

Education Report: Education New Zealand | Manapou ki te Ao – advice on draft Statement of Intent 2023-27 and draft Statement of Performance Expectations 2023/24

To:	Hon Jan Tinetti, Minister of Education		
Date:	11 May 2023	Priority:	High
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

1. This report provides our advice on the Education New Zealand | Manapou ki ti Ao (ENZ) draft Statement of Intent (SOI) for 2023/24-2026/27 and draft Statement of Performance Expectations (SPE) for 2023/24. It includes a draft letter with feedback to the ENZ Chair for your consideration and signature to meet your statutory requirement to provide comments by **19 May 2023**.

Summary

2. On 28 April 2023, ENZ provided your office with its draft SOI and SPE for comment. The Crown Entities Act 2004 requires you to provide any feedback to ENZ within 15 working days (**by 19 May 2023**). ENZ has provided an out-of-cycle SOI one year after its previous SOI as requested by the former Minister of Education. This is to ensure that ENZ's SOI is aligned with the refreshed New Zealand International Education Strategy (NZIES).
3. We have provided recommended comments on the draft SOI and SPE in an attached letter to the ENZ Chair for your consideration and signature. The letter emphasises that the draft documents are significant steps forward but can be further strengthened.
4. Opportunities for further strengthening the draft documents include providing more details on ENZ's role as a Crown Agent and providing more information on ENZ's support for a sustainable future for international education in respect to Goal 2 of the NZIES. This could include providing more information on ENZ's planned activities in target markets, including its support for market diversification. This an important area and we are undertaking an in-

depth analysis of ENZ's approach to marketing in our monitoring role. We will provide information from that analysis in our Quarter 3 monitoring report.

5. The attached letter notes that it will be crucial for ENZ to keep its monitoring agencies informed about the development of the measurement methodologies for the new performance measures in the SOI and SPE. It also emphasises that ENZ should work with its monitors on performance measures having greater longevity to allow for performance to be compared over time.
6. We have identified that the 20 proposed performance measures in the SOI and SPE are a high number given ENZ's scope and scale as an organisation. However, this may be appropriate as ENZ works through how to assess its performance in respect to the new priorities in its operating environment. It may be beneficial for ENZ to consider reducing the number of performance measures over time as part of continuous improvement efforts.

Recommended Actions

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

- a. **note** that ENZ has provided you its draft SOI 2023/27 and draft SPE 2023/24 for your consideration and feedback, as required by the Crown Entities Act 2004 (the CE Act)

Noted

- b. **note** we have assessed that ENZ's draft SOI 2023/27 and SPE 2023/24 meet the relevant content and timing requirements in the CE Act

Noted

- c. **note** that you are required to provide comments on the drafts of the SOI 2023/27 and SPE 2023/24 to ENZ within 15 working days of receiving them which is by **19 May 2023**, and we have provided a draft letter for this purpose (see Annex 2)

Noted

- d. **sign** and **send** the attached draft letter to Tracey Bridges, Chair of the ENZ Board, by **19 May 2023** (see Annex 2)

Agree / Disagree

- e. **agree** to proactively release this education report as part of the next publication once ENZ has published its final SOI 2023/27 and SPE 2023/24

☒ Agree ☐ Disagree



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

11/05/2023



Hon Jan Tinetti
Minister of Education

13/05/2023

Background

The purpose of the SOI

1. The Statement of Intent (SOI) is a key accountability document and is your major opportunity, as the responsible Minister for ENZ, to influence ENZ's medium-term strategic direction. It has a four-year focus and is usually updated every three years. ENZ was directed by the previous Minister of Education to produce an out of cycle SOI for 2023/24 onward, to fully align with the refreshed New Zealand International Education Strategy (NZIES).
2. The Ministry of Education (the Ministry) monitors the performance of ENZ with the Ministry of Business, Innovation and Employment (MBIE) as a secondary monitor, and this report has been prepared in consultation with MBIE. As the lead monitor, we are responsible for advising you on whether ENZ's draft SOI:
 - a. covers the legislative requirements for preparing a SOI,
 - b. is well articulated and responds to your priorities,
 - c. provides a sufficient analysis of the relationships with stakeholders and how ENZ will work with other agencies,
 - d. outlines a sustainable strategy and considers the financial risks to the Crown,
 - e. discusses the areas that we intend to focus on in the coming year as the monitor, and
 - f. provides for an effective strategic review process.

