Education Report: Proposal to draw down International Education Recovery Plan contingency funding

To: Hon Chris Hipkins, Minister of Education
Hon Grant Robertson, Minister of Finance

Date: 18 September 2020
Priority: High

Security Level: In Confidence
METIS No: 1235115

Drafter: Andrea Fairbairn

Key Contact: Suzanne Townsend

Messaging seen by Communications team: No

Purpose of Report

The purpose of this paper is to recommend that you:

- agree to draw down $1 million of the International Education Strategic Recovery tagged operating contingency funding to progress the diversification of international education products and services from 2020/21.

- note that a subsequent paper will seek agreement to draw down the remaining $8.150 million in 2021 subject to evaluation of the above work.

Summary

1. On 6 July 2020, Cabinet agreed to support a package of International Education Strategic Recovery initiatives. This included $25 million over three years to support the Government’s commitment to the international education sector. Within that funding, Cabinet set aside a contingency of $9.150 million to:

   - develop a unified digital platform to host and promote offerings from all parts of the education sector to build a diverse and large community of engaged users; and

   - explore, develop, test and deliver new diversified international education products and services to aid international education sector recovery.

2. Cabinet authorised you to jointly draw down this contingency funding subject to further detail being provided on the two projects, including more detailed costings, an implementation plan and a strategy for how projects will be monitored and evaluated.

3. Education New Zealand’s (ENZ) initial project planning documents have been appraised by officials from the Treasury and the Ministry of Education. While there is sufficient detail from ENZ to progress detailed planning, more detailed project implementation information is required before recommending a full drawdown of the contingency.
4. Officials are therefore recommending $1 million be provided to ENZ to further develop its two projects, with a focus on better defining feasibility and delivery of the two projects. The $1 million would provide $0.800 million for the unified digital platform project, and $0.200 million for the exploration of international education products and services project.

5. ENZ will arrange for an independent evaluation of the projects and the Ministry of Education and Treasury will have involvement in the evaluation, including assessment the evaluation reports and feasibility analyses.

6. Subject to these analyses, approval to draw down additional funding to implement the projects will be sought from Joint Ministers in 2021.

**Recommended Actions**

The Ministry of Education recommends that you:

1. **note** that on 6 July 2020, Cabinet [CAB-20-MIN-0328.22 refers]:

   1.1 established a tagged operating contingency of $9.150 million (as identified in the below table) to support the diversification of International Education Products and Services, including the development and delivery of a unified digital platform, and for exploration, market testing, and analysis to create innovative products and services:

   | International Education Strategic Recovery: Diversification of International Education Products and Services – tagged operating contingency | $m |
   |---|---|---|---|---|
   | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
   | 1.000 | 4.150 | 4.000 | - |

   1.2 directed the Ministry of Education, in consultation with Education New Zealand (ENZ), to report back to the Minister of Finance and Minister of Education with further detail on the unified digital platform, including more detailed costings, an implementation plan and a strategy for how the platform will be monitored and evaluated.

   1.3 authorised the Minister of Finance and the Minister of Education to jointly approve draw down of the tagged operating contingency funding in recommendation 1.1, subject to their satisfaction with the outcome of the further work described in recommendation 1.2;

2. **note** that officials consider there is sufficient information to support an initial draw-down from the tagged operating contingency to enable ENZ to progress further development and implementation planning of the projects described in recommendations 1.1 and 1.2;
3. **agree** to a drawdown of $1 million in 2020/21 for further development and implementation by ENZ of the projects described in recommendations 1.1 and 1.2;

- **Agree**
- **Disagree**

Minister of Finance

Minister of Education

4. **approve** the following changes to appropriations to provide for the decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

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- **Agree**
- **Disagree**

Minister of Finance

Minister of Education

5. **agree** that the proposed change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

- **Agree**
- **Disagree**

Minister of Finance

Minister of Education

6. **agree** that the expense incurred under recommendation 4 above be charged against the International Education Strategic Recovery: Diversification of International Education Products and Services Tagged Operating Contingency described in recommendation 1.1 above;

- **Agree**
- **Disagree**

Minister of Finance

Minister of Education

7. **note** that further feasibility and design work on both projects is required, and the Ministry is likely to propose drawdown of the remainder of the contingency to implement those projects 2021;

- **Agree**
- **Disagree**

Minister of Finance

Minister of Education
8. agree that this Education Report be proactively released.

Agree Disagree
Minister of Finance

Agree Disagree
Minister of Education

Belinda Himiona
Group Manager International Education
Te Ara Kaimanawa
18/09/2020

Hon Grant Robertson
Minister of Finance
16/10/2020

Hon Chris Hipkins
Minister of Education
14/10/20
Background

1. On 6 July 2020, Cabinet agreed to support a package of International Education Strategic Recovery initiatives. A total of $25 million over three years was allocated to support the Government’s commitment to the international education sector [CAB-20-MIN-0328.22 refers].

