



Education Report: New Zealand Qualifications Authority performance – Quarters 2 and 3, 2021/22

To:	Hon Chris Hipkins, Minister of Education		
Date:	1 July 2022	Priority:	Medium
Security Level:	In Confidence	METIS No:	1281351
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper provides our assessment of the Quarters 2 (Q2) and 3 (Q3), 2021/22 performance of the New Zealand Qualifications Authority (NZQA) and asks you to sign and send the letter to the Board Chair of NZQA relating to the entity's performance.

Summary

- Resourcing pressures and the level of change the whole education system is undergoing continue to be the main factors in the pace at which NZQA can implement its change programme.
- The scale of change may mean that more resources are needed in the interim while new ways of working and new system structures and roles are being established.
- One of the overarching tasks for NZQA is aligning the development of the New Zealand Qualifications and Credentials Framework (NZQCF) with the ongoing implementation of the Reform of Vocational Education (RoVE).
- Incorporating mātauranga Māori is a key component of the development of the NZQCF as well as the National Certificate of Educational Achievement (NCEA) Change Package and is taking care to ensure the work has a clear whakapapa grounded in Te Ao Māori and to progress the work with a slow and considered approach.
- NZQA's extensive digital and data work programmes are also facing ongoing resourcing challenges. These programmes have critical linkages to the change initiatives that NZQA is delivering and as such, the entity is building a roadmap to inform its future investments and decisions.
- NZQA has remained in a stable financial position across Q2 and Q3. The financial section in this report focuses on Q3 but also comments on the overall year-to-date position. Despite reduced revenue, its expenses have been proportionally lower. It is reprioritising the underspend into a number of strategic projects and is forecasting a nil surplus for the full financial year.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** our assessment of the New Zealand Qualifications Authority's (NZQA) performance in Quarter 2 and Quarter 3 2021/22

Noted

- b. **sign** and **send** the letter on NZQA's performance covering Q2 and Q3 2021/22 to Hon Tracey Martin

Agree / Disagree

- c. **agree** that this Education Report is proactively released as part of the next publication

Release / Not release



Zoe Griffiths
Hautū – Te Puna Rangatōpū
1 / 7 / 2022

Hon Chris Hipkins
Minister of Education
__/__/__

Proactive Release

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

Overview

Priority areas for monitoring

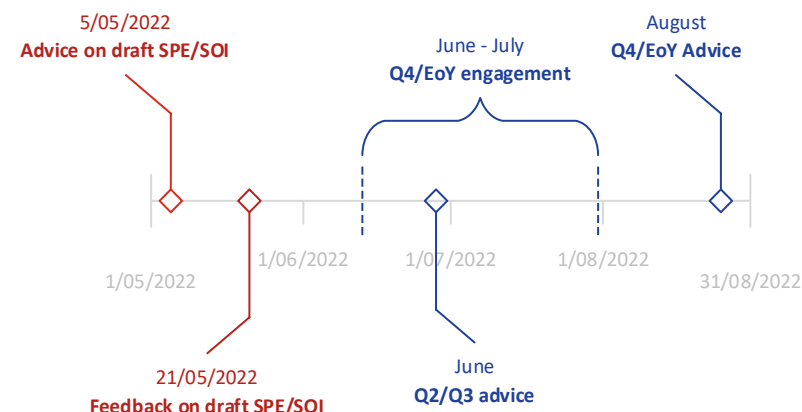
Our monitoring plan currently covers the following areas:

- National Certificate of Educational Achievement (NCEA) assessment cycles
- NCEA Change Package
- NCEA Online
- Special Assessment Conditions (SAC)
- The Review of Achievement Standards (RAS)
- The development of the New Zealand Qualifications and Credentials Framework (NZQCF)
- Reform of Vocational Education (RoVE)
- Implementation of the new Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 (Code of Pastoral Care)
- Equity workstreams
- Ongoing focus on digital and data workstreams

Focus of the report

In Quarters 2 and 3 we focused our monitoring on ongoing developments of the NZQCF and its alignment with RoVE, the NCEA Change Package, NZQA's work to incorporate mātauranga Māori into its work, and business continuity. Digital and data workstreams are an ongoing focus given the linkages across the organisation's workstreams and the system-wide challenges in recruiting talent in relevant professions.