The purpose of the SPE

3. The SPE is also a key accountability document. It is closely linked to the SOI and sets out ENZ's priorities and performance measures for the coming year, which should enable it to achieve the vision and outcomes in the SOI. ENZ has provided you with its draft SPE for 2023/24 as part of its regular accountability cycle. This provides you with the opportunity to contribute to setting ENZ's annual performance measures and targets. It is important that the measures that are proposed in the SOI and SPE are robust and enable ENZ's performance to be readily monitored and understood.

Key requirements for the scope and content of the SOI and SPE

4. The Crown Entities Act 2004 (the CE Act) sets the requirements for the content of SOIs and SPEs, including how to prepare and publish these documents. It states that:

SOIs must:

- a. set out the strategic objectives that the entity intends to achieve or contribute to,
- b. explain the nature and scope of the entity's functions and operations,
- c. explain how the entity will manage its functions and operations to meet its objectives, and manage its organisational health and capability,
- d. explain how the entity proposes to assess its performance, and
- e. outline any other matters needed to understand the entity's intentions and capability.¹

SPEs must:

- f. identify each class of output,
- g. explain what is intended to be achieved for each class of outputs,
- h. explain how performance for each class of outputs will be assessed, and
- i. include financial statements based on general accounting practice.²

¹ Section 141, Crown Entities Act 2004

² Section 149E, Crown Entities Act 2004

5. The provisions of the Plain Language Act 2022 also provide guidance for documents intended for a public audience such as SOIs and SPEs. These provisions state that plain language must be appropriate for the intended audience, and must be clear, concise and well organised.³ Best practice guidance on public accountability documents, provides further direction on the appropriate scope, content and language of SOIs and SPEs. These sources emphasise the importance of:
- a. clear, simple and understandable language and structure,
 - b. relevant and measurable performance information that enable readers to assess an entity's performance and to understand what it is trying to achieve,
 - c. comparable and consistent performance information with explanations of any changes in how the entity is reporting its performance over time, and
 - d. actions and impacts that are within the entity's sphere of control.
6. We have used examples of guidance provided by the External Reporting Board, Te Kawa Mataaho | Public Service Commission, the Office of the Controller and Auditor-General and The Treasury, in our assessment of ENZ's draft SOI and SPE.⁴

Timing

7. The deadlines for ENZ to provide its draft SOI and SPE, for you to comment on the drafts, and for ENZ to publish final versions, are set by the CE Act. ENZ provided your office with drafts on **28 April 2023** meeting the statutory deadline. You need to provide your feedback to ENZ by **19 May 2023**. ENZ will then consider your comments as part of completing the final documents which will be approved by the ENZ Board and signed by the Chair.
8. We will provide you with advice on the final versions of the SOI and SPE that identifies any changes from the drafts and any areas for additional attention as part of monitoring ENZ's performance. ENZ is required to publish the final versions by 30 June 2023 and provide copies to you. It will advise you on tabling the final versions in the House.⁵

Key themes shaping the development of ENZ's draft SOI and SPE

9. In July 2022, the previous Minister of Education directed ENZ to develop a new SOI for 2023/24 onwards to fully align the SOI with the refreshed NZIES. This was because the SOI needed to emphasise the move towards high value international students as part of the vision presented in the refreshed NZIES.
10. The refreshed NZIES was released in August 2022. It includes a focus on short-term efforts to help providers rebuild their onshore offerings, and a longer-term vision for the future of international education. This vision is based on high-value international education, and increased resilience and sustainability including through greater diversification of markets and products. It provides a strong impetus for moving away from