2. Cabinet agreed that $9.150 million would be held in contingency to fund two projects:
   - develop a unified digital platform to host and offer digital education offshore; and
   - explore, analyse, develop options, test, and deliver new international education products and services to recover and grow the international education sector.

Project details

3. Both projects are intended to support New Zealand’s international education sector to recover from the impacts of COVID-19 and grow businesses in a sustainable way, ensuring that the sector has a diversified base of revenue streams.

4. Education New Zealand has been investigating how new products and services, including new ways of delivering content, could be part of a more diversified, sustainable international education sector in the future. ENZ’s work on the proposed digital platform will assess and test the use of a student facing digital platform that New Zealand providers can plug their content into to reach students around the world, aggregated and curated to present a compelling New Zealand proposition to markets and segments beyond the scope of traditional student attraction. Providers and publishers could use the platform to access new markets and extend their reach, while ensuring a consistency of service and quality to consolidate New Zealand’s reputation and brand that a fragmented market-based approach will struggle to deliver.

5. The first phase of the work will primarily to test providers’ capacity and appetite to work with the platform, and the student demand in the changed market dynamics created by COVID. As part of the design of this project, other relevant government agencies will sit on the project team to ensure alignment, co-ordination of resources (both new and existing) and impact. This will ensure that linkages occur where appropriate and that there is no duplication of resources or effort. Defining the value proposition for the delivery of this service will be a key part of the work in year one.

6. The platform will be designed to comply at all necessary points, including data sharing to link to Te Reo and Data 2020 and other systems as appropriate.

7. The second project supports the diversification of international education products and services through developing and testing options, and delivering the new international education products and services to recover and grow the international education sector. This initial funding will support an evidence base for a range of innovative education products and services which will deliver returns for New Zealand and ensure more predictable income streams.

Proposed funding

8. ENZ’s initial project planning documents were appraised by officials from Treasury and the Ministry of Education. For both projects, more detail is required in the following areas:
• due diligence and feasibility analyses including market/demand and potential revenue analyses;
• detailed project design and implementation, and budget information;
• information showing what the projects would look like when implemented (detailed outputs and outcomes);
• independent evaluation of projects including stop/go points.

9. In addition, there is insufficient evidence of sector consultation and demand for the unified digital platform.

10. In subsequent discussions between Treasury, ENZ and the Ministry of Education, it was suggested that initial funding could be released to allow robust feasibility analyses to be completed.

11. Treasury and Ministry officials are therefore recommending funding of $1 million be provided to ENZ to carry out this work for its two projects comprising:

• $0.800 million for the unified digital platform project; and
• $0.200 million for the exploration of new international education products and services.

12. Before proceeding to implementation, ENZ will arrange an independent evaluation of both projects and if the feasibility analyses and evaluations recommend continuation, a subsequent paper will seek drawdown of the balance of the contingency ($8.150 million) for Years 2 and 3.

Costs and Implementation Plan of the Unified Digital Platform project

13. The Year One timeline and budget detail of the unified digital platform project for 2020/21 are set out in Annex 1 and include:
• Stakeholder engagement consultation: $0.200 million by 31 October 2020;
• Validation of business model and prototype development: $0.125 million by 15 November 2020;
• Business case and independent evaluation: $0.100 million by 31 May 2021.

14. Monitoring and Evaluation will be carried out in the following ways:
• ENZ has agreed to an independent evaluation before seeking drawdown for Year Two implementation. The Terms of Reference will be agreed with the Ministry of Education and Treasury.
• ENZ will monitor progress of the unified digital platform project through reporting to the ENZ Board and the International Education agencies Governance Group. This information will also be shared with the Ministry of Education and Treasury so that both agencies can advise effectively on the next draw down.
• Treasury may include the project in its monitoring of COVID-19 expenditure funded from the COVID-19 Response and Recovery Fund (CRRF).
• Project progress will also be included within the International Education Recovery Plan updates to Ministers and Cabinet by the end of 2020 and in March 2021.

1 ENZ has not determined the model for meeting the functional requirements of a platform – this could involve building and owning or licensing, or indeed some other type of arrangement with a supplier.
Costs and Implementation Plan of the Exploration of International Education Products and Services project

15. The Year One timeline and budget detail of the Exploration of International Education Products and Services project for 2020/21 are set out in Annex 2 and include:
   - Stakeholder and sector consultation $0.020 million by 15 November 2020;
   - Options for market testing $0.040 million by 15 February 2021;
   - Validation and prototype development $0.120 million by 15 February 2021;
   - Independent evaluation $0.050 million by 15 March 2021.