Upcoming reports



Financial performance

Financial performance summary

	YTD FY22	YTD FY22	YTD FY21
\$'000	Actual	Budget	Actual
Revenue	85,653	89,238	83,244
Expenditure	(79,835)	(87,829)	(76,711)
Net surplus/(deficit)	5,818	1,409	6,533

Financial position summary

	As at 31	As at 30	As at 30
	Mar 2022	June 2021	June 2022
\$'000	Actual	Actual	Budget
Cash and investments	37,747	35,472	30,202
Equity	38,873	32,835	26,229
Working capital ratio	2.85	2.56	2.17

Assessment

Progress with the NCEA Change Package

The NCEA Change package is a complex and multifaceted programme which will require ongoing careful planning, communication and engagement with the sector from both NZQA and the Ministry. This is particularly important for NZQA to consider because presently, the sector is managing both staff illnesses from widespread Covid-19 transmission in addition to general illnesses during the flu season. Therefore, the sector's capacity to support the change initiative is currently impacted.

Resourcing challenges both now and into the future remains a consideration for NZQA. It has also been recognised that longer term workforce models are likely to be constrained by pay scale differences between the teaching sector and wider public service pay restraints. The acceleration of teachers' remuneration packages has meant there is an increasing gap between what NZQA can offer and what a teacher receives which makes recruitment challenging. While NZQA has addressed some of this by rethinking its recruitment approach such as targeting recruiting to its regional offices and offering work/life balance incentives, recruiting the right talent remains an ongoing macro challenge across the government education agencies. It is also continuing to be difficult to recruit Māori and Pacific staff and any recruitment for the NCEA Change Package by both NZQA and the Ministry is likely pull talented people out of and away from the sector. Any further delays to the programme will put ongoing pressure on the sustainability of the people and financial resourcing.

To manage the current NCEA core business while creating the future NCEA environment, NZQA continues to adapt its work practices and take an incremental approach to implementing the NCEA Change Package. For example, NZQA is currently recalibrating its moderation model to provide more up-front support for schools as result of recent insights within the Review of Achievement Standards (RAS) work programme. Therefore, at this stage, it would be premature for us as

the monitor to have a view of NZQA's future operating model for the assessment function. Instead, we will be looking to see what the incremental changes mean for the assessment function to build to its long-term outlook.

The following are current key pieces of work within the assessment function:

- The mini-pilots being carried out in 2022 are modelling new processes which shift the organisation's support of the external assessment cycle from once-a-year assessments to supporting multiple assessment events to take place from May onwards of a given year and shifting to a digital first model.
- The RAS pilots have been a key area of focus and NZQA has highlighted gaps in capability and understanding within the sector. It has identified that the current engagement model with the Principal's Nominees will not be sufficient to address these gaps and support the growth and capability build needed downstream. Therefore, NZQA is considering ways of lifting capability at the front end of the process to mitigate downstream capability gaps.
- NZQA has completed the stakeholder consultation of Aromatawai and the Principles of Assessment, which is due to be published shortly.

Overall, as the programme is implemented, NZQA has been and continues to recalibrate its quality assurance and assessment model of support for schools.

Special Assessment Conditions (SAC)

Last year, in our advice on NZQA's quarter 4 and end-of-year 2020/21 performance [METIS 1267941 refers], we suggested that further trend analysis could be undertaken over the SAC workstream. NZQA has advised us they have undertaken this and will be engaging with us in the next quarter to discuss the results. We will provide an update on this in our next monitoring report.

