



Education Report: Advice on Education New Zealand | Manapou ki te Ao Quarter 3, 2022/23 performance

To:	Hon Jan Tinetti, Minister of Education		
Date:	5 July 2023	Priority:	Medium
Security Level:	In Confidence	METIS No:	1308484
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

1. This report provides our assessment of Education New Zealand's | Manapou ki te Ao (ENZ) performance in Quarter 3, 2022/23. A letter to the ENZ Board Chair for you to sign is attached as Annex 3.

Summary

2. During Quarter 3 2022/23 we met with ENZ to discuss the drafts of its Statement of Intent (SOI) and Statement of Performance Expectations (SPE), its work on the investment monitoring framework, its understanding of high value education, and the new Letter of Expectations (LoE) [METIS 1290533]. These engagements provided us with insights into ENZ's thinking about how it can support the goals of the New Zealand International Education Strategy (NZIES).
3. ENZ remains committed to the work on the investment monitoring framework. This is taking longer than anticipated. We will continue to support ENZ in this to ensure progress is made.
4. We have recently (Quarter 4 2022/23) been made aware of feedback by some government agencies on ENZ's approach to market prioritisation, which is part of its integrated business planning process. Initial discussions with ENZ have shown that a more in-depth monitoring focus is needed to gain a better understanding of its approach to communication and stakeholder management. This will include identifying when and how ENZ brings partnerships with government agencies and government priorities into its planning stages to inform prioritisation.
5. We also discussed ENZ's work supporting the Carbon-Neutral Government Programme (CNGP), its risk management practices, and its approach to IT and cybersecurity risks. ENZ has a good focus on meeting the requirements of the CNGP, and it has continued with a sound approach towards managing IT risks, including cybersecurity. We will continue to engage with ENZ about the risks identified through its risk management processes to build a stronger shared view of the risks that are within ENZ's span of control.

6. ENZ has advised it is seeing pressure on costs because of inflation but remains on track for an end of financial year nil surplus.

Recommended Actions

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

- a. **note** ENZ's performance for Quarter 3, 2022/23 (Annex 1 and 2)

☒ Noted

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

☒ Yes ☐ No

- c. **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 & Appointments
Te Pou Kaupapahere
05/07/2023



Hon Jan Tinetti
Minister of Education

09/07/2023

Annex 1: Q2 2022/23 – Report on performance - overview

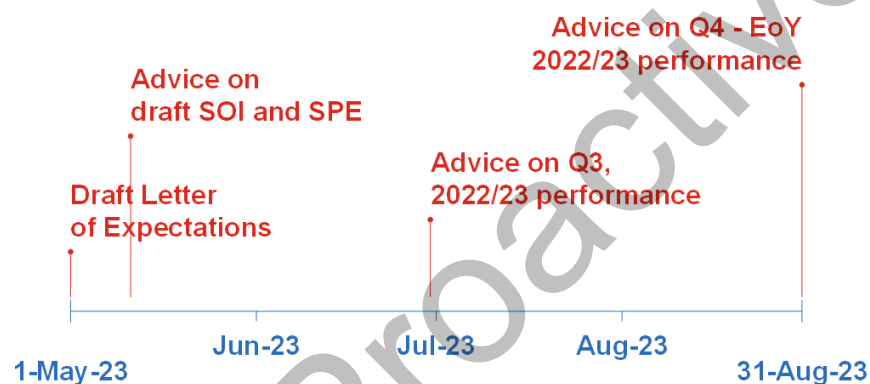
Monitoring areas discussed this quarter

Our engagement with ENZ in Quarter 3, 2022/23 focused on:

- joint work on developing the investment monitoring framework,
- gaining more insight on ENZ's approach to supporting high value international education and market diversification of international education,
- its engagement with Te Pūkenga,
- its progress on meeting the requirements of the Carbon-Neutral Government Programme (CNGP),
- its risk management and related processes,
- its IT and cybersecurity management, and
- its Quarter 3 2022/23 financials.

