
To: Hon Chris Hipkins, Minister of Education

Date: 28 November 2019  Priority: Medium

Security Level: In Confidence  METIS No: 1211346

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Key Contact: Fiona O'Leary  DDI: 

Messaging seen by Communications team: No  Round Robin: No

Purpose of Report

This paper provides our assessment of the Quarter 1 (Q1) 2019/20 performance of Education New Zealand (ENZ).

Summary

- This is the first quarterly report against ENZ’s Statement of Intent (SOI) 2019-2023 and Statement of Performance Expectations (SPE) 2019/20.

- This quarter, ENZ worked with other agencies to support the Reform of Vocational Education (RoVE) announcements. ENZ’s ongoing work with the New Zealand Institute of Skills and Technology (NZIST) will be a focus of our monitoring this year.

- ENZ has agreed to a joint work programme with Immigration New Zealand. We will engage with ENZ on this in Q2.

- ENZ is in a stable financial position, however it has limited reserves to fund initiatives outside of those planned and costed within its budget.

- As ENZ’s Annual Report 2018/19 and Q1 report 2019/20 were due to you at the same time, we have not included a separate draft letter to the board Chair with this report. A draft response to the board Chair in relation to both the Annual Report and Q1 report is provided with our end of year advice on ENZ’s 2018/19 performance [METIS 1199081 refers].
Recommended Actions

The Ministry of Education recommends you:

a. note our assessment of ENZ's performance in Quarter 1 2019/20

b. agree that this Education Report is proactively released as part of the next publication

Proactive Release

It is intended that this Education Report is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.
Monitoring overview for Q1

Key points

- This is the first quarterly report against ENZ’s SOI 2019-2023 and SPE 2019/20.
- This quarter, ENZ worked with other agencies to support the Reform of Vocational Education (RoVE) announcements. ENZ’s ongoing work with the New Zealand Institute of Skills and Technology (NZIST) will be a focus of our monitoring this year.
- ENZ has agreed to a joint work programme with Immigration New Zealand. We will engage with ENZ on this in Q2.
- ENZ is in a stable financial position, however it has limited reserves to fund initiatives outside of those planned and costed within its budget.

Priority areas for monitoring

Over the next quarters priority areas will include:
- The Reform of Vocational Education
- ENZ’s work with Immigration New Zealand
- Equity and inclusion in relation to scholarships
- He Rautaki Māori.

Upcoming reports

Financial performance summary

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>10,521</td>
<td>10,532</td>
<td>9,374</td>
</tr>
<tr>
<td>Expenditure</td>
<td>(9,457)</td>
<td>(9,322)</td>
<td>(7,364)</td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
<td>1,063</td>
<td>1,209</td>
<td>2,010</td>
</tr>
</tbody>
</table>

Financial position summary

<table>
<thead>
<tr>
<th></th>
<th>As at 30 Sept 2019 Actual</th>
<th>As at 30 June 2020 Budget</th>
<th>As at 30 June 2019 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>6,719</td>
<td>5,774</td>
<td>6,075</td>
</tr>
<tr>
<td>Equity</td>
<td>3,555</td>
<td>2,395</td>
<td>2,448</td>
</tr>
<tr>
<td>Working capital ratio</td>
<td>1.81</td>
<td>1.44</td>
<td>1.43</td>
</tr>
</tbody>
</table>

Board appointments

Two member terms have recently expired and there is one vacancy on the board. In October and November we provided you with advice about appointments and reappointments to the board. We expect one reappointment and one appointment to be considered by the Cabinet Appointments and Honours Committee on 4 December. One vacancy will remain, and can be filled early in 2020.

