



Education Report: Advice on Education New Zealand | Manapou ki te Ao - Quarter 1, 2022/23 performance

To:	Hon Jan Tinetti, Minister of Education		
Date:	15 February 2023	Priority:	Medium
Security Level:	In Confidence	METIS No:	1299631
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report is being resubmitted from it being provided to the previous Minister of Education on 15 December 2022. It provides our assessment of Education New Zealand's | Manapou ki te Ao (ENZ) performance over Quarter 1, 2022/23. A letter to the ENZ Board Chair for you to sign is attached as Annex 3. You may wish to combine this letter with the letter of our Quarter 2 advice on ENZ's performance [METIS 1303660], which you will receive in March 2023.

Summary

During Q1 2022/23 ENZ has taken action in response to our feedback in our Q3/4 2021/22 report [METIS 1287667]. It has made a good start in building corporate capability by recruiting new staff into key positions and is working with the Ministry to develop an investment monitoring framework. This will strengthen ENZ's investment logic, and we plan to provide you with a report on the framework in February/March 2023.

The ENZ Board Chair has remained engaged and given clear signals that ENZ needs to work closely with the Ministry. The Ministry and ENZ have organised two joint workshops to develop impact and performance measures for the new Statement of Intent 2023-2027, Estimates 2023/24 and Statement of Performance Expectations 2023/24.

ENZ needs to continue to build a more mature and broader understanding of its role as a Crown entity. This includes strengthening its partnership model with government agencies, and upskilling staff on the machinery of government. ENZ has some actions underway to address this. Meanwhile it remains an ongoing monitoring focus for us. We will continue to discuss the nature of its role as a Crown entity with ENZ and will raise this with the new Chair in their induction in early 2023.

The audit of ENZ's Annual Report has been delayed and the report is now expected to be finalised in March 2023. This means that our advice on the 2021/22 Annual Report will not be current. We will instead focus our monitoring advice on the performance measures as part of the Statement of Performance Expectations.

Recommended Actions

Te Tāhuhu o te Mātauranga | the Ministry of Education recommends you:

- a. **note** our advice on ENZ's performance for Quarter 1, 2022/23 (Annex 1 and 2)

☒ Noted

- b. **sign and send** the attached letter to the ENZ Board Chair (Annex 3)

☒ Yes / ☐ No

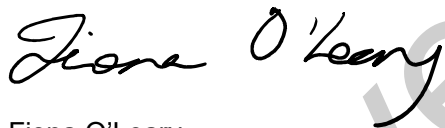
or

- c. **combine** the attached letter to the Board Chair with the letter attached to our forthcoming Q2 report

☒ Yes / ☐ No

- d. **agree** that Te Tāhuhu o te Mātauranga | Ministry of Education proactively release this briefing in full once the attached letter has been signed and sent to the ENZ Board Chair.

☒ Agree / ☐ Disagree



Fiona O'Leary
Director, Monitoring and Appointments
Te Pou Rangatōpū
15/12/2022



Hon Jan Tinetti
Minister of Education

19/02/2023

Annex 1: Q1 2022/23 – Report on non-financial performance - overview

Monitoring areas discussed this quarter

We had good engagement with ENZ in Quarter 1 of 2022/23 and discussed the following topic areas:

- Diversification stream funded by the COVID Response and Recovery Fund (CRRF)
- International team update
- Progress against your expectations in relation to Te Tiriti o Waitangi¹
- Sector engagement and capability
- International student experience
- Quarter 1 2022/23 financials.

Due to the timing of reports, we covered the first two items in our previous report [METIS 1287667].

Financial performance

Financial performance summary

	YTD FY23 Actual	YTD FY23 Budget	YTD FY22
\$'000			
Revenue	9,196	8,820	9,418
Expenditure	(7,126)	(7,470)	(7,635)
Net surplus/(deficit)	2,070	1,350	1,783

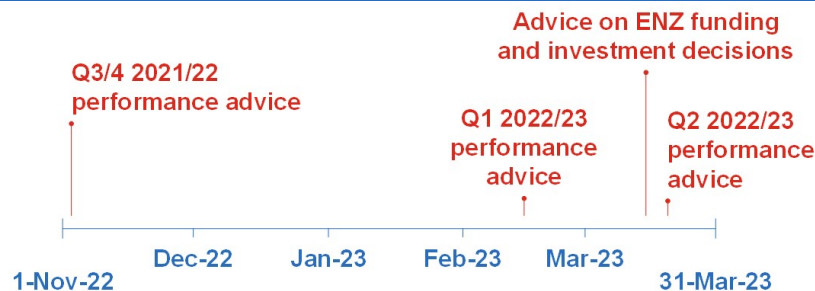
Financial position summary

	As at 30 Sept 2022 Actual	As at 30 Sept 2022 Budget	As at 30 Sept 2021 Actual
\$'000			
Current assets	7,941	7,111	6,872
Equity	4,966	4,148	4,580
Working capital ratio	2.63	2.33	2.81

