



Education Report: New Zealand Qualifications Authority performance – Quarter 2 2020/21

To:	Hon Chris Hipkins, Minister of Education		
Date:	25 March 2021	Priority:	Medium
Security Level:	In Confidence	METIS No:	1249763
Drafter:	Katherine Fahey	DDI:	9(2)(a)
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper provides our assessment of the Quarter 2 2020/21 performance of the New Zealand Qualifications Authority (NZQA).

Summary

Our Quarter 2 assessment of NZQA's performance focusses on the 2020 examination round and developments in NCEA Online, and the impact on assurance practices of changes implemented in response to COVID-19. We also provide snapshot monitoring over NZQA's key change projects (implementing the NCEA change package and the Reform of Vocational Education (RoVE)).

The key points from our assessment are as follows:

- It is good to see NZQA's focus on developing its assessment design capability for equity for Māori and Pacific students. NZQA will also need to continue to further develop its capacity in assessment design for other priority students, including students with disabilities.
- Assurance practices were changed in response to COVID-19 disruption. NZQA is confident these changes have not affected the quality of its assurance practice. It is using "lessons learned" to assist it in developing assurance practices as the RoVE programme changes to the sector take effect.
- NZQA has been working closely with the Ministry and providers to support pastoral care of students and gather insights to develop the final Domestic Code for tertiary students.
- NZQA and the Ministry must also continue to work very closely to ensure effective implementation of the NCEA Change Package.
- Through its work on operational readiness to implement the NCEA Change Package, NZQA will need to consider how it works and what lift is needed in its capability for assessment innovation and the inclusion of diverse knowledges and perspectives
- The RoVE programme is complex and in its early stages. NZQA has provided assurance that it is on schedule with this work and is managing delivery risks.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** our assessment of NZQA's performance in Quarter 2 2020/21

Noted

- b. **sign and send** the attached letter on NZQA's Q2 performance to the Acting Chair of the NZQA Board (Annex 1)

Agree / Disagree

- c. **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
25/03/2021

Hon Chris Hipkins
Minister of Education

___/___/___

Proactive Release

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 to the Acting Board Chair
Annex 2: Digital and Data Monitoring Framework

Monitoring overview for Q2

Key points

Focus of this Report

This report discusses:

- the 2020 examination round and developments in NCEA Online
- the impact on assurance practices of the changes implemented to them because of COVID-19

and includes:

- a snapshot on progress of NZQA's key change projects (implementing the NCEA change package and the Reform of Vocational Education).

Priority areas for upcoming quarters

Over the next quarter we will provide advice to you on NZQA's Statement of Performance Expectations and its performance measures.

In our next quarterly report we will:

- continue our focus on NZQA's ongoing organisational development to underpin sector change in NCEA and RoVE
- review NZQA's NCEA Digital Analytics Report, and
- report on
 - what the data is saying about education outcomes in the non-university sector in 2020
 - NZQA's COVID-19 Business Continuity Planning for 2021
 - NZQA's risk assessment processes, and
 - its Digital and Data self-assessment against a framework for Digital and Data monitoring that was co-designed late last year with the three education Crown agents (see Annex 2).

Financial performance

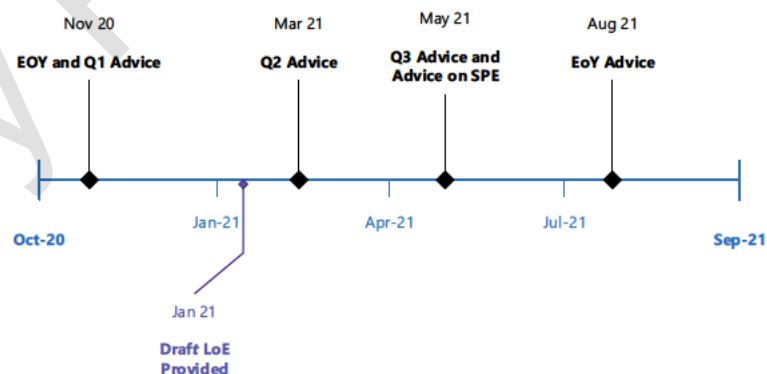
Financial performance summary

\$'000	YTD FY21	YTD Budget	YTD FY20	FY21F
Revenue	63,399	62,527	61,902	104,985
Expenditure	(56,972)	(59,468)	(56,153)	(105,257)
Net surplus/(deficit)	6,427	3,060	5,749	(272)