³ Sections 5 and 6, Plain Language Act 2022

⁴ The External Reporting Board, [*Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting \(PBE FRS 48\)*](#) and [*Service Performance Reporting Guidance*](#); Te Kawa Mataaho | Public Service Commission [*Participating in setting the expectations and direction for entities*](#); The Office of the Controller and Auditor-General [*Improving value through better Crown entity monitoring*](#); The Treasury, [*Guidance for Creating a Statement of Performance Expectations \(SPE\) under the Crown Entities Act \(CEA\)*](#)

⁵ Sections 149(2)(a)(i) and 146(2)(a) of the CE Act require ENZ to provide drafts of the SPE and SOI to you no later than two months before the start of the financial year to which they relate - in this case by 30 April 2023. Section 146(2)(b) and section 149(b) the CE Act require you to provide feedback on the draft SPE and SOI no later than 15 days after you receive the drafts – in this case by 19 May 2023. Section 149(c)(i) and section 146(2)(c)(i) of the CE Act require ENZ to publish the final SPE and SOI before the start of the financial year to which these documents refer – in this case on or before 30 June 2023.

a heavy reliance on a limited number of traditional markets for New Zealand international education and is a critical change for ENZ's role in facilitating student recruitment.

11. We also expected the new SOI, and this year's SPE, to provide clarity around the scope of ENZ's role in the international education system, including its role as a Crown Agent and its work with other agencies, and to support a more robust framework for tracking and assessing ENZ's performance.⁶
12. We have worked with ENZ around these themes in engagement discussions and through our monitoring reports. ENZ's understanding of its role as a Crown Agent and, more recently, its support for high value international education and increased resilience and sustainability, have been a particular focus of these discussions. A strong emphasis on the need for role clarity was also an element in the letter of expectations that you signed on 10 May 2023 (METIS 1290533).
13. ENZ's work with KPMG on an investment monitoring framework is a further theme shaping the development of the SOI and SPE and this work is expected to be completed in three-to-six months' time. The framework will improve the linkages between ENZ's activities and outcomes, and will support improved management of ENZ-specific risks. It will also be an important tool to inform decisions on strategic investments, such as innovation.
14. ENZ's approach to financial planning and budget management is another area shaping its SOI and SPE. ENZ's approach is discussed in the attached financial commentary (Annex 1 refers). The financial commentary emphasises that ENZ's baseline funding is not changing but the end of one-off Covid Response and Recovery Fund revenue is a significant change in its operating environment. The commentary also outlines that ENZ is planning to manage its personnel costs and to focus on current marketing activities as the basis of its approach to its financial management.
15. We will continue to engage with ENZ on how it will deliver on its strategic intentions and commitments using its available funding. This will include seeking further information on how ENZ will support diversification of markets as a key aspect of increased resilience and sustainability of New Zealand international education. We will undertake this work as part of a deep dive analysis as a priority work item and will report on this work in our monitoring reporting as soon as possible.

Factors impacting on performance of Education Crown Agents including ENZ

16. We have also considered generic environmental factors that are, or which could, impact on ENZ's performance as part of our analysis of the draft SOI and SPE. These include:
 - a. cost pressures from high inflation, wage pressures and pay equity settlements,
 - b. the impact of staff turnover on institutional knowledge,
 - c. the cumulative impact of change programmes,
 - d. a focus on giving effect to Te Tiriti,
 - e. the Government's expectation that the impacts of investment spending are well understood.
17. We have identified these impacts as part of environmental scanning, which shows these factors are creating challenging operating environments for each of the Education Crown

⁶ METIS 1286367 and 1287671 refer.

Agencies that we monitor. Detailed information on our environment scan is being provided to you at the same time in another report [METIS ER1310117 refers].

