Purpose of Report

This paper provides our assessment of the Quarter Three (Q3) performance of the New Zealand Qualifications Authority (NZQA), and asks you to sign and send the letter to the Chair of NZQA relating to its quarterly report.

Summary

- This assessment covers Q3 2019/20 (1 January to 31 March 2020) and developments up to the date of this report. This report sits alongside NZQA’s own quarterly report which you have received.

- The focus of this report is on the entity’s response to COVID-19. Attached as Appendix One is a diagram outlining our monitoring approach for COVID-19.

- NZQA has provided strong evidence to us that they coped well internally, assessed changing customer needs through the pandemic and reprioritised accordingly. The Ministry is appreciative of how quickly NZQA worked to respond to COVID-19 and the support it has provided to enable a cogent sector approach to learners, their whānau, schools and non-university tertiary providers.

- The work pressures created by COVID-19 led to your office asking us to hold back on forwarding our report on NZQA’s performance in Q2. We have the Q2 report on file if you would like to see it.
Recommended Actions

The Ministry of Education recommends you:

a. **note** our assessment of NZQA’s performance in Q3 2019/20

   *Noted*

b. **sign** and **send** the attached draft letter to Neil Quigley, the Chair of the NZQA Board, on NZQA’s Q3 performance

   *Agree / Disagree*

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

   *Release / Not release*

Jan Breakwell  
Deputy Secretary (Acting)  
Strategy, Planning and Governance  
06/07/2020

Hon Chris Hipkins  
Minister of Education  
29/8/2020

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.

Annexes

Annex A: Draft letter to the NZQA Board Deputy Chair on entity Q3 performance
Monitoring overview for Q3

Key points

New Chief Executive
- Dr Karen Poutasi stepped down as Chief Executive of NZQA on April 9, ending nearly 14 years leading the entity.
- Dr Grant Klinkum was appointed to the role of CE, effective April 14. This was in the middle of Level 4 lockdown.

Focus of this Report
- This report focuses on how well NZQA immediately responded to the COVID-19 pandemic, the effectiveness with which it was able to assess changed client needs, and how it reprioritised to meet these needs. Attached to this document is a diagram which shows our approach to monitoring for COVID-19.
- Pre COVID-19, NZQA was under great pressure to continue to deliver business-as-usual while planning for and managing the significant amount of change required of it by the Education Work Programme (EWP).
- Given the immediacy of the need to respond to the pandemic and the increased workload it caused, deliverables around the EWP are not covered in this report. We will focus on this in our future monitoring.

NZQA has performed well
- We consider NZQA has responded well to the pandemic.
- NZQA’s continuity planning meant it was able to seamlessly transition its staff to work from home. Further, it worked closely with staff to ensure their general well-being was supported through lockdown and the return to the office.
- NZQA has provided strong evidence that it has:
  o effectively assessed impact for learners and providers
  o worked with the sector to find solutions to minimise the stresses for learners and support teachers, schools and non-university tertiary providers.

In upcoming quarters we will continue to focus our monitoring on:
- how the entity is continuing to manage impacts of COVID-19
- delivery of core functions including:
  o the 2020 assessment cycle, particularly actions to increase equity
  o progress with National Certificate of Educational Achievement (NCEA) Online
  o capability and capacity to manage the interim Code of Practice for pastoral care of domestic students and the Code of Practice for pastoral care of international students
  o support to Tertiary Education Organisations (TEOs) and Private Training Establishments (PTEs) given the disruption to teaching and loss of students due to the closed borders.
- operational readiness for change and implementing the EWP, and
- financial sustainability and prioritisation.

Financial performance summary

<table>
<thead>
<tr>
<th></th>
<th>YTD FY20</th>
<th>YTD Budget</th>
<th>YTD FY19</th>
<th>FY20F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>83,603</td>
<td>81,099</td>
<td>74,489</td>
<td>102,096</td>
</tr>
<tr>
<td>Expenditure</td>
<td>(76,902)</td>
<td>(78,451)</td>
<td>(68,256)</td>
<td>(100,275)</td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
<td>6,701</td>
<td>2,648</td>
<td>6,232</td>
<td>1,821</td>
</tr>
</tbody>
</table>

Financial position summary

<table>
<thead>
<tr>
<th></th>
<th>As at 31 March 2020</th>
<th>As at 30 June 2019</th>
<th>As at 30 June 2020 (Budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>22,152</td>
<td>17,989</td>
<td>13,466</td>
</tr>
<tr>
<td>Equity</td>
<td>22,746</td>
<td>16,044</td>
<td>14,213</td>
</tr>
<tr>
<td>Working capital ratio</td>
<td>2.13</td>
<td>1.65</td>
<td>1.64</td>
</tr>
</tbody>
</table>
Board Chair Murray Strong resigned from the Board effective 31 March 2020 to take up the role of Chair of the New Zealand Institute of Skills and Technology (NZIST) Governing Council. Neil Quigley has acted as Board Chair since Murray Strong was appointed Executive Director of the NZIST Establishment Board in August 2019.

