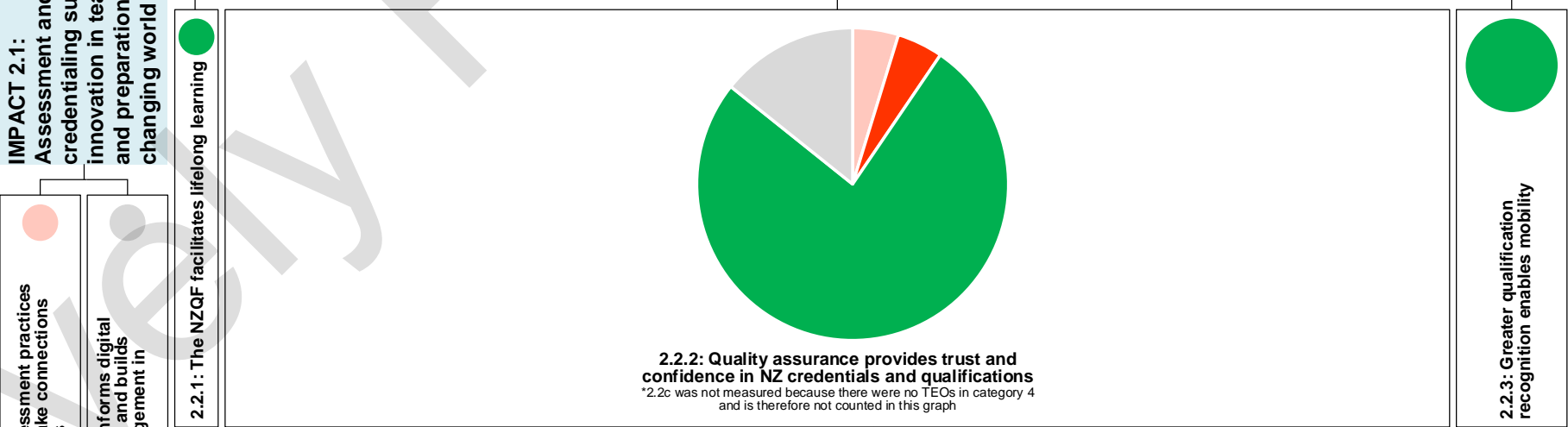
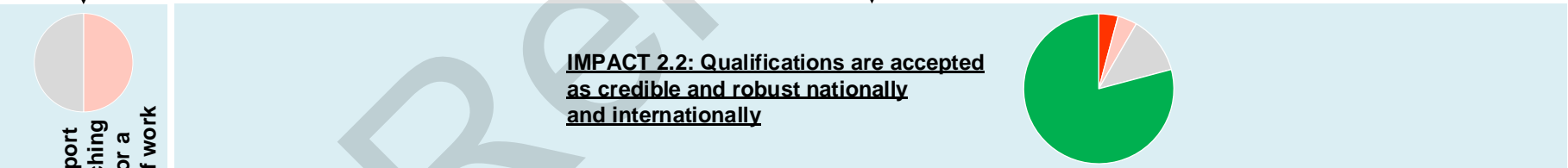
1.2e The percentage of parents and whānau who attended NCEA and the Whānau workshops who report increased knowledge of NCEA and more confidence to support their children

1.2f The rate of Pacific learner participation in digital external assessment is the same as or better than their non-Pacific learner peers

1.3a The percentage of targeted schools that have confidence that NZQA has taken all reasonable steps to reduce barriers to Special Assessment Conditions access for their students

1.3b Barriers to learners accessing qualifications are reduced & additional learning needs are supported

## Outcome 2: New Zealand Qualifications Enable Lifelong Learning



2.1a Teachers agree that NZQA's processes and requirements are conducive to innovative assessment practices

2.1b Learner feedback is actively used in design and development of digital assessment activities

2.2a The percentage of qualifications where a review has commenced according to the planned timeframe

2.2b The percentage of non-university Tertiary Education Organisations which had an external evaluation and review completed