18. ENZ is operating in a tight labour market that is continuing to drive salary inflation, and when combined with cost pressures, and a constrained budget, it is increasingly challenging ENZ's ability to staff and resource key deliverables. A constrained budget is also limiting ENZ's capacity to invest in key tools and systems, and to safely deliver its work in an increasingly digitised environment that includes cybersecurity threats.
19. We consider there is sufficient consideration of these impacts in the draft SOI and SPE but will continue to engage with ENZ on these issues including related metrics on staff turnover, contractor spending and staff wellbeing. These areas will continue to provide insights on the impact of environmental factors on ENZ's capacity to achieve its performance targets.
20. We have had recent discussions with ENZ on its own staff turnover and staff welfare, staff turnover and loss of institutional knowledge among providers, and the impact of cost pressures on ENZ's operations. We are comfortable that ENZ has identified the importance of managing its personnel costs, that its staff turnover is stabilising with the completion of its organisational restructure, and that it is committed to staff welfare.
21. We are also comfortable that ENZ is supporting initiatives to lift Te Tiriti and cultural capability among its staff, is carefully considering where to direct resources to support key IT tools, and is managing cybersecurity threats. We will engage more closely around contractor spending in the current quarter.

Analysis of ENZ's draft SOI and SPE

General analysis

22. Overall, we consider the drafts of the new SOI and SPE are improvements on previous versions and are travelling in the right direction - we have included this assessment in the proposed letter to the Chair. The improvements in the draft documents include:
 - a. giving prominence to the role of the NZIES,
 - b. a stronger future focus,
 - c. acknowledging ENZ's need to work with other agencies,
 - d. acknowledging public sector objectives of giving practical effect to Te Tiriti o Waitangi and supporting strong Māori-Crown relationships, and
 - e. committing to developing performance measures that will provide a clearer basis for assessing ENZ's performance over time.
23. We have also assessed that the draft SPE and SOI include the content required under the CE Act, and use plain language and follow a logical structure which makes them accessible to a general audience. We consider that the SOI sufficiently outlines ENZ's outputs, its strategy for achieving its goals and strategic priorities, and how it will manage its risks, but that there remain opportunities for further clarification.

Opportunities for iteration and strengthening

24. We recommend that you use the letter to the Chair to encourage ENZ to consider further iterations. It would be beneficial to add refinements about ENZ's role, to further explain how ENZ's activities will support its strategic intentions, and to provide more details on

how ENZ-specific risks and ENZ's performance measures will be managed. We suggest ENZ should consider refining the content around:

- a. Role clarity: more discussion on the distinct roles of ENZ, the Ministry of Education, and partner agencies, and how these individually and collectively support the goals and priorities of the NZIES. This joined-up view is important for readers' understanding of ENZ's role in the international education system including its points of influence and leverage.
 - b. Targeting: more explanation about how ENZ will give effect to Goal 2 of the NZIES (to support more resilience and sustainability in New Zealand international education including through diversification of markets). As noted below, ENZ anticipates including more information on this in the final SOI and SPE.
 - c. Leveraging knowledge: more discussion on how ENZ leverages information and intelligence from its staff and marketing activities, and the publicity and momentum created by Ministerial and institutional visits, to assist student recruitment.
 - d. ENZ-specific risks: more discussion on how ENZ will manage risks that are within its span of control.
 - e. Performance measures: more information on the methodology for the new performance measures.
 - f. Opportunities: an even stronger emphasis on the opportunities associated with the rebuilding of New Zealand international education while still acknowledging the significant challenges from the impact of the COVID-19 pandemic.
25. We have provided feedback on the above points to ENZ during consultation on the draft SOI and SPE alongside feedback on technical aspects such as terminology. We have also received comments from ENZ on the draft of this education report. ENZ has noted that it is consulting on its proposed approach to target markets as part of its business planning and intends to include further information in the final SOI and SPE.
26. Market diversification and ENZ's approach to marketing is a high priority area to us as a monitor, and we intend to complete a deep dive on this. This will include considering related definitions and approaches regarding traditional target markets and new target markets.

Comment on the proposed performance measures

The proposed performance measures in the SOI

27. ENZ's draft SOI contains seven measures, six of which are new, and it will be vital for ENZ to keep its monitors well informed about its work on the supporting methodologies. It will also be important for ENZ to work with the monitors on further thinking around how the measures can be refined to give them greater longevity so that it is easier to track and analyse ENZ's performance over the longer-term. We have included this assessment in the proposed letter to the Chair.
28. Strengthening the measures in this manner will be an important step forward as it has been difficult to understand ENZ's performance over time. Ongoing changes in ENZ's operating environment have been reflected in frequent changes in performance measures and this has made it difficult to form a clear view of performance.