<table>
<thead>
<tr>
<th>Name</th>
<th>Start date</th>
<th>End date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria Spackman</td>
<td>01/07/2015</td>
<td>31/08/2021</td>
</tr>
<tr>
<td>Linda Sissors</td>
<td>13/10/2018</td>
<td>12/10/2018</td>
</tr>
<tr>
<td>Karen Rolleston</td>
<td>13/10/2018</td>
<td>12/10/2018</td>
</tr>
<tr>
<td>Lyn Provost</td>
<td>01/09/2018</td>
<td>31/08/2021</td>
</tr>
<tr>
<td>Rachael Tuwhangai</td>
<td>01/09/2018</td>
<td>31/08/2021</td>
</tr>
<tr>
<td>Steve Maharey (Chair)</td>
<td>01/09/2018</td>
<td>28/02/2022</td>
</tr>
<tr>
<td>Vacant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highlighted terms have expired. Members continue to serve while the appointments process in ongoing, in accordance with s32(3) of the Crown Entities Act 2004.
Monitoring focus areas

Background

Areas of focus for monitoring activity are informed by ENZ’s 2018/19 Letter of Expectations and its environmental context and work programme.

Many of ENZ’s areas of work directly support goals and measures in the International Education Strategy (IES), and international education is a component of the Education Work Programme.

Reform of Vocational Education (RoVE)

ENZ supported the Ministry with communications during the public consultation phase of RoVE and also developed communications to support the announcements made at the beginning of August.

ENZ will work with the New Zealand Institute of Skills and Technology (NZIST) on marketing and messaging for international education within the new institution. ENZ’s work with the NZIST will be a focus of our monitoring engagement for Q2.

International Student Wellbeing

NauMai NZ – Student Experience digital platform

ENZ’s student experience platform, NauMai NZ, was launched in May. It provides international students with easy access to accurate information throughout their student journey, although it is designed primarily for prospective students through to the pre-arrival stage.

The information on NauMai NZ was co-developed with other agencies, including Immigration New Zealand, and there is an understanding that ENZ will be advised if information changes. To avoid duplication, some information for international students on the Immigration New Zealand website has been switched off, now NauMai NZ is up and running.

ENZ has had good feedback from providers, who say that it is useful to have curated government information for international students available in one place. ENZ has heard from several providers, including schools, that they are building links to NauMai into their pre-arrival and orientation information. ENZ will be looking for further feedback from their offshore staff around agents’ usage of NauMai NZ. It will also be important to seek feedback from students.

NauMai NZ is focused on providing information for tertiary students. ENZ advises that parents and education agents are the main source of information for secondary students, who are less likely to engage with information themselves. Going forward, it will be important for ENZ to provide information for secondary students, and for their parents and teachers.

For July-September 2019, ENZ advises that 72% of visits to the NauMai NZ site were ‘active’.¹

Mental health and wellbeing

In the secondary space, ENZ worked with the Schools International Education Business Association (SEIBA) to create information for staff working with international secondary school students who are experiencing mental health issues, homesickness, loneliness or depression.² In the future, ENZ will look at how this information can be repurposed for a tertiary audience.

¹ ‘Active visits’ are defined as those where the visitor engages with the website content, e.g. clicking links, scrolling and viewing multiple pages or video.

Monitoring focus areas

Refreshed Think New education brand

In 2013, ENZ launched the Think New brand. In 2017/18 a refreshed brand strategy for the Think New brand was developed, and in 2018/19 a new brand message was launched: I am New.

The refreshed brand was tested with prospective tertiary students and with parents of school age children in priority markets. It was launched to the New Zealand international education sector in August 2019. Refreshing the brand fairly regularly ensures it is current and distinct from competitors, who are constantly innovating.

The budget for gathering feedback is small, but ENZ is capturing anecdotal feedback on the refreshed brand at the events they hold. This should allow ENZ to capture changes in perception and preference as a result of campaign activities, and feed it back to inform decisions on future campaigns. We will be seeking a better understanding of this work in future.

While the focus of the Think New brand is on country choice, it is good to see that the marketing assets available for use by the sector and New Zealand government agencies in ENZ’s Brand Lab are anchored in stories that highlight the opportunities available in the regions. For example, a video available to download through Brand Lab showcases the experience in the field available to a geology student from Washington DC who is studying at the University of Otago.