The draft Statement of Intent (SOI) and Statement of Performance Expectations (SPE), and the Letter of Expectations (LoE) were also important areas of work during Quarter 3. We previously reported to you on these [METIS 1308483 and 1290533 refer].

Recent and upcoming reports



Assessment

Key challenges and risks	Actions and mitigations	Trends
ENZ's approach to market prioritisation	In-depth analysis of ENZ's market prioritisation process	😞
Need for a more refined understanding of ENZ's role as a Crown Agent across ENZ as an organisation	ENZ has continued to train staff on the machinery of government.	😞
Robust investment and funding decisions	Accelerate joint work on an investment monitoring framework	😞
Pressure on staff wellbeing from climatic, economic and geopolitical events	Ongoing monitoring to identify impact and trends	😞
Understanding of high value education is aligned across agencies	Build understanding through work on the investment monitoring framework as a platform for further engagement	😞
Cost pressures due to inflation	Ongoing monitoring of spending and financial management	😞

Annex 1: Q2 2022/23 – Report on performance - overview

Summary of financial performance

Financial performance summary

\$'000	YTD FY23 Actual	YTD FY23 Budget	FY23 Forecast	YTD FY22 Actual
Revenue	27,291	26,360	36,280	30,599
Expenditure	(23,207)	(25,530)	(36,280)	(21,304)
Net surplus/(deficit)	4,084	830	0	9,295

Financial position summary

\$'000	As at 31 Mar 23 Actual	As at 31 Mar 23 Budget	As at 30 Jun 23 Forecast	As at 31 Mar 22 Actual
Current assets	9,629	6,918	6,053	14,082
Equity	7,251	3,955	3,179	12,094
Working capital ratio	3.73	2.27	1.98	6.64

- ENZ's financial performance was ahead of budget in the period 1 July 2022 to 31 March 2023 (YTD FY23) with an overall net surplus of \$4.084m against a budgeted surplus of \$0.830m.
- ENZ has advised that it is seeing pressure on costs because of inflation, and it will need to continue to carefully monitor its spending. It is tracking towards an end of year budget of a nil surplus.

Priority areas for future engagement

- Finalising the work on the investment monitoring framework.
- Working to better understand ENZ's approach to market prioritisation as part of its integrated business planning process, including risk identification and management.
- Supporting ENZ to refine its understanding of its role as a Crown Agent so that a mature and consistent understanding of its role is apparent across all its operations.
- Checking compliance against key business requirements (privacy, security, procurement, conflict management).

Board appointments

The next decision on board appointments is required in early 2024. In our engagements with the Chair over the next few months we will discuss if the Board requires any additional capabilities to improve its governance oversight.

Table 1: Composition of ENZ board (by end date) at 1 June 2023

Name	Original Start Date	Present Term End Date
Dr Linda Sissons CNZM	13/10/2016	15/03/2024
Ziena Jalil	31/01/2022	30/01/2025
Lyn Provost CNZM	1/09/2018	30/01/2025
Rachael Tuwhangai	1/09/2018	30/01/2025
Daniel Wilson	13/12/2019	15/03/2026
Dr Therese Arseneau	01/04/2023	31/03/2026
Tracey Bridges (Chair)	01/04/2023	31/03/2026

Annex 1: Q3 2022/2023 – Report on non-financial performance – monitoring focus areas

ENZ's market prioritisation

We have been made aware that some government agencies have provided feedback on ENZ's draft market investment and prioritisation approach for 2023/24. This has focused on concerns about potential inconsistencies between ENZ's approach and government priorities, including a continued focus on traditional markets and limited attention to diversification and government commitments. According to ENZ, it has adjusted its market selection based on the feedback received.

As the monitor, we are applying an increased monitoring focus in this area, including carrying out a deeper analysis so that we have a fuller understanding of what has been considered during this process, when and why. The scope of this work has been developed with significant input from ENZ.