Neil Quigley’s appointment was due to expire on 31 March 2020. He has agreed, at your request, to continue as Acting Board Chair until a robust appointment process can take place – likely to be early 2021.

Current NZQA board members by term expiry date (as at 31 March 2020)

<table>
<thead>
<tr>
<th>Name</th>
<th>Start date</th>
<th>Expiry date</th>
<th>Board profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murray Strong (Chair)</td>
<td>1-Nov-2010</td>
<td>31 Mar-2020 (resignation)</td>
<td></td>
</tr>
</tbody>
</table>
| Neil Quigley (Acting Chair since August 2019) | 1-Nov-2010 | Early 2021 | - Five women, four men  
- Average age of 61  
- Skills and experience that includes business and community development for Māori and Pacific peoples, change management, digital, financial, ICT, regulatory, and tertiary and secondary sector  
- Regional representation  
- One Māori member  
- One Samoan member |
| Kate Shevland         | 26-Aug-2015 | 7-Nov-2021 |                                                                                   |
| Jenn Bestwick         | 8-Nov-2018  | 7-Nov-2021 |                                                                                   |
| Lyn Provost           | 8-Nov-2018  | 7-Nov-2021 |                                                                                   |
| Antony Royal          | 13-Sep-2016 | 15-Sep-2022 |                                                                                   |
| Mary Chamberlain      | 13-Sep-2016 | 15 Sep 2022 |                                                                                   |
| Lili Tuioti           | 16-Sep-2019 | 15-Sep-2022 |                                                                                   |
| Appointment process underway |         |             |                                                                                   |
| and intern            |            |             |                                                                                   |
| Scott Tambisari       | 23-Sep-2019 | 22-Mar-2021 |                                                                                   |
Non-Financial Performance

Background

The focus for Ministry monitoring activity through Q3 has been the impact of COVID-19. This has required gathering information to assess, in the short term:

- how COVID-19 affected / is affecting the agency, and
- how well the agency has continued to deliver while adjusting to the changes brought about by COVID-19.

The monitoring team has also provided advice on how to manage key accountability processes through COVID-19, namely the SPE process and the focus for reporting.

Future monitoring will look at:

- the longer term impacts of COVID-19 and how well the entity is strategically thinking through impacts
- NZQA’s performance with regard to the key aspects of the educational reforms which it is responsible for delivering:
  - changes to the New Zealand Qualifications Framework (NZQF)
  - the NCEA Review
  - NCEA Online
  - the Reform of Vocational Education (RoVE) and
  - the new Code of Practice for pastoral care of domestic students
- delivery of core functions (as previously outlined in the Monitoring Overview section)
- how well NZQA’s regulatory framework is adjusting to the complexity and changes in the system and how the assurance function will be managing the associated risks
- the Action Plan which NZQA is developing with the Ministry and Education New Zealand to support international student wellbeing.

These latter two points are of increased priority given the stresses created by COVID-19.

An approach of how we plan to monitor performance through COVID-19 is attached as Appendix One.

Delivery through the quarter

As you are aware, NZQA has several major projects it was required to deliver in 2020: implementation of the new domestic Code of Pastoral Care and operational readiness for the NCEA Review, the Achievement Standards Review and RoVE.

NZQA’s own Q3 report, which was delivered to you on 12 May 2020, showed good progress, until COVID-19 became a reality, towards meeting the objectives of the year.

Its Q3 report also talked about:

- NZQA’s agility in its initial response to the COVID-19 threat
- that its attention to business continuity planning, the resilience of its IT systems and organisational preparedness meant, when the country moved into Level 4 lockdown, it was able to:
  - fully deploy and support a remote working environment for its staff and
  - keep its Contact Centre fully functional throughout.

The ability to keep staff safe and seamlessly enable staff to work from home has generally been the case across the education sector. We agree that NZQA was well prepared for this international emergency.

Evidence of NZQA’s agility to think through the impact of COVID-19 on its business, its partners and for students is reported in their Q3 report and below.

We consider NZQA has responded quickly and comprehensively to learner, whānau and sector needs through this difficult time.