Financial position summary

\$'000	As at 31 December 2020	As at 30 June 2020	As at 30 June 2021 (Budget)
Cash and investments	45,721	28,147	20,889
Equity	32,734	26,308	24,284
Working capital ratio	1.93	2.19	2.41

Recent and Upcoming reports



Assessment

In 2020, modifications were made to the NCEA system to facilitate fair assessment, optimise teaching and learning time and reduce stress for secondary students given the effects COVID-19 lockdowns had on learning.

Provisional results show the modifications were successful in maintaining attainment as the percentages of students who attained at each level of NCEA improved on the 2019 results.

NZQA is currently planning to work with Universities New Zealand to evaluate any impacts on first year university achievement and we will engage with them on this in future monitoring.

2020 Examination Round

Overall, the 2020 examination round went well. NZQA had undertaken comprehensive planning to ensure that examinations could continue at COVID-19 levels 1-3 and managed issues pre- and during the exam cycle quickly.

A key issue we discussed with NZQA was the complaints about one of the resources used in the level 2 History Examination resource booklet. Complaints from two students and the New Zealand Chinese Association expressed concerns about the racist associations with the author of the material.

NZQA advised us that it took the complaints very seriously and met with the students, the NZ Chinese Association and the Race Relations Commissioner. NZQA intends to strengthen its processes and bring more diverse perspectives to the quality assurance of assessment generally and to the sensitivity review process to ensure that resources are appropriately contextualised and understood.

More broadly NZQA has an organisational commitment to further building the cultural competence of staff and understanding of Te Tiriti

o Waitangi to ensure that it can better meet equity goals. This will also be important in ensuring that the development of external assessment is inclusive and fully consistent with the equity goals underpinning the NCEA Change Package and Review of Achievement Standards.

This issue has highlighted how important it is for entities to put strong racial equity, Te Tiriti and other equity lenses over their work. For NZQA, it also reinforces the importance of its continued work to build an equity focus through its systems and processes (for example the quality assurance of assessment) and its work to build its internal staff capability. NZQA could also consider what this means for its external workforce.

There were other incident reports pre- and during the examination period in 2020 that NZQA has advised you of and believes were avoidable.

NZQA have good incident processes in place pre- and during the examination cycle to quickly remedy issues. A robust review process is in place at the end of each exam cycle to ensure that all issues identified are thoroughly investigated and addressed.

To provide further assurance and prepare for assessment changes arising from the Review of Assessment Standards, NZQA have also initiated an independent end-to-end review of its current quality assurance and checking procedures from Independent Quality Assurance New Zealand.

Progress with NCEA Online

NZQA continues to expand its NCEA offerings online, and uptake from schools and students is also increasing. In 2020, in response to the difficulties presented by COVID-19, NZQA reprioritised its online programme and delivered the sector online practice exams earlier than first planned.

The 2020 statistics are:

- 58 of 120 examination sessions were offered online as well as on paper (35 in 2019)
- the number of subjects offered digitally increased to 21 (from three in 2018 and to 14 in 2019)
- there was a 55% increase over 2019 in the number of students who sat a digital exam (22,500 students or 16% of all students)
- two thirds of examination centres offered the option of undertaking a digital exam (a 41% increase over 2019)
- 6000 students, from 96 schools participated in at least one digital practice examination.

Analytics over how learners complete their exams digitally provide useful insights which cannot be captured for those sitting paper-based exams. For example, analytics over digital examinations show that learners behave differently according to gender and ethnicity.

