



Education Report: New Zealand Qualifications Authority performance – Quarter 2, 2022/23

To:	Hon Jan Tinetti, Minister of Education		
Date:	31 March 2023	Priority:	Medium
Security Level:	In Confidence	METIS No:	1303662
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

The purpose of this report is to provide a monitoring update on the performance of the New Zealand Qualifications Authority (NZQA). It covers Quarter 2, 2022/23 (Q2) and asks you to sign and send the letter to the Board Chair relating to the entity's performance covering End-of-Year 2021/22 and Q1 and Q2 2022/23.

Summary

- The 2022 assessment cycle ran successfully with no errors identified. It reflects NZQA's high expectations of its own delivery and the hard work of its kaimahi.
- NZQA continues to play a key role in supporting learners given both the existing and ongoing impacts of the pandemic and the impacts of recent storms in the North Island.
- NZQA has had to continually adjust delivery expectations and timelines as a result of environmental impacts but remain committed to progressing its key areas of work.
- Resourcing remains a challenge in terms of:
 - a. Sourcing specialists (e.g. in IT or from the teaching profession)
 - b. Timing and sequencing of change programme work versus business-as-usual work
 - c. Suddenness of changes to immigration settings
- Long term capital investments are being actively considered in relation to the required replacement of core digital infrastructure.
- In response to our previous advice [METIS 1291328 refers], you agreed to combine the letter attached to that advice with your letter in response to this report. The combined letter is attached to the end of this report.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** our assessment of the New Zealand Qualifications Authority's (NZQA) performance in Quarter 2 2022/23

Noted

- b. **sign** and **send** the letter on NZQA's performance covering End-of-Year 2021/22 and Q1 and Q2 2022/23 to Hon Tracey Martin

Agree / Disagree

- c. **agree** that the Ministry of Education release this paper in full once it has been considered by you

Agree / Disagree

John Brooker
General Manager, Early Learning and System Policy
Te Pou Kaupapahere

31/03/2023

Hon Jan Tinetti
Minister of Education

11/04/2023

Overview

Priority areas for monitoring

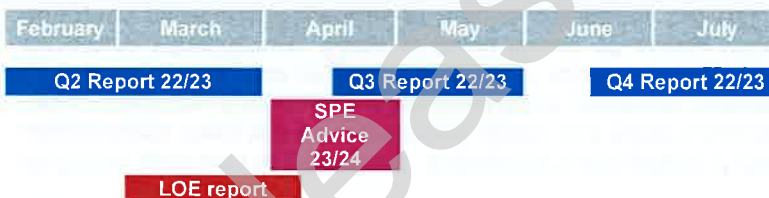
Our monitoring plan currently covers the following areas:

- National Certificate of Educational Achievement (NCEA) assessment cycles
- NCEA Change Programme
 - The Review of Achievement Standards (RAS)
- Digital first assessment
- Special Assessment Conditions (SAC)
- The development of the New Zealand Qualifications and Credentials Framework (NZQCF)
- Reform of Vocational Education (RoVE)
- Implementation of the Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 (Code of Pastoral Care)
- Equity workstreams
- Digital and data workstreams
- Corporate function

Focus of the report

The focus of this report is both a look back at Quarter 2 2022/23 and a look forward to the 2023 calendar year. However, our some of our engagement conversations took place before Cyclone Gabrielle so we will ask about any impacts and plans to support learners and education institutes for our monitoring report covering Quarter 3.

Upcoming reports



Financial performance

Financial performance summary

	YTD FY23	YTD FY23	
\$'000	Actual	Budget	FY23 Budget
Revenue	65,832	66,646	105,871
Expenditure	(65,441)	(64,094)	(121,985)
Net surplus/(deficit)	390	2,552	(16,114)

Financial position summary

	As at 31	As at 30	As at 30
	Dec 2022	June 2022	June 2023
\$'000	Actual	Actual	Budget
Cash and investments	40,953	42,465	26,758
Equity	39,351	38,960	21,673
Working capital ratio	2.87	3.44	1.91

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Assessment

2022 Secondary Assessments

The 2022 NCEA and New Zealand Scholarships examination round went smoothly. There have been no complaints received and no feedback picking up on errors in examination material. In previous years, there have been a small number of errors which generated some media attention and feedback from students and teachers. It reflects the hard work of the kaimahi involved to ensure that the assessment processes ran well and that any last minor (typographical) errors in examination material were picked up and addressed through amendments issued to Examination Centres prior to the examination. We acknowledge that NZQA's high expectation of its assessment function has always been to deliver a flawless assessment cycle every year. Mistakes, however, do happen and so it is pleasing for staff to have achieved a 'nothing missed' goal in the most recent cycle.