Offshore activities

We have been seeking greater transparency over ENZ’s offshore activities, and in particular how market intelligence flows back into business decisions.

It is pleasing to hear that there are good links between offshore staff to share best practice and work on projects together. The international team works flexibly, and staff can offer insights across different locations and markets.

ENZ implemented a new organisational structure in 2018/19. The changes included the creation of a single International team and the appointment to senior roles in the team was completed in September 2019. We will be seeking further engagement on the intelligence cycle in Q2, now that the new team is in place.

Alumni

ENZ’s work with alumni is likely to be deprioritised in 2019/20, as it needs further resource to progress.

Business continuity planning

In Q1, we engaged with ENZ on their business continuity planning. ENZ is well prepared to ensure that their services and functions continue, or resume as soon as possible, following an emergency or significant business interruption.

Staff have laptops and can work remotely, and ENZ’s payroll system is outsourced to a company with alternative locations outside Wellington.

ENZ’s business continuity planning is Wellington focused, as one office being compromised offshore won’t have a significant impact on the business as a whole. Offshore staff are all located within NZ Inc. offices.

ENZ is linked in with the business continuity and emergency management teams at the Ministry and other agencies including the
Monitoring focus areas

Ministry of Foreign Affairs and Trade, and New Zealand Trade and Enterprise.

ENZ’s business continuity plan is updated regularly, most recently in June 2019. ENZ carries out practice drills and tests its multi-text system regularly.

We will engage again on ENZ’s business continuity planning in 2020/21, or earlier if there is a major incident.

Information security

In October, the National Cyber Security Centre (NCSC) issued guidance for public sector Chief Executives on protecting agency systems. The Secretary for Education asked the agencies we monitor for assurance that they have a plan in place to ensure compliance with the recommendations outlined the NCSC guidance.

In early November, the Secretary for Education received a response from the Chair of the ENZ board which outlined the following steps ENZ is taking to minimise information security risks:

- The ENZ board and Audit and Risk committee receive regular updates from the Chief Financial & Information Officer regarding information technology and information system risks, including cyber security. The risks are captured and monitored in the Corporate Risk Register, which is reviewed by management each month.
- A new Cyber Incident Response Plan is currently being developed and will be presented at the Audit and Risk committee meeting in December 2019. This plan will detail ENZ’s immediate response should an event occur.
- ENZ is currently in the process of updating its information technology environment which will result in a completely cloud-based platform. Consequently, all aspects of security addressed in the operational guidelines will be completely reviewed and redesigned.

- ENZ has an annual programme of external security audits – in 2019 this involved a Boundary and Digital Asset review carried out by Aura Information Security
- ENZ has an ongoing staff education process using Proofpoint Threat Security Training modules to improve staff awareness and responsiveness to threats.

ENZ’s response shows that it is aware of the importance of protecting our physical and digital information assets and takes appropriate steps to manage information security risks. We will include information security as a recurring topic in our monitoring going forward.

Non-financial performance

ENZ is on track to meet the full year target for five of the non-financial performance measures it reports against in Q1.
Monitoring focus areas

ENZ is not currently on track to meet the following two measures:
- Percentage of Prime Minister's Scholarship recipients who report making 5 or more academic connections during their time on scholarship.
- Percentage of Prime Minister's Scholarship recipients who report making five or more academic connections during their time on scholarship.

The results for Prime Minister's Scholarships for Latin America recipients are higher than for Prime Minister's Scholarships for Asia recipients for both measures, and would be on track to meet the full year target if results were reported separately.