New measures	Comment
Impact measures	
<p>A. New measure: Maintain brand preference in targeted markets</p> <p>Indicator of success: Percentage of students interested in studying overseas who prefer New Zealand as a study destination</p> <p>2024 Target: Establish baseline Outyear targets: Maintain</p>	<p>This measure relates to ENZ's core marketing function. Our feedback was that additional clarity on what 'targeted' means would be beneficial.</p> <p>We will actively engage with ENZ on this measure as it is important to support the diversification of markets, and the definition of this measure will need to reflect this.</p> <p><i>We do not propose any further feedback on this proposed measure.</i></p>
<p>B. New measure: International students have access to timely, relevant and useful information to support their New Zealand education experience</p> <p>Indicator of success: Percentage of international students in New Zealand who indicate they have access to timely, relevant and useful information to their New Zealand education.</p> <p>2024 and outyear targets: increase</p>	<p>We agree with this measure and have advised ENZ that we would like to understand more about the methodology and will engage on this.</p> <p><i>We do not propose any further feedback on this proposed measure.</i></p>
<p>C. New measure: ENZ's support is valued by the international education sector</p> <p>Indicator of success: Percentage of the international education sector that values ENZ's support</p> <p>2024 Target: >= 75% Outyear targets: increase</p>	<p>We have advised ENZ we are interested in understanding more about the methodology / survey approach for this measure. We suggested that ENZ considers surveying a range of stakeholders (providers, partner agencies and other system stakeholders). This would provide a richer and more diverse source of information on how ENZ can best target and coordinate its support for New Zealand international education.</p> <p><i>We do not propose any further feedback on this proposed measure.</i></p>
<p>D. New measure: ENZ's key connections and partnerships in targeted markets contribute to a connected New Zealand</p> <p>Indicator of success: Number and quality of ENZ key connections and partnerships that contribute to a connected New Zealand.</p> <p>2024 Target: establish baseline Outyear targets: increase</p>	<p>We have advised ENZ we will engage on the development of the methodology so that we remain well-informed about this work. This will help us to better understand the exact mechanisms for how increasing key connections and partnerships in targeted markets will support the goals and priorities in the NZIES.</p> <p><i>We do not propose any further feedback on this proposed measure.</i></p>

Management measures	
<p>A. New measure: Decrease ENZ's gross carbon emissions</p> <p>2024 Target: establish baseline</p> <p>Outyear targets: decrease emissions</p>	<p>This is a clearly stated measure in line with all-of-government expectations. We have recently been briefed on the methodology that will be used to provide the necessary data. We have also been assured that ENZ will use the baseline data to refine outyear targets and adopt more specific and ambitious targets in line with future government policy.</p> <p><i>We have not provided feedback on this proposed measure to ENZ.</i></p>
<p>B. ENZ staff have an understanding of and are empowered to uphold the articles and principles of Te Tiriti o Waitangi</p> <p>2024 Target: 85%</p> <p>Outyear targets: increase</p>	<p>This performance measure provides a clear commitment to giving practical effect to Te Tiriti, including through working with Māori, iwi and hapū. We will continue our dialogue with ENZ around Te Tiriti and equity issues including encouraging ENZ to consider if there should be any refinements to this measure in future years.</p> <p><i>We have not provided feedback on this proposed measure to ENZ.</i></p>
<p>C. New measure: ENZ staff are satisfied with ENZ's commitment to the safety and wellbeing of its employees</p> <p>2024 Target: 85%</p> <p>Outyear targets: increase</p>	<p>ENZ has signalled a need for heightened attention on staff welfare in engagement discussions. It has identified that the lingering impacts of the COVID-19 pandemic, adverse climate events and multiple sources of global uncertainty, are impacting on staff wellbeing.</p> <p>The data to support this performance measure will be based on an amended staff survey. We will seek assurance that this approach is continuing to provide the necessary information for ENZ to make a well-informed assessment.</p> <p><i>We have not provided feedback on this proposed measure to ENZ.</i></p>