Assessment

Key challenges and risks	Actions and mitigations	Trends
Corporate capability	ENZ has recruited people into key positions	😊
Robust investment and funding decisions	Joint work on the investment monitoring framework	😊
Risk management	To be addressed through the development of the new SOI	😊
Staff turnover	Analysis of workforce data to be carried out	😐
Cost pressures due to inflation	Allowances for scholarships adjusted; ongoing careful monitoring of spending	😐
Broader understanding of its role as a Crown Entity	ENZ working to improve staff understanding; use Board Chair induction in early 2023	😐
Auditing delay	Risk owned by Audit NZ	😞

Recent and upcoming reports



¹ As per your Letter of Expectation for ENZ issued 21 May 2021

Annex 1: Q1 2022/23 – Report on non-financial performance - overview

Priority areas for future engagement

- Investment monitoring framework
- Development of new Statement of Intent (SOI) 2023-2027, Estimates 2023/24 and Statement of Performance Expectations (SPE) 2023/24
- Risk management
- Support for the implementation of the refreshed International Education Strategy (NZIES) and Action Plan
- Cybersecurity / update on IT architecture work plan
- Sector engagement and capability
- the Carbon Neutral Government Programme
- Workforce analysis and Kia Toipoto, the Public Service Action Plan to close gender, Māori, Pacific and Ethnic Pay Gaps.

Board appointments

We interviewed candidates for the ENZ Board Chair and member vacancy and the report on the recommended candidates is now with you [METIS 1296962]. The appointments process is expected to be completed by the end of March 2023.

Table 1: Composition of ENZ board and member terms (Nov 2022)

Name	Original Start Date	Present Term End Date
Steve Maharey (Chair)	1/09/2018	28/02/2022
Lyn Provost (Deputy Chair)	1/09/2018	30/01/2025
Rachael Tuwhangai	1/09/2018	30/01/2025
Ziena Jalil	31/01/2022	30/01/2025
Dr Linda Sissons	13/10/2016	12/12/2022
Daniel Wilson	13/12/2019	12/12/2022
Vacancy		

Annex 1: Q1 2022/2023 – Report on non-financial performance – monitoring focus areas

Sector engagement and capability

Research on sector capability

ENZ presented the initial results of the research it had contracted on international providers' capability and capacity needs. It is working through the insights gained to develop targeted plans to support the different sub-sectors during the rebuilding phase. This supports the International Education Strategy 2022-2030 action to "work with the New Zealand international education sector to identify and address its capability needs".

According to ENZ, the research indicated that there may be limited coordination of efforts to address capability and the professional needs of international education providers. As part of the actions under the International Education Strategy 2018-2030, it was planned to explore the creation of a sector-wide association to act as an advocate for international interests. This work was paused due to the pandemic.

To fill this gap, ENZ has been in discussions with ISANA NZ on a future work programme to support the professional development of providers. ENZ intends to pick up the conversation about a sector-wide association in the next six to 12 months.

The sector capability research was comprehensive in its approach to identifying provider needs and flagged topics, such as the Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 (the Code). We discussed guardrails for any of the various initiatives ENZ might be planning as a result of the research.

We also emphasised to ENZ the importance of early engagement with partner agencies to:

- support sharing of insights

- ensure everybody is aware of expectations placed on each other
- build a safe partnership model, and
- ensure any planned activities are within ENZ's remit.

While ENZ stated it had deliberately taken time to consider and analyse the recommendations internally, we strongly recommended that it tests any plans early on with other agencies. We will maintain a monitoring focus on the sector engagement initiatives to check in on transparency and connectedness for individual pieces of work.

Peak bodies forum

We asked about the effectiveness of the quarterly peak bodies forum, which ENZ took over as the organising agency about 18 months ago. ENZ has been working to get peak bodies to own agenda items and has been trying to capture different perspectives. ENZ states that partner agencies receive heads-up advice on the kinds of questions that might emerge in this forum so they can be prepared. We suggested a survey could be run to see how satisfied participants are with how the forums are run.

