



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

To:	Hon Chris Hipkins, Minister of Education		
Date:	31 March 2021	Priority:	Medium
Security Level:	In Confidence	METIS No:	1251838
Drafter:	Jennifer Heersping/ Nicole Benkert	DDI:	04 463 7734 04 463 7520
Key Contact:	Fiona O'Leary	DDI:	9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	ENZ/GAVC

Purpose of Report

This paper provides our assessment of the Quarter 2 (Q2) 2020/21 performance of Education New Zealand (ENZ).

Summary

- This performance assessment covers Q2 (1 October to 30 December) of the 2020/21 financial year. This report sits alongside ENZ's own Q2 report, which you received on 8 March 2021.
- The international education sector continues to be under significant pressure due to the impacts of the COVID-19 pandemic. In Q2 ENZ activities focused mainly on retaining international students already onshore and contributing to work on student cohort entry.
- The focus of this report is on how ENZ has progressed with the implementation of its new business plan framework for 2021/22, and the improvement of its systems, processes and project management capability.
- Cross government work on the Recovery Plan is progressing via cross entity meetings which ENZ is facilitating.
- ENZ has started scoping its financial review as highlighted in the Interim Letter of Expectations and is involving Ministry teams in this piece of work. We will be providing more detailed analysis separately.

Recommended Actions

The Ministry of Education recommends you:

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

Noted

- b. **sign** and **send** the attached draft letter (Annex 1) on ENZ's Q2 performance to Steve Maharey, Chair of the ENZ Board

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
31/3/2021



Hon Chris Hipkins
Minister of Education

30/4/2021

Proactive Release

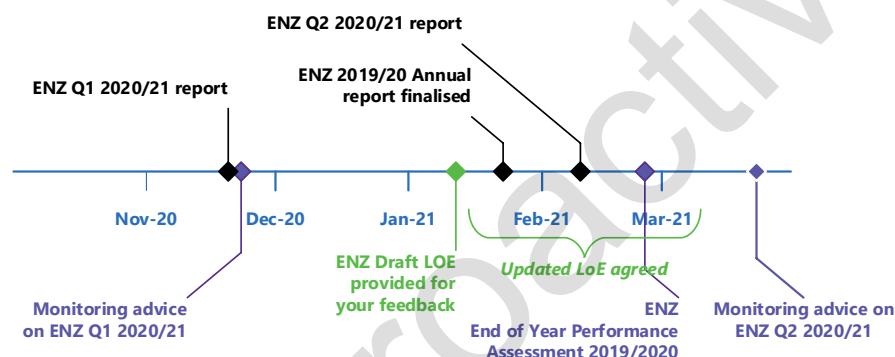
It is intended that this Education Report is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Monitoring focus areas

Key points

- The Ministry of Education (the Ministry) monitors the performance of ENZ with the Ministry of Business, Innovation and Employment as a secondary monitor.
- The ongoing border closures and effects of the COVID-19 pandemic continue to have a significant impact on the international education sector in Aotearoa.
- ENZ is continuing to adapt its activities to support the sector where possible and appropriate. Its main focus in Q2 was on encouraging those international students already onshore to remain, while still focusing on their wellbeing.
- Reporting non-financial performance remains a challenge in this dynamic environment.
- ENZ has been implementing its current business plan and is continuing to build capability around project management, business planning, systems and processes.
- ENZ continued to work with the sector on their Future Focus proposals.
- ENZ's financial review is underway and we will be providing detailed commentary as this progresses further.

Recent and upcoming reports



Priority areas for future engagement

- Financial review
- Development of a new SPE
- Working with Te Pūkenga
- Governance of the Recovery Plan
- Te Tiriti o Waitangi
- Financial performance
- Project management and business planning capability
- Digital and data monitoring framework and self-assessment

Financial performance

Financial performance summary

	YTD FY21	YTD FY21	
\$'000	Actual	Budget	YTD FY20
Revenue	18,942	19,177	19,521
Expenditure	(13,281)	(15,831)	(19,074)
Net surplus/(deficit)	5,661	3,346	447

Financial position summary

	As at 31	As at 30	As at 31
\$'000	Dec 2020	Dec 2020	Dec 2019
	Actual	Budget	Actual
Current assets	11,873	9,344	6,338
Equity	8,473	5,794	2,895
Working capital ratio	3.27	2.34	1.62

Monitoring focus areas

Business planning

In our advice to you on ENZ's Quarter 1 report [METIS 1243647], we reported that ENZ had put in place a new business plan for 2020/21 centred around the following five key streams of work:

- early return of students
- rebuilding social licence
- retaining international reputation
- seeding innovation
- building ENZ capability.