Non-Financial Performance

Other key activities

Key activities NZQA has undertaken in the last two quarters include:

- Completing the 2021 assessment round
- Preparing for the 2022 assessments
- Preparing, with the Ministry, for a review of University Entrance (UE) requirements in light of upcoming changes to NCEA Level 3, the introduction of a new NCEA literacy and numeracy co-requisite, and the new achievement standards, and
- Piloting speech-to-text technology to increase accessibility in NCEA Online examinations.

Closing off the 2021 assessment round

Due to the public health response utilising localised lockdowns, an Unexpected Event Grade (UEG) event was declared in Auckland, Waikato and Te Tai Tokerau. Students were expected to attend exams, with a student's final grade based on whichever was higher – the UEG or the grade earned in the exam. This resulted in higher than usual excellence attainment rates. NZQA provided you with a briefing on 25 March 2022.

NZQA is reviewing the application of UEGs (Derived Grades at scale) in consultation with the Ministry, your NCEA Professional Advisory Group and other key stakeholder bodies. Schools and kura will be notified of outcomes of the review before the end of Term 2. The Ministry and NZQA continue to monitor the impact of COVID-19 and other illnesses on schools and kura and will consult with you on whether and/or what support is required. The sector has expressed a need for this, given the sustained pressure of NCEA delivery in schools and the wellbeing of teachers and students.

Assurance

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

The overarching task is to complete the development of the NZQCF alongside the implementation of the changes to the qualifications system to support RoVE. NZQA is providing advice to you directly on proposals for change to the NZQCF. The technical focus of this work is on revising the level descriptors and updating the underlying definitions and other components of the architecture of the new framework.

NZQA recognises this framework refresh provides an opportunity to establish an expectation to weave te ao Māori into the work. As such, NZQA has endeavoured to consider how best to more explicitly recognise the place that mātauranga Māori should have within the qualifications system while acknowledging that Māori / iwi are kaitiaki of mātauranga Māori. Current work is looking at aligning Ngā Mātāpono (within Te Hono o Te Kahurangi) while ensuring the Framework continues to meet international expectations.

NZQA has been testing with stakeholders, including Taumata Aronui, to get a sense whether the work to date is a reasonable framing and the feedback has been supportive. NZQA has acknowledged feedback which identified a need to have a clear whakapapa grounded in Te Ao Māori for incorporating mātauranga Māori within the NZQCF and has undertaken further work to make this clearer. Its external advisory group Ngā Kaitūhono has signalled the need to take a slow and considered approach. NZQA will focus on building internal capability, refining its engagement model and consider how it fits within the overall review of its quality assurance framework moving forward, noting that more resources will be needed to support this undertaking. At this stage NZQA is not expecting that the Workforce Development Councils (WDCs) and providers to be moving at the same pace as NZQA on this work.

Non-Financial Performance

The overall pace of the development of the NZQCF in relation to the implementation of RoVE needs to be at a pace the sector can manage. NZQA is working closely with the WDCs, Te Pūkenga and sector focus groups. There are some potential connections of this work with the Tertiary Education Commission's careers work programme and Unified Funding System redesign which NZQA are aware of and actioning.

NZQA have a scoping document for what needs to shift in its Quality Assurance Framework which highlights key actions and priorities. Some of the considerations include internal system requirements and impacts on qualification recognition given the changes introduced by the NZQCF.

In response to our monitoring report of Quarter 1 2021/22 [METIS 1275227], you requested more analysis on the implications of RoVE for ongoing NZQA resourcing and whether changed processes as the result of the establishment of WDCs free up resources that can be reprioritised. NZQA will provide you with a report on the implications of RoVE for its operations and resources which we understand is expected to be provided to you in July 2022.

Code of Pastoral Care

NZQA has not been able to undertake site visits to accommodation facilities due to COVID-19. However, it is happy with how providers have been handling issues this year some of the issues from the previous year appear to be resolved.

Further work is being put into the proposed delegation of the self-monitoring of universities to Universities New Zealand (UNZ) and as such it has not been finalised NZQA works closely with UNZ's Standing Committee (CUSPaC) which has oversight of the Code implementation in universities. NZQA responds to incidents at individual universities that are in the public interest, these may be raised by the individual university or reported in the media.