The annual Digital Analytics report for 2020 has not yet been run. When completed NZQA will report to you. We will engage with NZQA on this in our next quarter monitoring report. NZQA will also share insights with teachers and feed them into design work for implementation of the NCEA Change Package.

With the exception of a delayed start to the English Level 2 examination for approximately half the students attempting the paper digitally, the 58 digital examinations ran smoothly.

A key lesson learnt from the delayed start to the English Level 2 examination was that there is a need for improvement to communications and support for those running examinations in schools so when incidents occur the next steps and who takes them are clear.

Improving equity in assessment design

NZQA recognises that NCEA Online is not currently a complete answer for students with certain disabilities. Students who are eligible to undertake their examinations under Special Assessment Conditions (SAC) for computer use can do so with NCEA Online but still tend to do their examinations on computers offline and in separate accommodation¹.

It is a priority for the Ministry that NCEA is accessible to all learners and a continued focus for us will be how NZQA is working with the Ministry, sector, students and whānau towards this goal. NZQA is currently focusing on developing its assessment design capability for equity for Māori and Pacific students. NZQA is progressing some work to accommodate some disabilities (eg planning a two-stage trial for the implementation of English language text to speech and preparing research proposals to support trials of assistive technologies for visually impaired students). NZQA should continue to develop its capacity and capability in assessment design to ensure assessment does not disadvantage priority students, including students with disabilities. This is dependent on the new Achievement Standards also being designed for inclusivity.

In its Q2 report, NZQA reported to you on how it has used and plans to use NCEA Online and digital assessment to advance mātauranga Māori to support learners. NZQA hopes that the greater uptake of digital examinations in 2020 will provide enough data to draw conclusions about this in the 2021 evaluation.

In future monitoring, we will continue to engage with NZQA on its longer-term roadmap for developing an accessible and inclusive NCEA environment.

¹ NZQA has made several changes to SAC to reduce barriers and improve access to it for students with sensory, physical, medical or learning difficulties and puts

considerable effort into raising the awareness and significance of SAC to encourage its use where applicable.

Non-Financial Performance

Assurance

NZQA modified its processes and worked well through 2020 to support non-university Tertiary Educational Organisations (TEOs) to continue to deliver through the various levels of lockdown. Examples include:

- approving 240 Private Training Establishments (PTEs) for online delivery to domestic students and implementing online delivery for offshore students unable to return to New Zealand
- rescheduling and reprioritising the programme of External Evaluation and Reviews
- undertaking quality assurance activities online, rather than via site visits
- extending timelines for submissions of key documents attesting to quality systems
- implementing the option of payment plans where necessary
- introducing a “hibernation” option for PTEs without students, and
- running a well-attended and well received Tertiary Assessment Symposium in December 2020 on a range of topics including the assessment of NZQA managed standards and assessment design.

NZQA is confident the modifications to its assurance processes last year have not impacted on quality of its assurance practice. NZQA has continued to undertake a range of assurance activities to identify any emerging risks and changes in practice. Examples of monitoring activities include assessing financial viability, identifying poor assessment practice, and reviewing internal moderation and programme review processes.

As reported to you in its Q2 report, NZQA have advised:

- ten percent of all TEOs have participated in programme monitoring to date in this financial year and it expects a further 30 percent will have done so by April 2021

- monitoring of transitional ITO's national external moderation systems will be completed by June 2021
- it continues to validate the educational quality of programmes delivered online to international students unable to enter New Zealand
- it has undertaken a series of desktop risk and compliance reviews and identified key themes which will inform its approach to planning engagement and capability development with the sector, and
- it is currently carrying out targeted financial viability risk assessments to understand where there may be challenges to business continuity and capability to achieve quality education outcomes for learners.

NZQA will be reviewing the current quality assurance framework as the whole non-university tertiary sector environment changes in the upcoming years (for example, through RoVE, the Workforce Development Councils being operational for 2022).