Programme directors meet regularly to identify, discuss, and respond to any risks, which enables conversations about trade-offs to occur.

In Q2, ENZ prioritised work under the "Early return of students" stream (see next section). Using this work stream, ENZ analysed how the new processes ('the ENZ way') and the project itself worked. ENZ found that processes generally worked well but that communication (e.g. using consistent terminology across the organisation) could be strengthened in the future.

ENZ has been seeking to lift its capability by taking best practice ideas from partner agencies, such as New Zealand Qualifications Authority (NZQA), the Tertiary Education Commission (TEC) and New Zealand Trade and Enterprise (NZTE) to understand how these organisations manage business planning. ENZ found these conversations very helpful and is using the insights gained to lift its capability.

ENZ is still working through how it will measure performance against each work stream. This is tied to the development of the Statement of Performance Expectations (SPE), which is currently underway.

ENZ is now progressing work on its financial review and the Ministry has provided initial feedback on the scope and content. The business plan is a key input into this as the review is based around the individual work streams of the business plan.

ENZ has provided assurance it is progressing work on its business plan for 2021/22. We will continue to engage with ENZ on this as lifting project management and business planning capability is a monitoring priority for us.

We expect to see detailed planning in the next quarter that sets out specific information on the planned and proposed activities across the key streams of work, particularly the dependencies and sequencing of work. As ENZ continues to mature its project management capability, we expect to be provided with more detail, including reporting and prioritisation. This is so we can better understand how ENZ is forward planning to manage its work programme in the current COVID-19 context, particularly any trade-offs made for or planned in the next quarter. We will also seek assurance that robust systems to identify risks and interdependencies sitting within or across workstreams will be put in place.

As ENZ progresses planning for 2022 and beyond it is important it considers the flow through from its current plan and engages with key stakeholders, such as the Ministry, to ensure interdependencies are identified and key work streams are aligned.

Early return of students

The "Early return of students" workstream of the business plan includes work around cohort entry while the borders are closed due to the COVID-19 pandemic, the retention of existing international students in New Zealand, and student experience.

Cohort entry

The return of international students remains a priority for education providers. ENZ provided support to the Ministry to help with the implementation of the return of student cohorts. ENZ has also contributed to the work facilitating the next cohort of 1,000 undergraduate and postgraduate students to come to New Zealand in 2021.

Monitoring focus areas

Retention

In Q2 retaining and supporting international students who were already onshore has been a priority. This included the development of online activities focused on student wellbeing and enabling or maintaining students' connections to communities and the regions. Organisationally, about half of ENZ staff shifted to support the student retention work. Due to uncertainty around the COVID-19 pandemic and alert levels, the focus remained on online information and events instead of any face-to-face activities.

ENZ developed new pages on NauMai NZ, as well as a WeChat mini-programme targeting Chinese international students. ENZ also provided guidance about pastoral care and has been able to facilitate some relationships between sub-sectors, which will be useful for students wishing to move between sectors and providers.

ENZ has been working with the Ministry of Primary Industries to promote horticulture and viticulture job opportunities for international students in New Zealand, with guidance around work and employment rights. In Q2 ENZ also partnered with LinkedIn Learning to encourage international students to develop new skills over the summer and concluded a partnership deal with the UK-headquartered University Consortium (NCUK) networks to promote New Zealand as a destination for students studying pathway programmes in 81 study centres across 29 countries. This partnership deal also feeds into the "Seeding innovation" work stream of the business plan.

ENZ developed the Tū Ngātahi branding and digital campaign providing resources and messaging enabling organisations and individuals to stand with international students in New Zealand and show that they are welcome here.

Encouraging students to continue their studies in New Zealand is an important part of the student retention work. ENZ has been seeking to better understand how students plan their study trajectory and working with Immigration NZ on tailoring visa settings accordingly.