Other key activities

We have had initial conversation with NZQA on its role in qualification recognition and learner mobility as part of the Pacific Agreement on Closer Economic Relations (PACER) Plus. At this stage it is too early to have an in-depth view of this stream of work, but it will be a future monitoring topic that we engage NZQA on.

Other Monitoring Areas

Digital and Data

The challenges reported to you in previous quarters of recruitment and retention remain as the market is still tight. NZQA is reaching capacity point of what it can do with current resourcing levels, and it is having to be focused in what it progresses. It is balancing building capability in-house with aligning with partners that can provide support.

Current priority areas include supporting key changes in the system (e.g. RoVE, RAS, digital first assessment) and its customer interface (e.g. the website), as follows:

- The delivery partner for the qualification and credentials register is contracted to provide system support for two years beyond the delivery of the product which provides some medium-term proofing of the product.
- NCEA Online will be integrated into BAU this year, while RM (the vendor supporting the delivery of NCEA Online) continues to provide ongoing support.
- The website refresh is a three-year programme with 18-month milestones. The aim of this programme is to improve usability and the content and provide a more personalised experience.

Cybersecurity is also an area of focus, and it is a part of a cross-agency forum which looks at how to keep the sector safe.

Non-Financial Performance

While all the entities we monitor have found it challenging to undertake the digital and data self-review we instigated last year, NZQA has been doing aspects of the review as part of its digital and data work programme. To provide a forward view, NZQA is intending to build a roadmap to inform its future investments and decisions, to provide an early signal on costs, stocktake its current position and signal future direction of travel. We have engaged KPMG as part of the monitoring support it provides us to facilitate a review of this framework in conjunction with the Education Crown agents, including NZQA.

Business Continuity Planning

At the start of the year, we looked into NZQA's business continuity planning (BCP). NZQA had reviewed its work-from-home policy after the initial lockdown to ensure ongoing fit-for-purpose. It also completed a COVID-19 risk assessment in 2021 and updated this to reflect the Traffic Light settings.

A focus for NZQA after this work was ensuring its people leaders were well placed to lead people efficiently and effectively through remote working environments. It is aware of its aging workforce and the vulnerability they face in a pandemic environment, so work-from-home was the preferred model for its staff. At the time we engaged on this, NZQA felt it was in a good position to manage the ongoing nature of the pandemic and staff were comfortable with mixed mode working.

Upcoming challenges and opportunities for NZQA

Upcoming challenges and opportunities include:

- Implementing any changes arising from the review of the management of UEGs at scale, along with other support provisions or mitigations, noting the different ways COVID-19 is impacting this year compared to previous years in the pandemic,
- The development of its operating and engagement models for the NZQCF and key stakeholders and delivery partners as RoVE continues to be implemented,

- Thinking ahead and having a view of how the changes to NCEA and literacy and numeracy requirements, the outcomes of RAS, increasing digital assessment and SAC, and consequential trajectory of changes in secondary assessment will interweave in the future system state,
- The organisation's ongoing maturation journey in supporting Māori, Pacific, and disabled students, students with additional learning needs, and students from low socio-economic backgrounds, and
- The ability of the digital and data workstreams to continue to support the organisation's change programmes while facing system wide recruitment challenges which we expect to be ongoing in the near future.

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

Our next monitoring report will focus on an analysis of NZQA's performance across the 2021/22 financial year. For the 2022/23 financial year, our monitoring plan will guide our quarterly engagements and the quality assurance functions, assessment functions, digital and data workstreams and financial performance are ongoing standing engagement items. We will also engage NZQA on its equity workstreams, Enterprise Management Office function and the Customer Experience Improvement Project.

Financial performance year-to-date (YTD) and Q3 2021/22

Overview

NZQA's performance in the period 1 July 2021 to 31 March 2022 (YTD FY22) has been better than budget with a surplus of \$5.818m.