Previous feedback has shown that peak bodies would like to engage more with the ENZ Board. ENZ has been organising opportunities for peak bodies to meet with the Board, through formal presentations, meetings and informal occasions. Chief Executives of Chambers of Commerce and Regional Economic Development Agencies have also been invited Board meetings.

Te Tiriti o Waitangi

ENZ's Rautaki Māori focus areas and measurements are directly linked to your May 2021 Letter of Expectation (LoE). ENZ has significantly increased its staff resources in this area and has presented us with its Te Tiriti o Waitangi framework – Te Mahere Tiriti

Annex 1: Q1 2022/2023 – Report on non-financial performance – monitoring focus areas

Me Ōna Ara. This is a comprehensive resource which references the related expectations set out in your LoE. It also references other relevant documents and frameworks such as the tools provided by Te Arawhiti |The Office for Māori-Crown Relations, and the UN Declaration on the Rights of Indigenous Peoples.

Te Mahere Tiriti Me Ōna Ara provides useful interpretation of the articles of Te Tiriti and the implications for ENZ. It has six focus areas and four related goals for 2022/23. These include increasing staff te reo capability alongside other, more outward-focussed actions.

All ENZ staff are expected to have completed Te Rito cultural competency training in Quarter 2, 2022/23. This training is specifically designed for the public sector, helping staff to develop their bicultural competencies and gain a better understanding of Māori perspectives and Te Tiriti obligations. ENZ states that further modules for ENZ staff will be introduced in February 2023.

We will be interested in seeing how ENZ intends to increase its staff's capability beyond te reo to encompass wider cultural competencies, and an understanding of how this helps build maturity as a Crown agent in the Treaty partnership. We will check in with ENZ on progress and what success looks like towards the end of 2022/23.

International student experience / wellbeing

Due to the lack of international students prior to the border opening, ENZ did not run its full annual international student experience survey in 2022. It opted for a pulse survey due to lower student numbers. The satisfaction score turned out lower, which ENZ considers unsurprising in the context of the pandemic and inflation pressures. ENZ intends to run a full survey in the first semester of 2023.

One of the ongoing challenges for ENZ is how to capture the voice of offshore students as such students are generally not registered on the Nau Mai NZ platform and are not included in immigration data. ENZ is engaging with the New Zealand International Students' Association (NZISA) to connect with students who started their study journey offshore. ENZ is also continuing communications work, including translations into Chinese, and replicating content on the Nau Mai WeChat mini programme.

ENZ currently has a programme of work to evolve NauMai NZ to better inform and support those students studying offshore with a New Zealand education provider, and/or who are studying online. Content is being reviewed with the aim of better serving those student audiences, whilst maintaining content and themes relevant to students living and studying in New Zealand.

The survey has also identified a gap among Private Training Establishments (PTE) in terms of knowledge of the Code and student voice. ENZ is supporting the New Zealand Qualifications Authority's (NZQA) work to raise awareness of the Code by sharing NZQA's messages in its communications and through NauMai NZ.

ENZ is aware that it needs to improve its connections with the school sector and Te Pūkenga in its student experience work and plans are underway to address this. There is a risk that ENZ is trying to do too much and spreading resources too thinly. To mitigate this risk ENZ wishes to partner with the people with relevant skills to find synergies and to share knowledge. For example, it continues to work closely with the Schools International Education Business Association and others to ensure new NauMai NZ content is relevant and fit for purpose. ENZ is also assisting NZISA to extend its reach beyond universities into Te Pūkenga and the PTE sectors. This will help ENZ

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to better understand the needs of these sectors and ensure their student voice is heard.

ENZ has a distribution plan for the results of the student experience survey so other agencies can access and use the data. It stated that it is struggling to engage other agencies and knows it needs to do more work to demonstrate the value of the student survey to other organisations.

The ENZ student experience team is also planning to engage with Te Pūkenga as a whole, rather than engaging with each international manager on a one-on-one basis, for the first time. It hopes to canvass opportunities to share resources and find joint priorities in the student experience and wellbeing area.

Investment Monitoring Framework

We highlighted in the last quarterly report [METIS 1287667] questions centred around identifying and understanding ENZ's funding decisions, particularly in the context of its diversification workstream. ENZ has now provided further information to us and NZQA and clarified that some of the CRRF funding went to providers and micro-credentials that are not quality assured in New Zealand.