Equity of access and achievement

NZQA has recently created a new role – Deputy Chief Executive Pasifika, which replaces the previous Office of Pasifika that sat within the reporting line of the Deputy Chief Executive Māori. This shift elevates the profile of Pacific learners and their success. This is especially important as there is still a large disparity in achievement by Pacific learners as seen in the most recent round of secondary assessments. The new position and the staff within its reporting line have a general focus on NZQA's overall Pacific work programme including the *Pacific Agreement on Closer Economic Relations (PACER) Plus*. As this is a new position, we will engage in future monitoring conversations to understand what the new office hopes to achieve and what it means for the organisation.

New Zealand Scholarship Equity Project

We are pleased to note that NZQA is in the second phase of a two-year project to understand why Māori and Pacific learners have a lower

rate of entering scholarship examinations and look forward to the results of this being shared in the future.

The National Certificate of Education Achievement (NCEA) Change Programme and Review of Achievement Standards (RAS)

Over the coming years, it will be increasingly challenging to deliver the assessment cycle to the same standards as more of the NCEA Change Programme is piloted or rolled into business-as-usual (BAU) processes and run in parallel with the existing assessment model. This has been a known challenge but due to the timeframes of the implementation of the new standards being deferred by a year, the full complexity of running a dual model over the additional transition years is still being fully worked through.

As noted previously, the timing of the RAS programme pilots coinciding with BAU assessment tasks presents a workforce challenge as contractors from the teaching profession are required to run both streams of work. Discussions are underway between NZQA and the Ministry on the work programme to ensure that the resourcing model is workable.

As 2023 is still predominantly a pilot year for the change programme, NZQA's focus remains on developing its operating model. It is also focused on identifying sources of insights. This will inform the micro-shifts through the change programme while keeping a view of the long-term goals of the programme.

Digital Assessments

As NZQA continues to drive higher engagement and uptake of digital assessments, there is still a lag between uptake and NZQA's business case projections. It has however identified some challenges outside of its control including the ongoing challenge of access to devices and classroom infrastructure. Some of these issues sit across various education government agencies to resolve collectively but NZQA's view is that the first step is to understand how schools are addressing

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their own challenges and the support they need to increase uptake. NZQA has engaged CreativeHQ to facilitate a project that will unpack at a more granular level the decision process in schools. The project will provide insights into ways to support schools to start participating or further lift their current level of participation. NZQA hopes this gives the education agencies a better view of where solutions from the centre need to be identified, with insights expected to be ready to share from early June following completion of the project with CreativeHQ.

Assurance

New Zealand Qualifications and Credentials Framework (NZQCF) and Reform of Vocational Education (RoVE)

The challenge, but also opportunity, for the work programme in this area of NZQA's business is a reset of the system. The policy settings provide an opportunity to reshape and set a new direction for the system, particularly vocational education. As key components begin to fall in place, the complexity of incorporating many different facets and levels of the changes into the system has meant that NZQA anticipates a slow and carefully managed approach to change.

NZQCF

NZQA remains focused on the key elements of change to the qualifications framework. Work is progressing but finalising the framework is dependent on a final round of consultation. NZQA have advised that while BAU work can still operate with the existing rules (Qualification and Micro-credential Listing and Operational Rules 2022). As such, Workforce Development Councils (WDC) and providers, including Te Pūkenga, are using existing rather than the new proposed level and qualification descriptions in developing skill standards, programmes and qualifications.

RoVE

NZQA advise that its work programme with Te Pūkenga and the WDCs is progressing.

With Te Pūkenga, NZQA are expecting fewer applications for approvals. It therefore reports it can meet demands for approvals mostly within its baseline internal resourcing with some contracted resource where needed. NZQA is also focused on building relationships with the new Deputy Chief Executives and establishing interim quality assurance arrangements.