We are continuing engagements with NZQA on areas that we agree are risks, in particular its development and use of data and intelligence to assess the effectiveness of its assurance activity.

International Education Recovery Plan

NZQA has five main workstreams which are contributing to the recovery of international education.

1. It is strengthening the regulatory levers for international education including considering what needs to be done to strengthen offshore online delivery.
2. It is working on approaches to allow online offshore delivery to be recognised in other jurisdictions.
3. It has just signed a Memorandum of Understanding with the Chinese Centre for Academic Excellence to establish a working group to explore these issues. This is significant as the Chinese government does not usually recognise offshore delivery.

Non-Financial Performance

4. It has worked with Te Pūkenga to identify two offshore programmes to be delivered across its network.
5. It is working with education providers to identify innovative education products which could be delivered offshore and online.

Pastoral care

In terms of international students, in Q2 NZQA worked with providers to ensure they had the support needed to manage any pastoral care matters that may have arisen for those students who had to remain in New Zealand for the summer break. It also provided revised self-review guidelines for the sector and delivered online workshops on the international Code and self-review practice.

The delegation of some responsibilities relating to the administration of the interim tertiary Domestic Code is now in place with the New Zealand Vice Chancellors' Committee (NZVCC) / Universities New Zealand (UNZ). In particular, the delegation is for monitoring universities' self-review of performance against the interim Domestic Code.

NZQA also delivered online workshops and published resources to support providers' self-reviews with respect to the interim Domestic Tertiary Student Code. All self-reviews must be complete by March 2021.

NZQA continued to gather insights into current practice and work closely with the Ministry to make sure the right levers are in place in developing the new tertiary Domestic Code.

Developing internal capacity and capability

Each quarter, NZQA provides to us strong evidence of its commitment to its staff, their development and wellbeing.

The organisation has developed a comprehensive plan (Whakapakari Tāngata and Tamata) to increase the capacity and capability of its staff and leaders as part of the implementation of NZQA's new Te Kōkiritanga and Takiala Pasifika 2020-2023 strategies. Along with outlining aspirational targets and actions, we consider these plans show NZQA's genuine commitment to equitable outcomes for its Māori and Pacific staff and the learners it impacts.

Non-Financial Performance

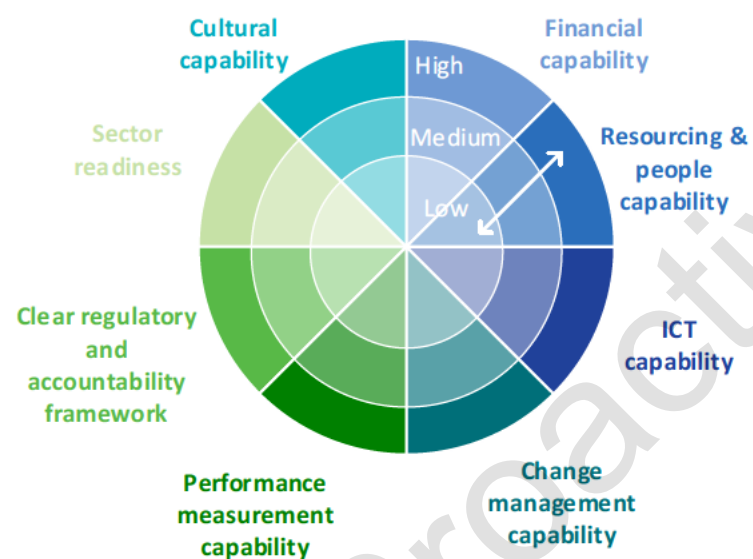
SNAPSHOT: NZQA's significant change programme

NZQA is in the midst of a significant change programme across most aspects of its business. It will be required to run dual systems, across most of its work streams, for some time as it delivers business as usual while designing and implementing significant change for itself and providing guidance to the wider sector.

NZQA will need to continue to remain agile, and review and adjust its operating model to ensure successful delivery of the reforms.