The proposed performance measures in the SPE

29. Delays in the availability of auditors for the 2022/23 audit complicated ENZ's timetable for preparing its accountability documents for 2023/24, including consulting on the drafts, and this culminated in reduced time to discuss the draft SPE measures.⁷ This included the new measure on developing a sector-wide vision and framework for the future of international education that is resilient, sustainable and distinctive. We will continue to engage with ENZ on this measure during the preparation of the final documents to better understand what work is being proposed.
30. Our feedback on the draft measures to ENZ emphasised the importance of ENZ and its monitors working together to ensure a shared understanding of the supporting methodologies for the new measures. We also highlighted the difficulties of tracking performance against SPE measures with frequent changes, and concerns about the large number of measures – 20 proposed measures across the SOI and SPE. We noted that it

⁷ ENZ's 2021/22 audit was completed in Q3 2022/23.

is important that any overhead costs associated with collecting the related data are not disproportionate to the benefit, and that the scale of the related reporting task is not distracting.

31. MBIE as the secondary monitor has assessed that the 20 proposed measures are too many for an organisation of ENZ's scope and scale. We have reflected this view in our commitment to encouraging ENZ to consider reducing the number of measures over time as part of continuous improvement efforts. This will enable ENZ to draw on insights from operationalising the proposed measures in the draft SOI and SPE. In our view it is relatively common to see a large number of performance measures developed in response to changes in an organisation's operating environment and for that number to reduce over time as priorities stabilise.

Proposed performance measure	Comment
Supporting excellent education and student experience, and growing inbound student mobility	
A. Increased brand awareness in targeted markets [Target 30%]	Our feedback on the targeting aspects of the proposed impact measures in the SOI applies here. We do not propose any changes to this draft measure.
B. New measure: Increased number of students proactively gathering information about New Zealand as an education destination [Target: establish baseline in 2023/24]	We will continue to discuss how ENZ provides information for perspective students, how ENZ works with providers of international education in this area, and ENZ's thinking on the proposed methodologies for these measures. Our discussions will also focus on how ENZ expects these activities to support attracting students seeking diverse provision. We do not propose any changes to these draft measures.
C. New measure: International students find information provided by NauMai NZ to support their time studying with New Zealand useful [Target: establish baseline for 2023/24]	
Sustainable and resilient provision, and supporting industry capability development	
D. ENZ engagement and collaboration with its sector customers [Target: >=16]	We will continue our discussions with ENZ on role clarity including how ENZ works with overseas institutions, agents and government representatives to support student recruitment. This will include discussion on the methodology / sources of information supporting these measures so that we can fully understand ENZ's thinking on these measures. We do not propose any changes to these draft measures.
E. New measure: ENZ-run events are valued by the sector. [Target: establish baseline for 2023/24]	
F. New measure: MaiNZ offers value to sector and agent users as measured by quarterly NPS [Target: establish baseline for 2023/24]	

Build global citizens and communities ⁸	
G. Increased participation in the Prime Minister’s Scholarships for Asia and Latin America by Māori students [Target: 25%]	<i>We do not have any comment on this proposed measure.</i>
H. New measure: International education is a key plank in NZ’s bilateral relationships in targeted markets [Target: establish baseline for 2023/24]	<p>Our feedback on the proposed impact measures in the SOI applies here.</p> <p><i>We do not propose any changes to these draft measures.</i></p>
I. New measure: Sectoral representatives on inbound and outbound ENZ-led delegation visit show high satisfaction [Target: establish baseline for 2023/24]	
J. New measure: The sector is satisfied with the number of quality international introductions for the sector facilitated by ENZ [Target: establish baseline for 2023/24]	
<i>Building a new future for the international education sector, and encouraging and supporting innovation in the sector</i>	
K. New measure: Deliver insights and recommendations on diversified products and services per Covid Response and Recovery funding requirements [Target: establish baseline for 2023/24]	<p>We have been advised that the wording of this measure is likely to be adjusted in the final SPE to make it clearer how this relates to the completion of work described in a related measure in the 2022/23 SPE.</p>
L. New measure: To co-design a shared, sector-wide vision and framework for the future of international education that is resilient, sustainable and distinctive. [Target: vision developed by March 2024]	<p>We will continue to engage with ENZ on this measure during the preparation of the final documents to better understand what work is being proposed.</p>