Understanding how students can be encouraged to move between sectors and levels is key to meeting the goals of the International Education Strategy in terms of shifting student volume to student value.

While the short-term retention work will be wrapping up in Q3, planning is underway to incorporate the lessons learnt into new, longer term activities. While the idea is to remain adaptable, ENZ will be developing a four-year plan as part of its business planning for 2021/22.

Student experience

The COVID-19 pandemic has been a catalyst for increasing ENZ's focus on student experience and supporting the sector in this mahi. Work is now also underway to better match ENZ internal functions to a focus on student experience.

ENZ has worked more with student associations and is learning how to use social channels better, including InstaLive sessions, which are student to student sessions focused on providing peer support and access to useful resources. ENZ is also conscious that its work is mostly tertiary-focused and is trying to bring the school sector voice into its work, mostly through engagement with SIEBA and its school industry development team. ENZ also uses the Ministry school bulletin and regional groupings to engage with schools.

ENZ has advised that there are particular challenges in terms of engaging with school students, but also in terms of supporting them as often support staff in schools are among the first to be let go in difficult times. ENZ's student experience team has a good connection with the Ministry and NZQA and has regular catchups on student wellbeing and pastoral care where any reprioritisation of work can be discussed.

Monitoring focus areas

Sector engagement

Sector engagement is critical to ensure that ENZ work in supporting the International Education Recovery Plan meets sector needs. ENZ and the Ministry have recently held deep dive workshops on the recovery plan with international education peak bodies and providers.

ENZ reported its summary findings from the workshops back to the sector to ensure that they had accurately captured the discussions and concerns expressed. The sector feedback will inform the report back to Cabinet on the implementation of the Recovery Plan. ENZ will also report separately to you on these summary findings and key themes from the discussions.

ENZ engagement with the sector will need to continue to be managed closely because the workshops may have raised sector expectations around increased engagement and influence. At this stage, ENZ is planning to manage these expectations through quarterly meetings, and the usual engagement/communication channels, e.g. through the business development managers.

Seeding innovation

This workstream is complementing other ENZ activities through the diversification of products and services. ENZ has taken the COVID-19 pandemic as an opportunity to do some blue skies thinking and involve a broader range of partners and key people. As monitor, we consider it important that ENZ has a clear understanding of sector needs as it decides which products and services to focus on moving forward. There is currently increased scrutiny on ENZ activities from the sector, and it will be important there is clear line of sight between ENZ's investments and the impact on the international education sector.

Workshops and deep dive sessions with sector representatives and peak bodies have explored themes and scoped potential new products for co-design. One of the central questions driving this work is New

Zealand's distinctive education offering. The following are some of the themes that are being explored:

- offshore delivery/pathways
- digital platform(s)
- evolution of the PM's scholarships.

ENZ is also looking at global/overseas products to see what is useful and can be adapted to the New Zealand context, e.g. the global learning platform developed by Austrade. ENZ has also connected with innovative organisations in New Zealand, including private start-ups and Callaghan Innovation, to help them develop new ideas.

As monitors, we see there are potentially significant interdependencies in the digital area with work underway in other government agencies and it is important for ENZ to connect with the Education Digital and Data Board, and other cross-government initiatives (such as with the Government Chief Digital Officer). ENZ has assured us that it is actively seeking external input and is working with Ministry and other government partners in this space.

As with other teams within ENZ, additional staff moved into the "Seeding innovation" workstream to support the changing priorities and to build competencies in other areas. ENZ has also contracted staff into this area where necessary. It is good to see that ENZ can be agile in shifting staff according to priorities. Going forward we need to understand better from a monitoring perspective whether this is sustainable and whether there are any plans for moving staff back to their core role once the border opens.

Activities are underway to promote global competencies through online learning. ENZ piloted the New Zealand Global Competence Certificate with 71 students delivered online through Massey University, and initiated work in collaboration with AFS Intercultural Programmes (AFS) to customise AFS's Global Competency Certificate for delivery to Year 10 students in Vietnam and New Zealand. With borders closed, these are good practice examples of how cultural competencies can be taught without having to move countries.