With the WDCs, NZQA advise they expect that it will take time to build the capability and capacity to develop skill standards and hence the transition to the new education products will stretch over an extended period.

Quality assurance framework refresh

NZQA is revising its quality assurance framework and practice. It is taking the opportunity provided by RoVE, its work to understand what it means to be a modern regulator, proposed changes to the NZQCF, and changes to the Education and Training Act 2020 to review its approach to quality assurance. It recognises this will entail more than just how it carries out this work, but also knowing whether its practices are effective in supporting quality in the system and its data needs.

NZQA has convened an advisory group with key representatives from across the tertiary sector to hear from them directly their views of what the sector's responsibilities versus NZQA's responsibilities are in relation to good quality education. Information gathered from this forum will inform NZQA's revision of its current evaluative quality assurance framework for the non-university tertiary education providers.

An emerging risk, but also opportunity, is the advancement of artificial intelligence capable of creating complex written discourse. Website-based programmes such as ChatGPT have been making

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international headlines for their ability to write essays and produce work that meet passing requirements in qualification courses. NZQA has received assurances from tertiary education providers that they are confident in their ability to ensure academic integrity and quality of qualifications in light of these advancements. NZQA has advised us that it is an inaugural member of the Global Academic Integrity Network (GAIN) convened by Quality and Qualifications Ireland and the Australian Tertiary Education Quality and Standards Agency. GAIN was established explicitly to address academic integrity, particularly in an online environment. NZQA is also planning a symposium Assessment Design in the Age of AI. This is an emerging area that we will continue to engage NZQA on.

Student Wellbeing

NZQA has indicated it would like to integrate Code monitoring functions related to student wellbeing into its overall quality assurance functions to make it easier for providers to work with NZQA on complying with the Code.

In terms of NZQA's role as the code administrator for the *Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021* (the Code), current activities include working with providers to clarify expectations around complaints and critical incident reporting. NZQA noted to us that there are elements of the code that are very prescriptive and therefore challenging to implement. NZQA, in conjunction with the Ministry, has worked with providers to develop and issue further guidance, which it believes strike a balance for providers that is pragmatic and still meets the intent of the Code.

Qualification Recognition

NZQA has advised us they are in a stable position with processing applications although there remains a sizable backlog that accumulated due to sudden changes to immigration settings. NZQA has advised us that they are prioritising applications with hard deadlines e.g., confirmed job offers. NZQA has increased staff and

staff training and reviewed its processes so that applications can be evaluated more quickly. However, it will take several months to work through the backlog.

The Pacific Agreement on Closer Economic Relations (PACER) Plus

This is a five-year trade and development agreement led by the Ministry of Foreign Affairs and Trade (MFAT) that is intended to raise living standards, create jobs and increase exports in Pacific Island countries, while also lowering barriers and providing greater certainty for New Zealand businesses.

NZQA's role is to support labour mobility through its qualification recognition work. It put forward a business case to MFAT in 2022 which was approved by MFAT and awaits Ministerial approval.

Corporate Functions

Performance and Impact measures

As monitors, we have had a strong focus on improving our performance monitoring and reporting on the entities we monitor. We have also been supporting the entities in improving their performance measures. We initiated work with NZQA in 2020 to support it having strong intervention logic that will link performance measures to impact and outcome measures.

NZQA is demonstrating a strong commitment to this work and, in our opinion, is the most advanced in its performance improvement work programme across the entities we monitor. NZQA is building a good view of its performance measures across its functions and has carried out a current state analysis. It is also building its intervention logic (its value chain) and is putting in place a performance measurement improvement plan. To support this work NZQA is also looking at putting in place stronger business planning and has been reviewing its reporting. Both areas are important in supporting prioritisation and

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managing risk in the changing environment that entities are operating in.

We will engage with NZQA in the next quarter on business planning, risk management and its Enterprise Project Management Office (EPMO) function. NZQA is also planning to take us through its updated intervention logic work shortly which will be useful in the lead-up to the Statement of Performance Expectations being developed and published.

Digital and Data

Data Warehouse

NZQA has implemented a data warehouse which gives the organisation the ability to track history, collate insights and provide a single source of truth that the business users inside the organisation can access and use. NZQA is confident that this investment will deliver great business value and it ensures that a key piece of architecture is in place to support its long-term goals.