16. Monitoring and evaluation will be carried out in the following ways:
   - A Monitoring and Evaluation Strategy will be provided in 2021.
   - Treasury may also include the project in its monitoring of COVID-19 expenditure funded from the CRRF.
   - Progress will be included within the International Education Recovery updates to Ministers and Cabinet by December 2020 and March 2021.
   - All monitoring and evaluation will inform the Ministry and Treasury’s advice on future drawdown.

17. For both projects, financial expenditure will be monitored through ENZ monthly management reporting. Project specific risks will be reported to and managed by ENZ’s Audit and Risk committee.

Recommendation and next steps

18. Officials recommend the draw-down of $1 million from the International Education Strategic Recovery: Diversification of International Education Products and Services Tagged Operating Contingency:
   - $0.800 million over 2020/21 for the unified digital platform project; and
   - $0.200 million over 2021/22 for the exploration of international education products and services.

19. This will enable ENZ to carry out robust feasibility analyses of the unified digital platform project and exploration of international education products and service project. The Ministry of Education and Treasury will assess the feasibility analyses and evaluation reports and assess whether future drawdowns would be appropriate.

20. If the feasibility analyses and evaluations recommend continuation, a subsequent paper will seek draw-down from the contingency for implementation of the projects in 2021/22 and 2022/23.

Proactive release

21. We recommend that this briefing is proactively released, subject to any redactions in line with the Official Information Act.
Annex 1: Year 1 Milestones for Unified Digital Platform

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<th>Due date</th>
<th>Milestone</th>
<th>Detail</th>
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| 1  | 31 Oct 2020| Problem definition Needs analysis  | What is the problem that the platform is solving? What is the evidence of the problem? How has that problem and need analyses taken place? How you decided on the platform as the solution. What other options were considered and excluded as solutions? Product definition - clear definition of what the platform 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<td>7</td>
<td>15 Jun 2021</td>
<td>Appraisal</td>
<td>Appraisal of business case and documents - stop/go point. Drafting of drawdown report</td>
<td>MoE, Treasury</td>
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**Annex 2: Year 1 Milestones for Exploration of International Education Products and Services project**

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<th>Due date</th>
<th>Milestone</th>
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<tr>
<td>1</td>
<td>15 Nov 2020</td>
<td>Stakeholder engagement</td>
<td>Stakeholder consultation – what new international education products and services do consumers want to purchase? What do international students and other education consumers need and want? Are there providers and businesses who want to deliver these products and services</td>
<td>ENZ</td>
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<td></td>
<td></td>
<td></td>
<td>Problem definition, needs analysis and rationale</td>
<td>$0.020</td>
</tr>
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<td>2</td>
<td>15 Dec 2020</td>
<td>Market analysis</td>
<td>Market analysis - what other products and services are in the market internationally? What are trends and gaps in the market?</td>
<td>ENZ</td>
</tr>
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<td></td>
<td></td>
<td>Demand analysis</td>
<td>Demand analysis - is there demand for the new products and services? And what are people prepared to pay?</td>
<td>$0.020</td>
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<td></td>
<td>Revenue analysis</td>
<td>Project revenue analysis - how are they going to be paid for and by whom, what is viable?</td>
<td>$0.120</td>
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<td></td>
<td>De very analysis - are there providers and businesses who want to deliver these products and services, and how will this work?</td>
<td>ENZ</td>
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<tr>
<td>3</td>
<td>15 Dec 2020</td>
<td>Appraisal of documents</td>
<td>Appraisal of these milestones by Treasury and Ministry of Education Review point – allowing agencies to define the additional information we would expect to see by the end of March 2021 (or sooner).</td>
<td>MoE, Treasury</td>
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<td>Update Ministers</td>
<td>Update to Ministers on project progress against milestones</td>
<td>$0.040</td>
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<td>4</td>
<td>15 Feb 2021</td>
<td>Market options and testing</td>
<td>Product definition</td>
<td>$0.040</td>
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<td></td>
<td></td>
<td>Prototyping</td>
<td>Develop options for the market and market testing.</td>
<td>$0.120</td>
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<td></td>
<td>Feasibility Cost/ benefit analysis</td>
<td>Feasibility analysis – what is feasible as an outcome and are the new products and services going to diversify income and risk for New Zealand - including cost/benefit analysis</td>
<td>ENZ</td>
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<td>5</td>
<td>15 Mar 2021</td>
<td>Business case Evaluation</td>
<td>Present a robust case for implementation - including summary of the above Independent evaluation</td>
<td>$0.020</td>
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<tr>
<td>6</td>
<td>31 Mar 2021</td>
<td>Appraisal</td>
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<td>MoE reasur</td>
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