



## Education Report: Draft Export Education Levy Annual Report 2018/19

<b>To:</b>	Minister of Education, Hon Chris Hipkins		
<b>Date:</b>	16 January 2020	<b>Priority:</b>	Low
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1213210
<b>Key Contact:</b>	Suzanne Townsend, Senior Policy Manager International Policy	<b>DDI:</b>	s 9(2)(a)
<b>Messaging seen by Communications team:</b>	n/a	<b>Round robin:</b>	n/a

### Purpose of report

The purpose of this paper is to provide an opportunity for you to comment on the draft Export Education Levy (EEL) Annual Report for the year ended 30 June 2019, which has been prepared by the Ministry of Education.

### Summary

Section 238I(3) of the Education Act 1989 requires the responsible Minister (in this case the Minister of Education) to present a copy of the Education Export Levy Annual Report (the report) to the House of Representatives. The report includes financial statements prepared in accordance with generally accepted accounting practice.

The draft report has been prepared by the Ministry of Education, and its financial statements have been audited by Ernst & Young, appointed by the Auditor-General.

The key findings in the report are:

- The total EEL income for the financial year ended 30 June 2019 was \$6,406,264. The total expenditure was \$5,863,176.
- Reimbursement costs of \$816,004 resulted from the unanticipated closure of two Private Training Establishments (PTEs). This is significantly lower than the EEL reimbursement of \$3,214,443 in 2017/18. The reimbursements are detailed in the draft report, and may receive some media attention.
- The EEL is being supported by a Government loan of \$6 million. This is still forecast (all things remaining equal) to be paid by 2023/24, despite NZQA forecasting further PTE closures in 2019/20.

There is no deadline for this tabling and it can be done at your earliest convenience. We suggest it is tabled in early 2020, due to the time required to finalise and print the report.

## Recommended Actions

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The Ministry of Education recommends you:

- a. **note** that the draft Export Education Levy Annual Report has been prepared by the Ministry of Education
- b. **note** that the financial statements of the annual report have been audited by Ernst & Young and considered to fairly reflect the financial performance and cash flows for the financial year ended 30 June 2019
- c. **review** the attached draft annual report and provide any feedback
- d. **note** once the annual report is finalised, we will provide your office with copies of the annual report for presenting to the House

Noted

Noted

Feedback provided / no feedback

Noted



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Graduate Achievement, Vocations and Careers**

16/01/2020



Hon Chris Hipkins  
**Minister of Education**

12/2/20

## Background

- 1 The Education Export Levy (EEL) is payable by any education provider who enrolls international fee-paying students. The EEL is administered by the Ministry of Education (the Ministry) and is used to fund a broad range of activities that benefit the international education sector, including:
  - a. administration of the Education (Pastoral Care of International Students) Code of Practice,
  - b. International Student Contract Dispute Resolution Scheme,
  - c. administration of the EEL,
  - d. International Student Wellbeing Strategy funding, and
  - e. support for Education New Zealand's marketing and promotion activities.
- 2 The EEL also funds the reimbursement of international students and Crown agencies for direct expenses related to programme and provider closures (including transferring students to another provider to complete their studies).
- 3 The Ministry of Education is responsible for the administration of the levy. The Ministry is required by legislation to present to the Minister an annual report on the administration of the levy after 1 July in each year. The Minister must present a copy of this report to the House of Representatives. There is no deadline for tabling the report and it can be done at your earliest convenience.

## EEL Annual Report

### Total income and expenditure from the EEL

- 4 The EEL income for the financial year ended 30 June 2019 was \$6,406,264, an increase of 28 percent from the year ending 30 June 2018. This is due in part to increased tuition fees, especially from the school and university sectors, and the increased EEL rate from 1 January 2019.
- 5 The operating surplus was \$593,742, as reported in the Statement of Financial Performance for the year ended 30 June 2019. This surplus increased the equity balance of the EEL account from \$1,722,637 on 1 July 2018 to \$2,316,379 at 30 June 2019.

### Key expenditures of the EEL

- 6 The budgeted and actual expenditure for 2018/19 is presented in table below.

Component of expenditure	Budgeted	Actual
Promotion, marketing, research and industry development (ENZ)	\$3,266,000	\$3,266,000
Code of Practice administration (NZQA)	\$723,000	\$723,000
Dispute resolution service (FairWay Resolution)	\$222,444	\$222,444
EEL administration operating costs (Ministry of Education)	\$148,254	\$189,379
Audit fee	\$10,152	\$10,152
International Student Wellbeing Strategy initiatives	\$750,000	\$636,197
Reimbursements resulting from PTE closures	-	\$816,004 <sup>1</sup>
<b>Total</b>	<b>\$5,119,850</b>	<b>\$5,863,176</b>

Notes: The EEL has historically carried sufficient balance to cover the low amount needed annually for reimbursements; no funding was budgeted for this purpose

- 7 The increased administration operating costs was the result of overdue debt write-offs. The classification of debt write off as administration operation costs was for accounting purposes and only applies to the 2018/19 financial year. The International Student Wellbeing Strategy underspend was due to some applicants withdrawing proposals after funding decisions were agreed.

#### **Reimbursement costs**

- 8 In the 2018/19 financial year, there were two provider closures which resulted in an EEL reimbursements totalling \$816,004. This is significantly lower than the EEL reimbursement of \$3,214,443 in 2017/18 (the highest annual reimbursement on record).
- 9 NZQA has forecast reimbursements of \$2.5- \$3.5 million for 2019/20. This is a high level estimate made based on information on previous closures. Despite the forecasted reimbursements, the Government loan of \$6 million is still forecast (all things remaining equal) to be paid by 2023/24.
- 10 The financial risk to the EEL by closures is being actively managed. NZQA has continued to increase its focus on monitoring programmes to determine whether they are being delivered as approved. This increased focus on programme delivery and assessment practice has enabled poor education performance to be identified earlier [METIS 1206033 refers].
- 11 In the coming weeks we will provide you with advice on work underway to align regulatory levers to improve the quality of the sector. The outcome of this work should reduce financial pressure and risk on the EEL in the long term.

#### **Media**

- 12 Any media queries on this report are likely to focus on the issue of PTE closures and reimbursements. We have previously prepared key messages in connection with changes to the EEL and can provide them to your office to assist with the publication of the report, if required.

#### **Next steps**

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- 13 There is no deadline to table the report. We suggest it is tabled in early 2020. This would allow us sufficient time to finalise the report, prepare supporting material for you, and make hard copies available for the House.