NZQA is pleased to advise that this project was delivered on time and on budget, which is positive news. There will need to be organisational data capability uplift both in using the warehouse but also making the most of what the warehouse can do for the organisation's work at multiple levels, such as planning, insights and tracking. We understand a data capability plan is being developed.

Directive to procure All-of-Government digital services

A letter from Hon David Clark was also sent to Hon Chris Hipkins in January 2023 to remind the Education Crown entities of the Cabinet mandate of the Government Chief Digital Officer (GCDO) and relevant expectations on small agencies. You recently sent the letter to NZQA, and we will ensure this is part of our monitoring moving forward.

Papa Pounamu/Kia Toipoto

NZQA has met the requirements to publish a self-review and data of current pay equity gaps and related statistics. There is an initial six-month strategy in place to address gaps identified and further strategies will be developed.

We have begun targeted engagement with subject-matter-experts this quarter to understand NZQA's work programme in this focus area and have planned further engagements. In our initial hui, NZQA were clear that pay equity is only one aspect of the broader work signalled by the Public Service Commission's Papa Pounamu strategy. We will provide further information in our next report. Over time, our monitoring of this All-of-Government direction will flow into our BAU monitoring engagement with the broader corporate function, including its external workforce which runs the assessment cycle as well as NCEA pilots.

Long-term Investments

In previous reports we had signalled that NZQA had prioritised investment in areas such as NCEA Online, to the detriment of being able to maintain and build necessary capability in some of its core systems. As a consequence, NZQA advise that this will require investment downstream to ensure its systems are robust and will meet the needs of the future environment in NCEA and assurance.

Last year, NZQA was able to secure budget funding to upgrade its human resources platform, which had become unsupported by the vendor, was outdated and lacked functionality for future needs. Updating the remuneration system is in its foundational stages. However, other platforms also need a significant injection and NZQA has several budget bids under way to address cost pressures.

Further investments have also been able to be achieved to provide improved learner/customer services, or to strengthen core statutory compliance. For example, NZQA is well progressed in refreshing its website that was not meeting customer needs. This includes improving

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its secure portals for learners, schools and tertiary institutions, and implementing a new Customer Relationship Management system (CRM). A new enterprise documentation management system is also being implemented to improve statutory compliance.

We have planned to meet with NZQA to obtain further information on its long-term investment roadmap and future budget bids. Below is a brief rundown of the challenges we are aware of so far:

eQA: The eQA platform is a collection of tightly integrated legacy applications that support many of NZQA's regulatory functions, such as management of the NCEA examination process (including scheduling exams and personalising exam booklets), record of achievement, registration and accreditation of non-university tertiary education organisations, and the national qualifications framework. The platform is closely integrated with other key services such as online NCEA exams and online marking. This platform was originally funded from a Crown investment in 2004, the depreciation from which remains on NZQA's balance sheet. The platform is nearly 20 years old and has been assessed as not to be fit-for-purpose for current and future needs. NZQA is thinking through a process to replace this platform and it will be a key point of discussion in an investment hui between NZQA and MOE.

NCEA Online: The digital assessment platform was funded until the end of the 2022/23 financial year. While there is some deferred expenditure from this project that is reflected in capital reserves and which is planned to be spent in 2023/24, the funding of NCEA Online is now considered business-as-usual.

Challenges and Opportunities

A summary of ongoing and upcoming challenges and opportunities:

- Bringing the NZQCF and tertiary system in line
- Further developing the Universal Design for Learning to support assessments to be equitable for learners
- Recruitment and retention in a challenging market

- Long-term capital investments
- New and/or significant All-of-Government requirements, e.g. in pay equity and climate change

Quarter 3 2022/23 also includes finalising Estimate of Appropriation measures and the development of the 2023/24 Statement of Performance Expectations (SPE) begins.

How we are planning to stay on top of NZQA's performance

We have a hui scheduled in March 2023 to get a view of NZQA's long term capital investments roadmap and budget bids planned for now and in the future. This hui will cover IT investments.

From March onwards, we will also begin engaging on the development of the next SPE and will work with internal colleagues to provide advice on the draft SPE.

Financial performance Q2 2022/23

Overview

NZQA's financial performance for the period 1 July 2022 to 31 December 2022 (YTD FY23) has been slightly behind budget with a surplus of \$0.39m, compared to the budget of \$2.55m.