Engagement

Early discussions on ENZ's market approach have indicated that there is a need for a stronger link between ENZ and government agencies at the front end of ENZ's processes, including when ENZ is thinking through its approach, criteria and prioritisation. It showed that ENZ's communication approach could have been more nuanced. That is, it would have been useful to share the short- and longer-term aspects of ENZ's activities both for discretionary and non-discretionary funding. This would have given a more fulsome view of its market prioritisation across all activities and over time.

Our initial assessment is that ENZ's approach is weighted towards international education providers' perspectives to support the rebuild of the sector and there is a need for a rebalance that takes more account of government agencies' perspectives, including expectations raised through bilateral engagements, at the initial planning stages. As part of our monitoring focus in this area, we will

also consider the use of analytics and further analyses to understand trends and ENZ spending over time.

ENZ considers that its three-year strategy 2023 - 2027 fully aligns with the NZIES including a necessarily strong focus on supporting the sector to rebuild onshore student delivery for 2023/24. We have been informed that ENZ has committed to identifying lessons learned to refine its planning for the next financial year.

Investment

During the current quarter, we have discussed planned high level discretionary investments tagged to activities in target and tactical markets. ENZ has developed this approach based on a marketing matrix approach. We will obtain further details on this as part of our heightened monitoring focus, including information on priorities per country, staffing and operational spend.

The ENZ Board appears satisfied with ENZ's planning process. It has also asked that ENZ retain a future focus on innovation and diversification of offerings and has requested a transformation strategy for this area. We will be interested in this as part of future monitoring engagements.

Joint work on developing the investment monitoring framework and building a definition of what high value education means for ENZ

ENZ has been strengthening its business planning approach for some time and has worked constructively with us on the investment monitoring framework. Work on this initiative has faced delays due to capacity issues and competing priorities with statutory deadlines at ENZ. It has also turned out to be more complex than initially anticipated as it involves a different approach to monitoring current processes as well as collecting information to determine which tools

Annex 1: Q3 2022/2023 – Report on non-financial performance – monitoring focus areas

and measures can be used to measure outcomes. While mindful of this, we are pushing for additional momentum around this work.

We also recently held a workshop with ENZ to translate the NZIES definitions of high value international education into ENZ's operational activities. This confirmed that further work is required to ensure that individual ENZ activities are informed by this concept. It was decided that this work would be continued as part of the investment monitoring framework. The Investment Logic Map will capture how ENZ supports high value and diversified international education.

Te Pūkenga | New Zealand Institute of Skills and Technology

ENZ has been working with Te Pūkenga on the Institute's international education strategy and implementation roadmap. The roadmap will include its approaches towards target markets and a focus on working with a consolidated network of agents / network approach to student recruitment.

ENZ sees its role as being a critical friend to Te Pūkenga as Te Pūkenga builds its product design and completes its consolidation of provision. ENZ also sees it has a role in helping Te Pūkenga to understand what 'good' international education provision looks like. In ENZ's view, Te Pūkenga is now operating as a futures-focused organisation and has potential to do a lot more in this space.

The Institute's repositioning of vocational education in international education is likely to focus on:

- values-based students,
- higher-level provision,
- key programmes linked to identified skill shortages,
- market diversification (new and within existing markets), and

- green / environmental / ecological-related provision.

The final organisational design for Te Pūkenga, including its international team, will be confirmed in the next six months. ENZ's engagements with Te Pūkenga in the immediate and medium term will focus on:

- developing an international value proposition for Te Pūkenga,
- supporting recruitment for 2024, and
- exploring and facilitating partnership opportunities as appropriate.

Carbon-Neutral Government Programme

We held our first detailed engagement with ENZ on its work programme for the Carbon-Neutral Government Programme (CNGP). As a Tranche 2 organisation under the CNGP, the requirements for agencies such as ENZ are different to other government agencies. Tranche 2 organisations are required to set a baseline for the 2022/23 financial year.