Future engagement

We will be engaging with ENZ on the following topics in the next quarters:
- RoVE and ENZ's work with the NZIST, including how ENZ will support a more even distribution of international learners across the regions.
- Regional development, including how intelligence about activities carried out independently by providers and regional organisations is brought into ENZ's planning and decision making.
- He Rautaki Māori, with a focus on how ENZ will build cultural competence and capability and ensure consistency across the organisation, including offshore staff.
- Scholarships for outbound New Zealand students.
Financial performance Q1 2019/20

Overview

ENZ is in a stable financial position, however it has limited reserves to fund initiatives outside of those planned and costed within its budget.

Quarterly financial performance

ENZ had an operating deficit for the quarter ended 30 September 2019 (YTD) of $0.028m, which was $0.300m behind budget. The main driver of this difference is higher expenditure on marketing activity than budget, which has been partially offset by lower personnel costs.

The increased marketing activity is down to the timing of expenditure and will not result in any permanent difference to budget come the end of the financial year. The lower personnel costs is due to vacancies not being filled. These roles have been covered by contractors or secondments from other areas of the business. The personnel budget is reviewed monthly and considered by the leadership team regularly.

Revenue was broadly the same as budget, the only minor variance was other revenue which was marginally behind budget.

Historically, ENZ’s operating performance has tracked closely with budget (Figure 1.), we have seen nothing in the YTD to suggest this will change this financial year.

There was a large scholarship surplus during the quarter, which is typical for the period due to a difference in timing of funding being received by ENZ and handed out to recipients. Scholarship expenditure was negative in the quarter as a result of the return of some funding from recipients. ENZ’s scholarship panels met at the end of the quarter and agreed to new scholarships, the recipients of which have now started to receive payments.

<table>
<thead>
<tr>
<th>Table 1. Financial performance</th>
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<tbody>
<tr>
<td>$'000</td>
</tr>
<tr>
<td><strong>Operating</strong></td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Crown - operating</td>
</tr>
<tr>
<td>Crown - BDL</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
</tr>
<tr>
<td>Personnel expenses</td>
</tr>
<tr>
<td>Other operating expenses</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Net surplus/(deficit)</strong></td>
</tr>
<tr>
<td><strong>Scholarships</strong></td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Expenditure</td>
</tr>
<tr>
<td><strong>Net surplus/(deficit)</strong></td>
</tr>
<tr>
<td><strong>Overall</strong></td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
</tr>
</tbody>
</table>

Figure 1. Operating performance

ENZ Q1 performance 2019/20
Financial performance Q1 2019/20

Financial sustainability

ENZ’s balance sheet remains stable. ENZ’s net assets were higher than the end of year budget due to a difference in the phasing of revenue and expenditure (Table 2).

While ENZ advises that it proactively manages risks through the careful management of resources, including where required the occasional reprioritisation of discretionary expenditure, any change in funding levels without a suitable lead in time may have an impact on ENZ’s financial sustainability. The same applies should ENZ encounter significant unforeseen expenditure with no associated funding, although this is unlikely.

ENZ has accumulated a surplus of scholarship funding, which is currently recorded on its balance sheet within current assets (Figure 3.). This is due to the timing and amount of student drawdowns and ENZ intends to fully allocate this funding.

Table 2. Financial position

<table>
<thead>
<tr>
<th>$'000</th>
<th>As at 30 Sept 2019</th>
<th>As at 30 June 2020</th>
<th>As at 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>6,719</td>
<td>5,774</td>
<td>6,075</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>709</td>
<td>621</td>
<td>778</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,702</td>
<td>4,000</td>
<td>4,234</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>171</td>
<td>0</td>
<td>171</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,873</td>
<td>4,000</td>
<td>4,405</td>
</tr>
<tr>
<td>Equity</td>
<td>3,555</td>
<td>2,395</td>
<td>2,448</td>
</tr>
</tbody>
</table>

Export Education Levy funding

ENZ currently receives $3.266m per year from the Export Education Levy (EEL) account for marketing and promotion activities. You have agreed that ENZ’s EEL funding will be used to meet an EEL expenditure reduction of $300,000 from 2020/21 financial year [METIS 1203855 refers]. ENZ will need to be budgeting for the reduction this financial year.