The main driver of this was \$1.1m in project expenditure initially anticipated to be incurred in the prior financial year, together with lower revenue, largely in examination fees.

The reduced surplus in the period is driven by a mismatch in timing of receipt of revenue and expenditure, with the exam period in Q2 leading to a significant increase in expenses.

In bringing forward deferred project expenditure from 2021/22 and to recognise Board decisions made subsequent to the 2022/23 SPE, in relation to the CxIP project, NZQA has reforecast its full year deficit to be \$16.11m, which is greater than the original SPE budget of \$11.38m. The deficit is driven by the advancement of much needed investment in website development and internal processes, with core operating expenditure largely in a break-even position. The deficit will be funded from NZQA's balance sheet, which has sufficient strength to absorb it.

In addition to the projects that NZQA is currently delivering, as referred to in the report, there are other key capital projects that will need to be completed in the short to medium term as new and/or legacy systems get towards the end of their useful life. We have met with NZQA in March to discuss these projects to understand the prioritisation and funding strategy. Further information will be provided in the quarter 3 report.

Financial performance details

Table 1. Statement of financial performance

\$'000	YTD FY23 Actual	YTD FY23 Budget	FY23 Forecast	FY22 Actual
Revenue				
Government grants	49,205	49,205	77,241	82,357
Other	16,627	17,441	28,630	24,775
	65,832	66,646	105,871	107,132
Expenditure				
Personnel expenses	(41,886)	(41,936)	(78,094)	(66,524)
Other operating expenses	(21,951)	(20,564)	(41,092)	(31,027)
Depreciation & amortisation	(1,604)	(1,594)	(2,799)	(3,675)
	(65,441)	(64,094)	(121,985)	(101,226)
Net surplus/(deficit)	390	2,552	(16,114)	5,906

Table 2. Statement of financial position

\$'000	As at 31 Dec 2022 Actual	As at 30 June 2022 Actual	As at 30 June 2023 Budget
Assets			
Current assets	52,429	46,781	31,636
Non-current assets	6,081	6,662	7,257
	58,510	53,443	38,893
Liabilities			
Current liabilities	18,292	13,615	16,555
Non-current liabilities	867	868	665
	19,159	14,483	17,220
Equity	39,351	38,960	21,673

Hon Jan Tinetti

Minister of Education
Minister for Women
Minister for Child Poverty Reduction



Hon Tracey Martin
Chair, New Zealand Qualifications Authority |
Mana Tohu Mātauranga o Aotearoa
By email: 9(2)(a)

Tēnā koe Tracey

As you are aware, I have recently become the lead Minister for the Education portfolio and I am very much looking forward to continuing to work with you in my new role. 2023 has already been a trying time for many of our learners and their whānau. I know that the New Zealand Qualifications Authority (NZQA) has been adapting for the past three years to a challenging environment and supporting learners through the pandemic. I would like to acknowledge the incredible pressure you and your staff have had to operate under as the long tail of the pandemic has greatly impacted wellbeing across the country and continues to do so.

In light of that I am pleased with the mahi that NZQA has undertaken to support learners and teachers through this time, both with business-as-usual work and implementing change initiatives. I ask that you continue to do the same for learners affected by the recent significant weather events that will have nationwide impacts on cost of living and wellbeing.

I have received several pieces of advice from the Ministry of Education on NZQA's performance, alongside your organisation's reports, since I assumed my role. The advice covered the performance across the financial year 2021/22 and Quarters 1 and 2 of 2022/23.

Equity and learner wellbeing remain key drivers for the change initiatives, and I look forward to being updated on any challenges and opportunities you identify as you operationalise the key change programmes.

I would like to express my sincere thanks to you, the Board and NZQA for your ongoing efforts and engagement over the course of 2022, and helping the sector navigate enormous challenges and changes, including the NCEA change package and the Reform of Vocational Education.

I hope that you and your staff have had the opportunity to rest and recover after a busy 2022 and I look forward to the mahi ahead.

Nāku noa, nā

Hon Jan Tinetti
Minister of Education

cc Grant Klinkum, Chief Executive, NZQA
cc Andy Jackson, Hautū, Te Pou Kaupapahere, The Ministry of Education