ENZ assured us that work on setting the baseline is well underway. It has joined with Toitū and Climate Navigator and has a better understanding of requirements, and access to relevant tools. It has also engaged with other agencies, including the Teaching Council and Tourism NZ, to share information and learnings.

Staff travel and ENZ's offices are the main sources of its carbon emissions. ENZ is working closely with the Government Property Group in this area. It is also using the opportunity provided by the refit of its Wellington Office to lower its emissions through reviewing its work practices and the furnishing of the refitted office.

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Identifying the carbon footprint of ENZ's offshore offices is more complex as ENZ's offshore staff are co-located in MFAT and NZTE offices. ENZ has been working closely with these agencies on how to count emissions. With their agreement, ENZ is applying a 'percentage of footprint' approach based on its share of total staff in each offshore office.

ENZ has also used staff surveys to gain information about how it might modify its work practices in its offices to lower emissions. This has included hot desking arrangements. We understand ENZ staff are enthusiastic about the role they can have in contributing to ENZ becoming a more sustainable organisation.

IT and cybersecurity

ENZ is continuing to test its security strength and awareness of phishing among staff. Indications are that staff are getting better at spotting phishing attempts and responding appropriately.

IT Audits

ENZ has undergone a number of audits, including of security risks in its Office 365 environment, points of exposure relating to Application Programme Interfaces, and an external audit by Archives NZ on its file management and retention practices. Limited risks relating to emails have been addressed. 9(2)(g)(i)

Tik Tok

ENZ has completed a risk assessment of its use of Tik Tok. This identified very low use and exposure (only one use of Tik Tok by ENZ in a single marketing campaign). At the time of engagement ENZ

stated that it will wait for any central agency / security agencies' directions on using Tik Tok before committing to further actions.

Manaaki future state

There has been a change in the manager leading the work on a new system to replace MFAT's SAM system. 9(2)(f)(iv)

Outlook for the next six months

Work will continue on reviewing the structure of the MS SharePoint environment and on scoping work on a contact management / engagement management database system. This will be trialled in a staggered manner starting with smaller test groups.

Risk management

ENZ has implemented a comprehensive risk management process. A risk dashboard that includes a matrix covering inherent and residual risks is updated following conversations with risk owners and regularly reviewed by the Board's Audit and Risk Committee. ENZ sees this approach as an important part of working to rebuild international education in line with Goal 1 of the NZIES.

The new Chair is keen to test ENZ's risk appetite. The Senior Leadership Team (SLT) has also engaged in some sessions on horizon scanning feeding into the key risks. The links to business continuity planning are considered through membership of the People, Culture and Capability lead on the SLT and regular conversations with them as a risk owner.

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In our view there are a number of risks or issues in ENZ's strategic risk and issues dashboard that are better suited to an environmental scan. Several of them are outside ENZ's control and frame the direction of government policy as a strategic issue. ENZ's view is that their strategic risks align to the risk management standards and are therefore appropriately framed.

We recommend that ENZ continues to strengthen its risk identification capabilities and carries out further reviews to better capture the links between issues identified through environmental scans and the operational risk environment. This would support greater maturity in ENZ's risk management practices and a basis for moving closer to a shared view of the major risks affecting ENZ.

Challenges and opportunities

Challenges

In our view, there are a number of ongoing capacity and capability challenges within the ENZ organisation which were further illustrated in Q3 2022/23, and which remain challenges.

Our engagements also identified that high value international education needs to be translated to ENZ's operational context. Further work to clarify the concept of high value has been incorporated in the work on the investment monitoring framework.

We will also continue to engage with ENZ about its efforts to support staff members to develop a more refined understanding of ENZ's role as a Crown agent and how this understanding is reflected in ENZ's working culture. We are encouraged that ENZ is in discussions with Victoria University of Wellington | Te Herenga Waka about training options. We have been informed that the latest proposal is to hold a day-long course (or two half days). Formal training will be part of building progress in this area.

In our assessment there is a continuing need for further maturation in ENZ's capabilities in respect to risk identification and management. We will continue to engage with ENZ on this as a priority. Monitoring for risks associated with staff wellbeing will also remain a focus for us.