Assessment

Since lockdown began NZQA has worked closely with the Ministry and your NCEA Professional Advisory Group to identify possible changes to NCEA and also with Universities New Zealand and the Vice-Chancellors Committee to identify possible changes to University Entrance, to enable and facilitate fair assessment of senior secondary students for the 2020 year. Changes it has advocated for and is now implementing include:
Non-Financial Performance

- pushing the 2020 examination timetable out and extending dates for portfolio submissions
- key NCEA changes (Learning Recognition credits and reduced credit requirements for certificate and course endorsement and changes to University Entrance)
- waiving the requirement for external moderation
- providing assessment support for internal standards (eg 632 Alternative Evidence Gathering templates for all significant use internal assessed Achievement Standards across Levels 1-3)
- developing new Assessment Evidence Gathering Templates for externally assessed standards. Schools and kura will be able to use the templates to help prepare students for external assessments as well as to support applications for Derived Grades or Unexpected Events Grades if students are not able to sit their end of year exams.

NZQA has provided strong evidence that it has consulted well, kept the sector informed, communicated on multiple channels and kept feedback channels open throughout the period of lockdown and returning to Level One.

The changes NZQA has worked for have had positive feedback from learners. Some learners have reported feeling listened to and supported as the stresses of lockdown, and concomitant difficulties of achieving standards, on them have been acted upon. Principals and senior managers have also provided positive feedback to NZQA about the support it has, and is, providing.

NZQA has continued to progress its two draft strategic action plans that support Māori and Pacific learners respectively: Te Kōkiritanga 2021-2023 and Takiala Pasifika 2020-2023. Both plans include activities that relate to NZQA’s opportunities to support Māori and Pacific learners; for example to increase the uptake of Special Assessment Conditions for ākonga Māori and to develop an NCEA Online Equity Ratio and share insights to create initiatives addressing equity of digital access and outcomes for NCEA.

With all the entities we monitor, in the next quarters we will be engaging on what lessons they have learnt and any post implementation reviews they may be considering. In particular we are interested in:

- how the entities balanced the needs of the users and sector with operational efficiency and decision making
- what mechanisms were used to support the provision of timely and clear technical / COVID-19 advice
- understanding how the best of the COVID-19 engagement models can continue to be used
- whether data needs have changed and how data is going to be used to continue to inform and improve models of delivery and address inequity in the system.

NCEA Online

With the increased uptake of digital teaching and learning required through COVID-19 lockdown, NZQA has worked hard to increase capacity and reach for digital assessment. The recent budget announcement of an extra $38.7m over the next two years means digital exams will have an ongoing place in secondary schools.

In 2020, 58 online exams will be available across 21 subjects, including, for the first time, all three levels of Te Reo Māori, Te Reo Rangatira and Gagana Sāmoa. This is seven more subjects than 2019.

Improvements for this year include:

- working to streamline the process for how students login to digital exams this year to make it easier and reduce the need for support by supervisors and other staff
- updating practice activities and video resources showing how to use features and updating functions of exam software so students, from August, can experience exam layout and navigation
- offering self-guided tutorials and webinars to help schools, teachers and IT support people prepare for or scale up their participation in digital exams.

Quality Assurance

NZQA has been very agile and responsive through lockdown in working to support non-university TEOs to continue to deliver.

It has approved 240 PTEs for online delivery, including 26 applications for offshore online delivery and developed the following relief and assistance measures for entities experiencing difficulty due to COVID-19:
Non-Financial Performance

- rescheduling External Evaluation and Reviews (EERs): for the remainder of the calendar year further EERs will only be undertaken for higher risk TEOs, new Private Training Establishments (PTEs) which have not yet had an EER and all other previously scheduled TEOs that still wish to engage in EER in 2020. All other TEOs due for EER have been rescheduled for 2021.
- an option for PTEs to become “inactive” until international students return, to be able to easily reopen when they do.
- implementing online delivery approvals, including to offshore students, and then extending these until the end of 2020.
- extending acceptance of online English language testing to offshore students.
- deferring international Code annual self-review attestations to 1 December 2020.

The Ministry appreciates how quickly NZQA worked to respond to COVID-19 and how NZQA has worked with the Ministry and the Tertiary Education Commission (TEC) to support the TEOs, particularly with respect to its risk identification work.

In the next quarter we will engage with NZQA on how they will move back to pre-COVID levels of assurance, and what ongoing changes may need to be implemented as they move forward in its regulatory assurance role. This will include understanding how risks in the sector may have changed.

Pastoral Care

Through lockdown NZQA continued to monitor and support TEOs and schools regarding their pastoral care of domestic tertiary and international students. Queries from providers and students slowed down by mid-May compared to the early weeks of lockdown which suggests appropriate information and advice was communicated.

Work has continued on Implementation Guidance for the Interim Code of Practice for pastoral care of domestic tertiary students, and this is now released on the NZQA website. The guidance is intended to support TEOs to better understand the requirements of the Interim Code so they can put it into practice.

NZQA has also been working with Universities New Zealand on delegating responsibilities to them for the universities.
Financial Performance

Overview

As you are aware, NZQA had previously been under significant cost pressure, particularly in relation to its delivery of NCEA, which it had limited ability to manage from its balance sheet. This cost pressure was partly alleviated by successful budget bids in Budget 2019, though cost pressures remain. NZQA has also been successful in its NCEA Online budget bid in Budget 2020 further relieving medium term financial risk.