Despite reduced revenue, largely from third party fees, expenses have been proportionally lower, which has resulted in the improved performance.

NZQA is reprioritising the underspend into a number of strategic projects and is forecasting a nil surplus for the full financial year, which is an improvement on the budgeted deficit of \$3.079m.

NZQA remains in a stable financial position and has sufficient financial capacity to fund the planned \$11.382m deficit in FY23, as noted in the Ministry's report on NZQA's Statement of Performance Expectation.

Financial performance details

The main drivers of the lower revenue in YTD FY22 are a \$1.600m variance in Qualification Assessment Fees and a \$0.569m Examination Fees. These are both Covid-19 impacts resulting from the closed borders.

The expense variance is largely driven by lower personnel costs, both employees and specialist workforce. The lower employee costs are a result of higher than budgeted vacancies and a right sizing of the qualifications recognition business unit. The specialist workforce requirements have been lower in YTD FY22 because of Covid-19 restricting the number of in-person examinations.

Whilst management has forecast that the current surplus will be utilised in the remainder of the year on projects such as CxIP and

ECMS, there is a possibility that expenditure will fall into FY23 leading to a net surplus in FY22.

Table 1. Statement of financial performance

	YTD FY22	YTD FY22	YTD FY21
\$'000	Actual	Budget	Actual
Revenue			
Government grants	65,893	66,593	60,662
Other	19,760	22,645	22,582
	85,653	89,238	83,244
Expenditure			
Personnel expenses	(53,308)	(60,418)	(52,287)
Other operating expenses	(23,847)	(24,915)	(21,869)
Depreciation & amortisation	(2,680)	(2,496)	(2,555)
	(79,835)	(87,829)	(76,711)
Net surplus/(deficit)	5,818	1,409	6,533

Table 2. Statement of financial position

	As at 31	As at 30	As at 30
\$'000	Mar 2022	June 2021	June 2022
	Actual	Actual	Budget
Assets			
Current assets	50,477	40,358	34,048
Non-current assets	7,086	8,839	8,546
	57,563	49,197	42,594
Liabilities			
Current liabilities	17,731	15,739	15,685
Non-current liabilities	959	623	680
	18,690	16,362	16,365
Equity	38,873	32,835	26,229

Financial performance year-to-date (YTD) and Q3 2021/22

Table 2. Statement of financial position

\$'000	As at 31 Mar 2022 Actual	As at 30 June 2021 Actual	As at 30 June 2022 Budget
Assets			
Current assets	50,477	40,358	34,048
Non-current assets	7,086	8,839	8,546
	57,563	49,197	42,594
Liabilities			
Current liabilities	17,731	15,739	15,685
Non-current liabilities	959	623	680
	18,690	16,362	16,365
Equity	38,873	32,835	26,229

Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Police

Minister for the Public Service

Leader of the House



Ref: CH13652

Hon Tracey Martin
Chair
New Zealand Qualifications Authority
PO BOX
WELLINGTON 6141
By email: 9(2)(a)

Dear Tracey

I have received the New Zealand Qualifications Authority's (NZQA) performance report for quarter 2 and 3 of 2021/22 alongside the Ministry's advice for the corresponding period. Thank you for providing me with this information.

I appreciate that NZQA continues to manage a high workload and the pressure that this places on staff. I am pleased to hear the developments on the New Zealand Qualifications and Credentials Framework. As you progress this, it will be key to be well connected with communication channels and stakeholders. Please keep me updated as this work progresses.

I understand you have also undertaken further trend analysis over Special Assessment Conditions, I look forward to seeing the results of this work shortly.

I also look forward to further updates across your key workstreams particularly as key change initiatives develop and links across programmes are formed.

Yours sincerely

Chris Hipkins
Minister of Education

cc Grant Klinkum, Chief Executive, NZQA
cc Zoe Griffiths, Hautū, Te Puna Rangatōpū, The Ministry of Education