Monitoring focus areas

Future Focus Programme

The Future Focus Programme (FFP) involves a \$1.2m fund, which was repurposed in 2019/20 to support the international education sector through the COVID-19 response. ENZ has advised us that it is planning to evaluate this workstream and incorporate any lessons learned into its business planning, in particular its innovation work stream.

ENZ is facing increased scrutiny from the sector given the ongoing border closure. This is making ENZ's engagement with peak bodies and providers more complex.

ENZ is working closely with each sub-sector on understanding what they need in the current environment, including supporting projects to be re-scoped or re-purposed. Some projects are expected to have made good progress by June 2021.

On request, ENZ allocated some FFP funding to support the business continuity of English NZ. ENZ is also working through similar requests from SIEBA, QTI and ITENZ. ENZ is considering these requests on a case-by-case basis and will continue to keep you well updated

With shifting priorities for ENZ and the development of a new business plan, ENZ is currently reviewing how the FFP will be incorporated in its core business activities and project streams. In future engagement we will seek to understand how this work stream has been incorporated into ENZ's business plan and what lessons are captured in its evaluation of the fund.

Challenges and opportunities

Future planning is challenging given the uncertain environment. ENZ has put in place informed assumptions around its planning including that international student numbers will be low for the next two years, and that the border is unlikely to open for another 12 months. Prioritisation and trade-offs will be key to navigating this environment.

Key Challenges

- Ensuring ENZ has the necessary capacity and capability to further progress work on its financial review, in cooperation with the Ministry, including the development of future scenarios.
- Achieving the right balance between support for the sector and the seeding innovation work. Given the significant impact and challenges the sector is facing there is increased scrutiny over ENZ activities. It can also be difficult to facilitate conversations about future innovation while supporting short term viability. Getting the right balance will be important in ensuring the sector maintains confidence in ENZ.
- Being agile and responding to sector needs quickly while also providing transparency over decisions around trade-offs.
- Ensuring any activity is aligned with current policy thinking and priorities.
- Continuing to engage regularly with the sector while managing potential expectations of higher-than-usual engagement levels.
- Continuing to work with Immigration NZ and the TEC on integrating datasets to obtain a better picture of international student movements across levels and sectors.

Key Opportunities

- Enhancing relationships with key partner agencies, both in the education and trade sectors, so systemic issues can be identified and worked through.
- Ensuring a mutual information flow between government agencies and with the sector so there are no surprises.

Monitoring focus areas

Future performance reporting

As discussed in our previous quarterly report [METIS 1243647], ENZ's performance measures for this financial year, and next year, have been impacted by the COVID-19 pandemic. This required several activities to be deprioritised, paused or cancelled and new initiatives were developed.

ENZ currently intends to retain its SOI for this year and will be making minor changes to its SPE for 2021/22.

If ENZ chooses to retain a majority of measures from previous years, and they continue to be severely impacted by the COVID-19 pandemic and border closures, it could make it difficult for ENZ to show the impact it has had through reprioritisation of work activities.

We will continue to work with ENZ as it makes decisions on how it will shape and shift its strategic accountability documents.

Financial review

Your interim Letter of Expectations to ENZ of 4 August 2020 outlined priorities for the short to medium term given the impact of the COVID-19 pandemic. The new draft Letter of Expectations provided to your office on 15 January 2021 highlights the financial review ENZ has been asked to carry out and provides a deadline for reporting back to you by April/May 2021.

ENZ has reprioritised its work programme to meet these expectations and is progressing with a financial review of its current operations, including consulting with the Ministry on the scope and content of the review, where appropriate. Once the financial review has been

completed, we will consider its findings and provide a separate report to you which outlines the Ministry's assessment of the review.

Quarter 2 performance results

A majority of the results reported against this quarter are not being measured until later in the financial year or have been postponed or directly impacted by COVID-19. ENZ's measures for use of its online tools are on track¹.

¹ Percentage of Active Visits on ENZ's studyinnewzealand.govt.nz website, Number of registrations to ENZ's Student Membership Programme through studyinnewzealand.govt.nz website, and Number of registrations to NauMai NZ

Overview

ENZ recorded a net surplus in the period 1 July 2020 to 31 December 2020 (YTD FY21) of \$5.661m which was higher than the budgeted surplus of \$3.346m.