Opportunities

The investment monitoring framework is a critical piece of work. While complex, it provides a significant opportunity to create a robust foundation for more rigorous investment decisions in the future. We will continue to support ENZ in this and monitor for any timing or other risks.

Future monitoring topics

In line with your LoE issued on 18 May 2023, we are reviewing our monitoring engagement plans for 2023/24. This is a living document that is regularly updated. We aim to involve the ENZ Board Chair, Tracey Bridges, in this planning process to ensure buy-in at that level.

Our priority focus for the next few months will continue to be:

- supporting and encouraging ENZ to develop all of the parts of the investment monitoring framework,
- working to better understand ENZ's approach to market prioritisation as part of its business planning,
- further engagement on ENZ's risk identification and risk management, and
- supporting ENZ's efforts to ensure staff have a detailed and mature understanding of ENZ's role as a Crown Agent.

Engagement meetings in the next six months will also include:

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Special-topic meetings:

- Innovation and diversification
- Rautaki Māori overview
- International student wellbeing
- Global citizens
- Social licence
- Compliance against all-of-government requirements (privacy, security, procurement, conflict management, culture, people).

Regular meetings:

- Financial updates (quarterly)
- Cybersecurity (six-monthly)
- Manaaki Scholarships update (six-monthly)
- International operations update (six-monthly).

Annex 2: Q3 2022/23 – Report on financial performance

Overview

ENZ's International Education Programmes operating performance was ahead of budget in the period 1 July 2022 to 31 Mar 2023 (YTD FY23) with an operating surplus of \$2.607m against a budgeted deficit of \$0.483m. Additionally, there was a higher Prime Minister's Scholarship for Asia and Latin America surplus, resulting in an overall surplus of \$4.084m against a budget of \$0.830m.

ENZ has advised the variance in performance is largely related to timing differences in operating expenses being incurred and does not give rise to any permanent savings. It anticipates that full year performance will be close to budget.

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 tracking towards an end of year budget of a nil surplus, even though it is currently tracking ahead of budget.

Table 1. Financial performance

\$'000	YTD FY23 Actual	YTD FY23 Budget	FY23 Forecast	YTD FY22 Actual
Operating				
Revenue				
Crown - operating	23,434	23,435	31,246	27,659
Crown - EEL	0	0	0	0
Other	1,044	112	1,030	127
	24,478	23,547	32,276	27,786
Expenditure				
Personnel expenses	(11,341)	(11,801)	(15,459)	(10,811)
Other operating expenses	(10,361)	(12,060)	(16,591)	(10,327)
Depreciation & amortisation	(169)	(169)	(226)	(154)
	(21,871)	(24,030)	(32,276)	(21,292)
Net surplus/(deficit)	2,607	(483)	0	6,494
Scholarships				
Revenue	2,813	2,813	4,004	2,813
Expenditure	(1,336)	(1,500)	(4,004)	(12)
Net surplus/(deficit)	1,477	1,313	0	2,801
Overall				
Net surplus/(deficit)	4,084	830	0	9,295

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

Table 2. Financial position

\$'000	As at 31 Mar 23 Actual	As at 31 Mar 23 Budget	As at 30 Jun 23 Forecast	As at 31 Mar 22 Actual
Assets				
Current assets	9,629	6,918	6,053	14,082
Non-current assets	413	87	176	350
	10,042	7,005	6,229	14,432
Liabilities				
Current liabilities	2,584	3,050	3,050	2,121
Non-current liabilities	207	0	0	217
Total liabilities	2,791	3,050	3,050	2,338
Equity	7,251	3,955	3,179	12,094