We will focus more of our monitoring activity on the change programmes as it moves from planning into implementation, using the following framework:

How is change being managed?



We met with NZQA this quarter to consider critical capability for success across its:

- risk and assurance programme - this is continuing to mature and is allowing more strategic conversations to be had on risk across the organisation. The audit programme is on track
- customer insights programme - NZQA has implemented a customer insights work programme to ensure customer voice is part of its design thinking
- digital and data needs - NZQA has initiated a review of its organisation wide data needs. This aligns to our Digital and Data Monitoring Framework (attached as Annex 1) and we will be engaging with NZQA on this in more depth in the next quarter.

Implementing the NCEA Change Package

This quarter we held more in-depth conversations with NZQA on its role in implementing the NCEA Change Package (the Change Package). We used our change management monitoring lenses to understand how NZQA is:

- project managing and planning its work to align with the Ministry's work programme
- developing its operational readiness
- managing the sector and developing its readiness for change
- resource planning
- governing the project, and
- identifying and managing risk.

Future engagement will focus on accountability frameworks and how performance is going to be measured, ICT capability and sector readiness.

Non-Financial Performance

Our conversations highlighted that the relationship, connections and synergies between the Ministry and NZQA are critical to ensure success.

In our last report to you, we highlighted the wave of work required of both the Ministry and NZQA this year and in out years in order to achieve the Change Package's intended outcomes: at least 55+ subject groups working simultaneously both in strategic review and external assessment. As the NCEA assessment qualify assurance and delivery agency, NZQA has a vital role to play.

NZQA has recently separated the Change Package work from business as usual and created programme management and Chief Advisor roles to support this work to ensure a more deliberate and programme-oriented approach to it. This will allow the work to speed up and not be impacted by business as usual (such as the examination cycle).

NZQA provisioned funding for the current financial year to support the programme but the ongoing work in 2021/22 will be dependent on Budget funding. Project management and specialist assessment resources are being expanded to support implementation.

Through our engagement, NZQA has:

- advised us it has carried out its necessary detailed planning and had a series of meetings with the Ministry to align its planning with that of the Ministry's
- told us it has been considering its operational readiness with a view to developing a forward design during April 2021
- been recruiting for key positions, including assessment expertise in mātauranga Māori and project delivery
- developed a risk register for its component of the Change Package, and will work with the Ministry to align risk dependencies, and

- discussed the importance of sector readiness and the need to closely collaborate with the Ministry to prepare the sector for change.

NZQA has its own governance systems in place internally and will report regularly to the Ministry's management and governance structures, including the NCEA Change Programme Governance Board (which is chaired by the Ministry and has senior NZQA representation).

Key challenges highlighted through engagement include:

- getting key resources in place, especially key skill sets in a market where there is already high demand for them, eg skills in mātauranga Māori
- keeping the sector aligned and preparing it to be able to take on the change
- ensuring all critical lenses are applied to the work, ie Māori, Pacific and disabilities, and
- maintaining a strong focus on delivery.

Through its operational readiness, NZQA will need to consider how it works, what lift is needed in its capability to have a strong focus on assessment innovation, and the inclusion of diverse knowledges and perspectives like mātauranga Māori and Universal Design for Learning.

Reform of Vocational Education (RoVE) and New Zealand Qualifications Framework (NZQF) review

As reported to you last quarter, reprioritisation due to COVID-19 has meant NZQF review timelines have been brought into line with RoVE timelines. NZQA see this as having benefitted both programmes allowing the framework to be aligned to strengthened vocational pathways.

In Q2, NZQA engaged extensively with a wide range of users, including Māori and staff at each Te Pūkenga subsidiary, regarding the changes

Non-Financial Performance

required to simplify the qualifications system and the design of vocational qualifications. This engagement formed the basis of advice to you on options for formal consultation, which NZQA are planning to undertake in April 2021. We understand from NZQA that its suggested approach to simplifying the qualifications system is broadly supported by its stakeholders.