We consider this is an area that will benefit from further discussions with the right agencies around the table. With new modes of education delivery, it is useful to determine whether or to what extent the New Zealand Government should be funding education offerings where quality cannot be guaranteed, and organisations are outside our jurisdiction.

The proposed investment monitoring framework is designed to create clarity of criteria for decision-making as well as providing a

framework to improve alignment between investment and outcomes. The criteria will also be designed to support ENZ in having the right guardrails. This work has been initiated and we have recently held the first joint Ministry/ENZ session facilitated by KPMG.

ENZ is continuing this work internally with the plan to bring it back to the wider group for testing in the New Year. This is a priority piece of work for us, which will be a strong focus over the next couple of months. We expect to report to you on this work in February/March 2023. More broadly, we will continue our focus on working with ENZ on transparency and the importance of early engagement with key partner agencies to support robust decision-making.

Challenges, risks and opportunities

Challenges

One of the goals of ENZ's June 2022 restructure was to strengthen its corporate capability and it has recently recruited new staff into key business planning and performance positions. This is a good start and evidence that it is addressing some of the feedback highlighted in our most recent report [METIS 1287667] as well as previous reports.

We continue to receive information that some parts of ENZ initiate work that does not sit clearly within its remit. This reinforces our view that ENZ continues to need to build, across the entire organisation, a more mature and broader understanding of its role as a Crown entity.

ENZ is aware of this and has a plan in place to lift understanding across all staff. We fed back to ENZ that they need to continue to strengthen its partnership model with government agencies, including early engagement.

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It is important that this understanding flows through into all areas of the organisation. It keeps ENZ safe and helps to share information and insights and avoids potential overlaps/duplication of work. Further, important questions about the wider benefits of innovative initiatives to New Zealand can be worked through at the start, and partners can support ENZ to ensure good processes are in place to meet broader accountability requirements.

Until we can be more certain that this more mature and broader understanding has been achieved, it will remain a monitoring focus for us. We will continue to discuss this with ENZ as part of all our engagements and raise this with the new Board Chair during their induction in early 2023.

Risks

ENZ has advised of a potential risk in relation to the refreshed NZIES and international education policy goals and targets. For example, it considers there is a lack of clarity about student numbers and the definition of a high value student. Until this has been clarified, it is challenging for ENZ to have confidence in some of its delivery areas.

After recent comments by the ENZ Chief Executive on high staff turnover we asked ENZ for workforce data. ENZ has provided initial data to us on its 12-month rolling turnover rate to the end of October 2022. These data show a lower unplanned staff turnover than the public sector more generally. Almost one third of ENZ staff, however, have been with ENZ for less than 12 months. This is due to internal shifts, including those made by staff as a result of the recent restructure, and the addition of staff for the Manaaki scholarships.

We have asked ENZ to investigate who the people are who are leaving; that is, how long they were working at ENZ, what level of position they were in, and, if possible, have these details further

disaggregated by age, gender, etc. We think this is important to get a sense of loss of institutional knowledge and succession planning. We will provide a more detailed analysis of ENZ's workforce, including movement, diversity and pay gaps as part of our next monitoring advice in Quarter 3, 2022/23. At that point, we are also planning to look across education Crown entities to see how these data compare.

The audit of ENZ's Annual Report has been delayed and the final report is now expected by March 2023. ENZ expressed concern and disappointment about this delay directly to Audit NZ. However, we understand there continues to be a shortage of auditors, and the dates cannot be changed. This means our usual advice and analysis over performance measures and trends over time will not be current.

We expect to cover impact and performance measures as part of the SOI and Estimates workshops to be held in December and January. Also, we will focus on measures as part of the monitoring advice on the SOI and SPE.

ENZ is facing cost pressures resulting from the discontinuation of CRRF funding and inflation, which particularly affects travel and the Prime Minister's Scholarships. It has also opted into staff pay increases being negotiated across the public service, subject to a successful cost pressure budget bid. In addition, there is uncertainty about the level of funding ENZ will receive through the Export Education Levy once it comes back into operation from 1 January 2023.

Opportunities

New SOI 2023-27

The ENZ Board Chair, Hon Steve Maharey, has continued to actively engage with us and is expecting ENZ to work closely with the

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Ministry. In your response to our advice on ENZ's SOI 2022-26 [METIS 1287671], you also made it clear that ENZ needs to work with the Ministry to develop SOI performance measures.