ENZ's operating activity continues to be heavily impacted by the closure of the borders and COVID-19 restrictions in foreign jurisdictions. Despite undertaking a full reprioritisation exercise to reflect the current operating environment, there have been several areas in which ENZ is behind budget for the financial year. As such it now anticipates approximately \$3m of operating expenditure is at risk of being underspent in the financial year. Replacement activity has been identified, some of which will directly support the industry and peak bodies.

The Minister of Finance has approved the transfer of \$2m of COVID-19 Response & Recovery Funding for Brand, Marketing & Awareness to the next financial year to enable the conversion of student demand to enrolments when the borders re-open.

We understand this underspend has been communicated to you by ENZ's Chief Executive and discussions are ongoing between ENZ and the Ministry on how best to deal with the surplus.

ENZ remains financially stable. Its balance sheet is currently inflated due to the surplus in the YTD FY21, this will reduce back to historic levels if the surplus is returned to the Ministry at financial year end. ENZ operates with a relatively small balance sheet and as a result has limited ability to fund activity outside of its budgeted envelope.

As referenced earlier in the report, the Ministry is working closely with ENZ on the scope of its financial review and is having regular engagement with it on this topic. The outcome of this review, together with any Budget decisions, will dictate the medium-term financial outlook for ENZ.

Table 1. Financial performance

\$'000	YTD FY21 Actual	YTD FY21 Budget	YTD FY20
Operating Revenue			
Crown - operating	15,095	15,235	13,766
Crown - EEL	1,633	1,633	1,632
Other	195	284	1,948
	16,923	17,152	17,346
Expenditure			
Personnel expenses	(6,942)	(6,761)	(6,875)
Other operating expenses	(6,125)	(7,518)	(10,411)
Depreciation & amortisation	(137)	(152)	(213)
	(13,204)	(14,431)	(17,499)
Net surplus/(deficit)	3,719	2,721	(153)
Scholarships			
Revenue	2,019	2,025	2,175
Expenditure	(77)	(1,400)	(1,575)
Net surplus/(deficit)	1,942	625	600
Overall			
Net surplus/(deficit)	5,661	3,346	447

Financial performance Q2 2020/21

Table 2. Financial position

	As at 31 Dec 2020 Actual	As at 31 Dec 2020 Budget	As at 31 Dec 2019 Actual
\$'000			
Assets			
Current assets	11,873	9,344	6,338
Non-current assets	465	450	630
	12,338	9,794	6,968
Liabilities			
Current liabilities	3,635	4,000	3,902
Non-current liabilities	230	0	171
Total liabilities	3,865	4,000	4,073
Equity	8,473	5,794	2,895

Steve Maharey CNZM
Chair
Education New Zealand
PO Box 12041
WELLINGTON 6141

Dear Steve

I recently received Education New Zealand's (ENZ) Quarter 2 Report for 2020/21, as well as the Ministry of Education's advice on ENZ's performance for the same quarter.

I am aware of the ongoing difficulties for the international education sector due to the COVID-19 pandemic and border closure. I understand that ENZ has led workshops with each sub-sector in 2021 to improve its understanding of the impacts of COVID-19 for each sub-sector. With education providers struggling during this difficult time, it is important that ENZ continues a high level of engagement with them and provides value and support wherever possible.

I was pleased to announce cohort entry for a limited number of international students and would like to thank ENZ for its contribution to this initiative. I also appreciate the excellent work carried out to retain international students over the summer break and connect them with the regions, potential employers and learning opportunities.

I understand that work on ENZ's financial review is progressing and that the Ministry is assisting ENZ with this. This is an important piece of work and I look forward to receiving more information about this shortly. Both the Ministry and I should be kept well informed of any decisions around reprioritisation and trade-offs that ENZ is considering, to ensure that ENZ's activity is aligned with current Government policy thinking and priorities.

Implementing the National Education and Learning Priorities (NELP), the Tertiary Education Strategy (TES) and the Education Work Programme 2.0, will continue to be a priority for the education sector this year. ENZ will have a key role in driving implementation into the international education sector and it will be important it works closely with the Ministry of Education and other key partners on this.

Yours sincerely



Chris Hipkins
Minister of Education

cc Grant McPherson, Chief Executive, Education New Zealand
cc Emily Fabling, Deputy Secretary Strategy, Planning and Governance, Ministry of Education