NZQA is regularly meeting with Te Pūkenga. It is working with Te Pūkenga on identifying opportunities for streamlining quality assurance processes to recognise Te Pūkenga's emerging capability. NZQA is using its current targeted evaluations to test different assurance models and this will inform its review of the quality assurance framework.

NZQA is working on its business processes to be ready to transfer the qualifications from the Transitional Industry Training Organisations to the WDCs and Te Pūkenga. It notes that for RoVE to be truly successful, there will need to be new approaches to qualification development and collaboration.

As RoVE is being implemented, we expect to see NZQA develop further clarity on what changes are required in its operation and will continue to engage with it on its ongoing operating environment.

Financial performance Q2 2020/21

Overview

NZQA has performed better than budget in the period 1 July 2020 to 31 December 2020 (YTD FY21) and is now expecting performance to be ahead of budget for the full year, although it is forecasting a small deficit at year end.

NZQA remains in a stable financial position and the small forecast deficit will have no impact on NZQA's financial sustainability. It has sufficient reserves to meet any one-off unexpected business as usual costs but not medium to long term unfunded recurring expenditure.

Quarterly financial performance

NZQA's financial performance in the period 1 July 2020 to 31 December 2020 (YTD FY21) was better than budget with a net surplus of \$6.427m compared to \$3.060m. The improved financial performance was a result of both higher revenue and lower expenditure as described below.

Note that this is not a comparison against the SPE budget but the revised budget which takes into account revenue and associated expenditure from successful Budget Bids announced after the SPE was prepared. It is therefore a more accurate budget to compare financial performance against.

At the end of the December quarter, NZQA has always historically had a high net surplus as revenue has been received in respect of NCEA examinations but not all associated expenses have been incurred. These are incurred in the early new year as work is undertaken leading to the result notice and the post examinations reconsideration cycle.

Third party fee revenue has been higher than anticipated across a number of areas, including credit fees, exam fees and consistency fee revenue from TEOs. Additionally, qualification recognition fees have

remained close to forecast (although this year's volume was reduced from previous years due to COVID-19). This had been an area of significant risk given the closed borders.

The most material difference in operating expenditure in YTD FY21 is on the Digital Assessment and Transformation work programme, which was \$1.279m behind budget. NZQA has advised that this is primarily due to delays in the timing of when expenditure will be incurred and is not a permanent underspend on the programme.

NZQA is now anticipating a net deficit for the year of \$0.272m, which is lower than the original budget deficit of \$1.818m. This is due to a few factors: firstly the improved third party fee revenue, secondly some small areas of permanent underspend and thirdly the delay in expenditure on some projects into the next financial year, including RoVE, NCEA Online and spending from the International Recovery Fund.

Table 1. Statement of financial performance

\$'000	YTD FY21	YTD Budget	YTD FY20	FY21F
Revenue				
Government grants	46,174	46,244	42,275	75,497
Other	17,225	16,284	19,627	29,488
	63,399	62,527	61,902	104,985
Expenditure				
Personnel expenses	(40,159)	(40,638)	(38,464)	(68,389)
Other operating expenses	(15,133)	(17,171)	(16,185)	(33,238)
Depreciation & amortisation	(1,680)	(1,659)	(1,504)	(3,630)
	(56,972)	(59,468)	(56,153)	(105,257)
Net surplus/(deficit)	6,427	3,060	5,749	(272)

Financial performance Q2 2020/21

Financial sustainability

NZQA's equity position as at 31 December 2020 was \$32.734m. This is an improvement on the position at the end of the previous financial year due to the net surplus generated in the YTD.

The equity balance will reduce as the year progresses and if the current forecast is accurate, will be around \$26m by the end of FY21.