2.2c The percentage of Tertiary Education Organisations in category 4 that improve to category 3 or higher as a result of their next external evaluation and review, or exit the system

2.2d The percentage of investigations that result in a significant NZQA intervention

2.2e The percentage of investigations that result in corrective action that satisfactorily resolves the identified non-compliance or quality issues identified

2.2f The number of Code signatories (demand driven)

2.2g The number of newly registered signatories to the Code (demand driven)

2.2h The total number of formal complaints received alleging breaches of the Code (demand driven)

2.2i The percentage of formal complaints alleging [The Education (Pastoral Care of International Students) Code of Practice 2016] breaches that are concluded within 65 working days

2.2j The number of programme monitoring activities completed for non-university tertiary education organisations

2.2k The proportion of New Zealand qualifications (that have graduates) that undergo a consistency review in any one financial year

2.2l The proportion of NZQA consistency reports (interim or final) that are published within 3 months of the consistency review date

2.2m The percentage of draft external evaluation and review reports completed and sent to all types of Tertiary Education Organisations within 30 working days of the site visit

2.2n The percentage of NZQA-owned standards maintained by their planned reviewed dates

2.2o The percentage of schools on a three or four year Managing National Assessment cycle

2.2p The percentage of total marker judgements unaltered following Review or Reconsideration of External Assessment Result process for NCEA

2.2q The percentage of total marker judgements unaltered following Review or Reconsideration of External Assessment Result process for NZ Scholarship

2.2r The percentage of validated NCEA results provided to learners no later than the end of the third full week of January

2.2s The percentage of validated NZ Scholarship results provided to learners no later than the end of the second full week of February

2.2t The annual moderator/teacher agreement rate at the level of grade

2.2u The number of samples of learner work moderated for national external moderation

2.2v The percentage of draft Managing National Assessment reports provided to schools within six weeks from the date of completion of onsite work

2.2w The percentage of NZQA identified risks to a school's consent to assess that are monitored by an action plan to ensure resolution or escalation

2.2x The percentage of international qualification recognition products that meet their service-level agreements

2.2y The satisfaction score given by the Ministry of Foreign Affairs and Trade for support provided by NZQA in the free trade negotiation process and implementation of agreement commitments

Proactively Released

Professor Neil Quigley  
Deputy Chair and Acting Chair  
New Zealand Qualifications Authority (NZQA)  
PO Box 160  
Wellington 6140

Dear Neil

Thank you for the New Zealand Qualifications Authority's (NZQA) Annual Report for 2019/20 which I have received along with the Ministry of Education's assessment of performance for 2019/20 and Quarter 1 of 2020/21.

I am pleased to hear about the work the Board and staff have undertaken to support the sector through this extremely challenging year, while maintaining delivery. In such an uncertain environment I recognise this has required sustained effort, agility and reprioritisation. It will be important to maintain this going forward.

Your focus on improving equity for New Zealand students is critical. Congratulations on the recent release of Te Kōkiritanga 2020-2023 and Takiala Pasifika 2020-2023. I understand NZQA is planning shifts to its performance measures to enable it to tell its performance story in a more meaningful way. I look forward to seeing how the measures improve to better illustrate the impact of this work for students.

I appreciate all NZQA has done to support assessment, plan for and deliver NCEA for our students this year.

I look forward to hearing more about your successes in implementing NCEA Online and the rest of the NCEA change package. Your progress with RoVE, your role in pastoral care given the stresses in the system, and your efforts to ensure the ongoing recognition of New Zealand qualifications is also of great interest to me.

There is much to achieve in the upcoming year. Thank you for your continued work. Please pass on my thanks to the Board members and NZQA staff for their efforts.

Yours sincerely



**Chris Hipkins**  
**Minister of Education**

cc Dr Grant Klinkum, Chief Executive, NZQA  
cc Emily Fabling, Deputy Secretary, Strategy, Planning and Governance, Ministry of Education