Summary and next steps

32. ENZ's draft accountability documents for 2023/24 are travelling in a positive direction. The proposed SOI is now more aligned with the refreshed NZIES as directed by the previous Minister. However, there are still opportunities to strengthen the discussion on ENZ's actions in support of the vision for the future of international education set out in Goal 2 of the NZIES.
33. The attached letter encourages ENZ to consider including more information about its activities in target markets in the final versions of the SOI and SPE. This reflects the importance of these activities to achieving the vision of a more resilient and sustainable

⁸ We considered if there should be a performance measure on ENZ's administration of the Manaaki Scholarship Programme. We are comfortable with ENZ's decision to not include a performance measure as we are assured this has been discussed between ENZ and the Ministry of Foreign Affairs and Trade (MFAT), and that accountability reporting should sit with MFAT which manages the appropriation. We will continue to engage with ENZ on its performance delivering these services for MFAT. This is because of the high value of the funds dispensed, the significant staffing involved, and the need to maintain a financial demarcation from ENZ's other activities.

international education system. We will provide you with related information on ENZ's approach to marketing and diversification when we complete our deep dive analysis in this area.

34. The SOI is also an accessible document which provides a general overview of ENZ's key activities and how they support ENZ to deliver its strategic intentions. The draft SPE is also an accessible document.
35. There are a large number of new performance measures in both documents and it will be vital that ENZ ensures that its monitors are well informed about the development of the supporting measurement methodologies. We will also work with ENZ to encourage it to consider reducing the number of performance measures over time as part of continuous improvement efforts.
36. The required next step is for you to provide ENZ with comments on the draft documents by **19 May 2023** and we have provided a proposed letter to the ENZ Chair for your consideration and signature (Annex 2 refers). It emphasises that the draft SOI and SPE are positive steps forward and that there are opportunities for further strengthening. These include around role clarity, how ENZ's actions will support its strategic intentions, managing ENZ-specific risks, and work on the performance measures.

Proactive release

37. We recommend that you agree to this education report being proactively released after ENZ has published its final SOI and SPE. Any information which may need to be withheld, will be withheld under the Official Information Act 1982.

Annexes

Annex 1: ENZ financial commentary

Annex 2: Letter to ENZ Board Chair

Annex 1: ENZ financial commentary

As in recent years, ENZ is planning for a balanced year with a zero surplus in the year ending 30 June 2024 (FY24). In FY21 and FY22 ENZ finished the year close to this and it anticipates the same in FY23, per its most recent forecasts. Therefore, on the face of it, the budget is achievable. As a result of the zero surplus, ENZ's equity position will be unchanged, with just small variations between different asset and liability classes.

ENZ's baseline funding is unchanged; however, when comparing budgeted operating revenue in FY24 to forecast FY23 revenue there is a \$3.27M reduction. This is a result of the one-off Covid Response and Recovery Fund (CRRF) revenue that has been received in prior financial years and is now coming to an end. However, other revenue has increased due to ENZ expecting to hold its first in-person

Table 1. Statement of financial performance				
\$'000	FY24B	FY23F	FY22	FY21
Operating				
Revenue				
Crown - operating	27,247	31,247	37,664	32,694
Other	1,300	568	303	321
	28,547	31,815	37,967	33,015
Expenditure				
Personnel expenses	(15,314)	(14,940)	(14,576)	(13,509)
Other operating expenses	(12,908)	(16,594)	(23,078)	(19,216)
Depreciation & amortisation	(325)	(281)	(211)	(253)
	(28,547)	(31,815)	(37,865)	(32,978)
Net surplus/(deficit)	0	0	102	37
Scholarships				
Revenue	3,750	3,750	3,750	127
Expenditure	(3,750)	(3,750)	(3,753)	(178)
Net surplus/(deficit)	0	0	(3)	(51)
Overall				
Net surplus/(deficit)	0	0	99	(14)

conference post COVID

ENZ has budgeted for a corresponding reduction in expenses, wholly within the other operating expenses category. Further, operating expenses have been reduced to allow ENZ to increase its personnel

costs based on market research and industry trends (ENZ has allowed for a 3% increase).