A commitment was made at a meeting between ENZ and the Ministry on 29 November 2022 to hold two joint agency workshops over the next couple of months. The purpose of these will be to start developing impact measures, and to integrate the SOI measures with the work on developing indicators to monitor the refreshed NZIES.

Finally, we have reiterated that ENZ needs to improve its risk management. This will be picked up as part of the conversations on the development of the new SOI and SPE.

Improved reporting to you.

In early 2023, we plan to work with the education Crown entities on how we can improve our reporting to you. This follows the Office of the Auditor General's report published earlier this year on "Improving value through better Crown entity monitoring". We invite you to provide feedback to us through your Office on your information needs and what you would find most useful.

Refreshed NZIES

Work is underway in the Ministry to develop indicators to monitor the refreshed NZIES. As ENZ is the lead for a number of actions in the NZIES, it is crucial that it is part of this work. The work on the development of the impact measures for the new SOI is timely to ensure good connections between the two pieces of work. This is important because ENZ's current measures could not be fully aligned to the final version of the refreshed NZIES due to timing issues.

Future monitoring topics

In the first six months of 2022/23, the Ministry intends to focus its engagement on the following priority topics:

- Investment monitoring framework
- Development of new SOI and SPE
- Carbon-neutral Government Programme
- Workforce analysis + Kia Toipoto, the Public Service Action Plan to close the gender, Māori, Pacific and Ethnic Pay Gaps
- Marketing update
- Check in on sector engagement
- Implementation of actions under the refreshed NZIES
- Update on Rautaki Māori.

Regular meetings:

- Financial updates (quarterly)
- Update on cyber-security / IT architecture (six-monthly)
- Manaaki scholarships update (quarterly)
- International team update (quarterly – six-monthly).

Annex 2: Q1 2022/23 – Report on financial performance

Overview

ENZ's operating performance was ahead of budget in the period 1 July 2022 to 30 September 2022 (Q1 FY23) with an operating surplus of \$1.292m against a budget of \$0.412m. This was offset by a slightly smaller scholarship surplus, resulting in an overall surplus of \$2.070m against a budget of \$1.350m.

The variance in performance was largely related to timing differences in other operating expenses being incurred and does not give rise to any permanent savings.

ENZ is seeing an increase in events and interest income as offshore activity increases and interest rates rise. These amounts are not material to overall performance.

ENZ has advised that the audit of the FY22 accounts is running behind due to staff shortages at Audit New Zealand. The statutory deadline of 31 December 2022 will be missed, with the audit scheduled for signing in March 2023.

ENZ has advised that it is seeing pressure on costs because of inflation, and it will need to continue to monitor its spending carefully. It is still tracking towards an end of year budget of a nil surplus; however, included in the budget are \$0.79m of organisation-wide cost savings that still need to be identified.

As costs for recipients of scholarships have increased, you recently approved an increase in the amount of scholarship funding for recipients. This is being funded by reducing the number of scholarships granted, as opposed to increasing the total pool of funding available.

From a balance sheet perspective ENZ remains stable but with limited ability to fund expenses outside of its revenue envelope.

Table 1. Financial performance

\$'000	YTD FY23 Actual	YTD FY23 Budget	YTD FY22 Actual
Operating			
Revenue			
Crown - operating	7,811	7,812	7,632
Crown - EEL	0	0	817
Other	164	70	31
	7,975	7,882	8,480
Expenditure			
Personnel expenses	(3,868)	(3,940)	(3,872)
Other operating expenses	(2,757)	(3,472)	(3,716)
Depreciation & amortisation	(58)	(58)	(47)
	(6,683)	(7,470)	(7,635)
Net surplus/(deficit)	1,292	412	845
Scholarships			
Revenue	1,221	938	938
Expenditure	(443)	0	0
Net surplus/(deficit)	778	938	938
Overall			
Net surplus/(deficit)	2,070	1,350	1,783

Table 2. Financial position

\$'000	As at 30 Sept 22 Actual	As at 30 Sep 2022 Budget	As at 30 Sep 2021 Actual
Assets			
Current assets	7,941	7,111	6,872
Non-current assets	254	87	365
	8,195	7,198	7,237
Liabilities			
Current liabilities	3,021	3,050	2,442
Non-current liabilities	208	0	215
Total liabilities	3,229	3,050	2,657
Equity	4,966	4,148	4,580

Annex 3 has not been sent so will not be made available at this time