With the net surpluses generated in the last two years and given NZQA now only forecasts a small deficit in the current financial year, NZQA does have some financial flexibility with its balance sheet position. However, it is subject to significant financial uncertainty in the coming years and is currently retaining this financial flexibility to mitigate this risk. These risks are broadly centred on (although are not exclusive to) the following:

- 1 As the project to develop the NCEA Online tools and processes is still ongoing, its medium-term impact on the organisation, including how it integrates with existing processes, has not been fully established. There is a risk, especially in the first few years of operation when dual systems may operate (paper and electronic), that costs will be higher than associated revenue.
- 2 The merger of the existing ITPs into Te Pūkenga, which will change NZQA's third party revenue streams and the services provided to the ITP sector.
- 3 Implementing the NCEA Change Package which not only has cost implications on NZQA through the review period but also the outcomes could have significant ongoing impacts, including potential large-scale operational changes.

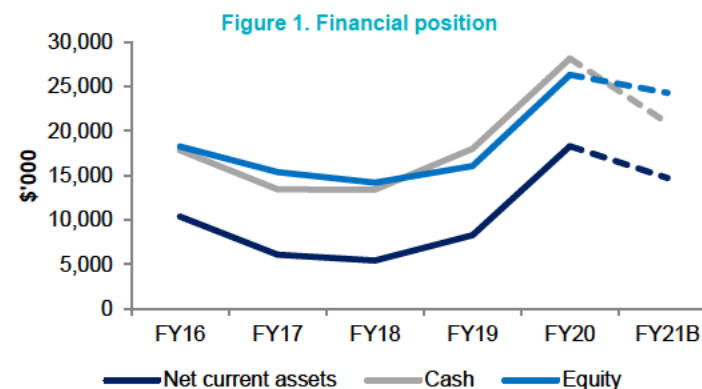
In addition to the above the NZQA website is in need of redeveloping. This will have a substantial cost which it does not have specific funding to meet. This redevelopment has previously been deferred due to

financial pressures, but the ongoing deferral creates risks to the organisation.

Once the impact, both operationally and financially, of these areas, and decisions on any associated funding are made, NZQA will be in a more certain position to understand if it is able to commit current reserves to other projects.

Table 2. Statement of financial position

\$'000	As at 31 December 2020	As at 30 June 2020	As at 30 June 2021 (Budget)
Assets			
Current assets	51,054	33,594	25,165
Non-current assets	9,125	8,650	10,192
	60,179	42,244	35,357
Liabilities			
Current liabilities	26,473	15,306	10,448
Non-current liabilities	972	630	625
	27,445	15,936	11,073
Equity	32,734	26,308	24,284



ANNEX 1: Letter to Acting Chair of the NZQA Board (next page)

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) Quarter 2 Report for 2020/21. I have also received the Ministry of Education's monitoring report for the quarter.

I appreciate your planning for the 2020 examinations and your implementation of modifications to NCEA to facilitate fair assessment for students. It is very pleasing the modifications were successful in maintaining attainment levels. The uncertainties presented by COVID-19 will still need to be closely managed as we progress through 2021.

This year, it is important for NZQA to continue to work with other parts of the education sector to implement the National Education and Learning Priorities (NELP), the Tertiary Education Strategy (TES) and the Education Work Programme 2.0. I look forward to hearing more about this work and seeing further detail on NZQA's operational readiness for implementation of the NCEA Change Package, the Reform of Vocational Education and the Qualifications Framework review. I am interested in understanding the risks, challenges and opportunities you face and how you manage the complex and competing demands. I want to have confidence that detailed implementation is on track and will meet my expected timelines.

In these programmes and in NCEA Online, I am keen to understand how Māori, Pacific and disability voices are being reflected. I am particularly focused on better understanding how NCEA will be accessible and inclusive and how the NCEA changes and NCEA Online will support learners with disabilities.

Also of continued interest to me is your work on developments in pastoral care, qualification recognition and your planned shifts to your performance measures to enable NZQA to tell its performance story better.

There is much to achieve in the upcoming year. Thank you for your and the Board's continuing support. 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

ANNEX 2: Digital and Data Monitoring Framework (next page)

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