ENZ has taken a conservative approach to accounting for an increase in personnel costs, through reducing other operating expenses, however it has put forward a Budget Bid to help cover this. ENZ is awaiting the outcome of the Public Sector Pay Adjust (PSPA) offer to determine any further effect the PSPA may have on its personnel costs.

ENZ is also planning to undergo an office refresh in FY24. A majority of the costs are expected to be covered by the building's landlord, and ENZ has not explicitly budgeted for any costs relating to this. If costs are incurred by ENZ, it expects these to be minimal and that they can be covered within its core operating expenses.

The loss of CRRF funding, in addition to the conservative approach adopted to account for increases in personnel costs, will have an impact on what ENZ can deliver in FY24. ENZ has stated it will focus on core marketing activities within its target markets, as opposed to innovation and diversification. ENZ will have to manage and prioritise its spending in a targeted manner to avoid any risk of incurring costs over and above revenue levels.

Scholarship spending is budgeted to be at the same level of FY22, which reflects a return to pre-Covid scholarship award levels.

While ENZ's balance sheet remains stable, it is limited for an organisation of its size and it has no real ability to fund any activity outside of which it is funded to deliver.

Table 2. Statement of financial position

\$'000	As at 30 June			
	As at 30 June 2024 (Budget)	2023 (Forecast)	As at 30 June 2022	As at 30 June 2021
Assets				
Current assets	6,053	6,053	11,900	7,052
Non-current assets	176	176	312	354
	6,229	6,229	12,212	7,406
Liabilities				
Current liabilities	3,050	3,050	9,106	4,314
Non-current liabilities	0	0	209	294
Total liabilities	3,050	3,050	9,315	4,608
Equity	3,179	3,179	2,897	2,798

Proactively Released

Hon Jan Tinetti

Minister of Education
Minister for Women
Minister for Child Poverty Reduction



Tracey Bridges
Chair, Education New Zealand |
Manapou ki te Ao

9(2)(a)

Tēnā koe Tracey

Thank you for Education New Zealand's draft Statement of Intent for 2023/24-2026/27 (SOI) and draft Statement of Performance Expectations (SPE) for 2023/24. I am pleased to see improvements in both documents and better alignment with the New Zealand International Education Strategy (NZIES).

Each document represents an important step forward and includes valuable refinements around critical themes to Education New Zealand's performance. They have a stronger future focus, acknowledge the importance of Education New Zealand's work with other agencies, and commit to stronger approaches for understanding the impact of Education New Zealand's actions and performance over time.

There are opportunities for further strengthening, and I encourage you to consider further refinements around role clarity, planned activities in respect to target markets, and how information and intelligence from staff, marketing efforts, and institution-to-institution and government-to-government contacts are leveraged.

These topics will be part of what the monitors will focus on in their monitoring engagements and I look forward to receiving the related reporting. I will be especially interested in information on progress on ENZ's investment monitoring framework, ENZ's approach to risk, and an in-depth analysis of ENZ's marketing approach and how it supports diversification under the NZIES.

I note that there are twenty performance measures proposed, including multiple new measures. This means it will be important for Education New Zealand to keep its monitoring agencies well informed about the development of the supporting methodologies. I would also welcome further thinking on how the performance measures can have greater longevity to make it easier to track long-term changes in performance.

I trust that you have had a positive experience in your early weeks in the role and encourage Education New Zealand to continue to evolve its performance thinking under your leadership.

I look forward to receiving the completed SOI and SPE for tabling once the Board has decided on the final content.

Nāku noa, nā



Hon Jan Tinetti
Minister of Education

cc Grant McPherson, Chief Executive, Education New Zealand
Andy Jackson, Hautū, Te Pou Kaupapahere, The Ministry of Education