Annex 2: Q3 2022/23 – Report on financial performance

Table 3. Cash Flow

\$'000	YTD FY23 Actual	YTD FY23 Budget	FY23 Forecast
Cash flows from operating activities			
Receipts from the Crown	26,247	26,248	34,997
Receipts from Other revenue	1,044	112	500
Payments to suppliers, employees and IRD	(23,038)	(25,361)	(41,383)
	4,253	999	(5,886)
Cash flow from investing activities	(1,500)	0	478
Net increase/(decrease) in cash	2,753	999	(5,408)
Cash at the beginning of the year	6,129	2,680	6,129
Cash at the end of the quarter	8,882	3,679	721

Annex 2: Q3 2022/23 – Report on financial performance

Manaaki scholarships

ENZ has recently taken on the management of the Manaaki Scholarship on behalf of MFAT. This will result in an extra \$27.8m of forecast scholarship pass-through-revenue in 2022/23. All costs of managing the scholarship are covered by MFAT and this is forecast at \$2.4m in 2022/23. The balance sheet is solely made up of cash, debtors, creditors, and accrued scholarship liabilities.

Manaaki have commenced payments of scholarship funds in the quarter, which is included in the YTD FY23 results. Although YTD FY23 recorded a deficit, ENZ will be working closely with MFAT to align accounting treatments to ensure a nil surplus at the end of the financial year.

Table 1. Financial performance

\$'000	YTD FY23 Actual	YTD FY23 Budget	FY23 Forecast
Operating			
Revenue			
Crown - operating	1,179	1,980	2,337
	1,179	1,980	2,337
Expenditure			
Personnel expenses	(903)	(1,230)	(1,580)
Other operating expenses	(370)	(750)	(757)
	(1,273)	(1,980)	(2,337)
Net surplus/(deficit)	(94)	0	0
Scholarships			
Revenue	15,778	14,438	27,760
Expenditure	(16,324)	(14,438)	(27,760)
Net surplus/(deficit)	(546)	0	0
Overall			
Net surplus/(deficit)	(640)	0	0

Table 2. Financial position

\$'000	As at 31 Mar 23 Actual
Assets	
Current assets	12,481
Non-current assets	0
	12,481
Liabilities	
Current liabilities	13,121
Non-current liabilities	0
Total liabilities	13,121
Equity	(640)

Table 3. Cash Flow

\$'000	YTD FY23 Actual
Cash flows from operating activities	
Receipts from MFAT	16,957
Payments to scholarship providers, suppliers, employees and IRD	(19,204)
	(2,247)
Cash flow from investing activities	0
Net increase/(decrease) in cash	(2,247)
Cash at the beginning of the year	12,000
Cash at the end of the quarter	9,753

Proactively Released

Hon Jan Tinetti

Minister of Education
Minister for Women
Minister for Child Poverty Reduction



Tracey Bridges
Board Chair
Education New Zealand | Manapou ki te Ao
Via email: 9(2)(a)

Tēnā koe Tracey

I have recently received the Ministry of Education | Te Tāhuhu o te Mātauranga (the Ministry's) assessment of ENZ's performance for January to March 2023 (Quarter 3, 2022/23).

The Ministry's report emphasises that there has continued to be good engagement with ENZ in the monitoring relationship which has provided the Ministry with a range of helpful information to inform its assessment of ENZ's performance.

The report identifies some key focus areas where further work is needed. This includes gaining further insights into ENZ's approach to target markets, understanding high value international education at an operational level, supporting ENZ to adopt a more refined understanding of its role as a Crown Agent, and further discussing ENZ's strategic risks. The ongoing work on the investment monitoring framework will also be critical.

I understand that you have been connecting with different government agencies, and officials within the Ministry, since you started in your role as ENZ Board Chair. This is pleasing to hear because it is important to me that these connections will provide you with useful policy and government direction for decision-making at the Board.

Please pass on my thanks to all ENZ staff for their hard work.

Ngā mihi nui

A handwritten signature in black ink, appearing to read 'J. Tinetti'.

Hon Jan Tinetti
Minister of Education

CC: Grant McPherson, Chief Executive, ENZ
CC: Andy Jackson, Hautū, Te Pou Kaupapahere, Ministry of Education