Financial risk does remain however, particularly in relation to the impact of COVID-19. Further detail in this regard are included within this section of the report.

Quarterly financial performance

NZQA’s net surplus was higher than budget in the quarter ended 31 March 2020 (YTD) with a net surplus of $6,701m compared to the budget of $2.648m. Note that the budget was revised from the SPE to include the subsequently approved NCEA Online funding and associated expenses, together with the other successful budget bids, notably in relation to NCEA fees.

The large surplus is the result of two main factors:

1. Increased revenue from higher demand for Qualification Assessment Fees, which are currently $1.914m above budget; and
2. Reduced expenditure on the NCEA Online project of $1.996m.

The above two items are offset in Q4 by a forecast decline in revenue of $1.5m due to the impact of COVID-19, an increase in expenditure associated with the capital charge payable in June, an increase in doubtful debts and additional depreciation on capitalised projects.

There may be ongoing declines in some revenue sources, in particular Qualification Assessment Fees, that NZQA will have to manage going forward. We understand NZQA has already started to reduce its temporary workforce in this area. NZQA is prioritising use of its retained earnings to mitigate this risk.

The underspends in the NCEA Online project will be carried forward into FY21 and used as project contingency.

NZQA will continue to monitor its financial performance closely and report on financial risks across the year.

<table>
<thead>
<tr>
<th>Table 1. Statement of financial performance</th>
<th>$'000</th>
<th>YTD FY20</th>
<th>YTD Budget</th>
<th>YTD FY19</th>
<th>FY20F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>56,529</td>
<td>56,529</td>
<td>39,352</td>
<td>69,817</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>27,074</td>
<td>24,570</td>
<td>35,136</td>
<td>32,279</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>83,603</strong></td>
<td><strong>81,099</strong></td>
<td><strong>74,489</strong></td>
<td><strong>102,096</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(51,023)</td>
<td>(50,696)</td>
<td>(45,123)</td>
<td>(64,268)</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(23,665)</td>
<td>(25,476)</td>
<td>(21,001)</td>
<td>(33,039)</td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>(2,214)</td>
<td>(2,278)</td>
<td>(2,133)</td>
<td>(2,968)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>(76,902)</strong></td>
<td><strong>(78,451)</strong></td>
<td><strong>(68,256)</strong></td>
<td><strong>(100,275)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net surplus/(deficit)</strong></td>
<td>6,701</td>
<td>2,648</td>
<td>6,232</td>
<td>1,821</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Personnel expenses includes the specialist workforce.

NZQA Q3 performance 2019-20
NZQA's financial position at the end of Q3 was stable with equity of $22.746m.

Equity was higher than at the end of the last financial year due to the current net surplus. As this surplus reduces over Q4, equity will reduce further. However, it will be ahead of both budget and the previous years’ position.

Current assets largely comprises cash and term deposits, this balance will reduce by year end.

While NZQA received additional funding to deal with cost pressures in relation to the delivery of NCEA examinations, the funding didn’t cover all cost pressures and was only for two financial years. It is anticipated that by that point the impact of the NCEA Review and operating model changes caused by NCEA Online will be understood and NZQA will be in a position to submit further budget bids, if required. Due to budget timing, this means NZQA will likely need to understand these impacts and submit any required budget bids by November 2020.

There is a risk that the operating impact of the aforementioned projects is not fully known by that point in time, particularly given the uncertain future due to COVID-19.

NZQA’s success in receiving additional funding for the NCEA Online project in the coming financial year has alleviated the financial risks that would otherwise have been associated with winding this project down.

At this stage, the main risk for NZQA is in relation to COVID-19 and associated declines in revenue, particularly in respect of Qualification Assessment Fees, as international workers are unable to be considered for jobs until the borders reopen. As referenced on the previous page NZQA is prioritising use of its reserves to mitigate this risk, which should only be a short term issue, subject to how long border restrictions remain in place.

Given the potential financial cost of winding down the NCEA Online project has now been alleviated, NZQA should have sufficient reserves.

We will have a continued focus on NZQA’s financial sustainability over the coming financial year.

Table 2. Statement of financial position

<table>
<thead>
<tr>
<th>$’000</th>
<th>As at 31 March 2020</th>
<th>As at 30 June 2019</th>
<th>As at 30 June 2020 (Budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>28,392</td>
<td>21,914</td>
<td>18,296</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>8,598</td>
<td>8,349</td>
<td>7,645</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>36,990</td>
<td>30,263</td>
<td>25,941</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>13,314</td>
<td>13,282</td>
<td>11,130</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>930</td>
<td>937</td>
<td>598</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>14,244</td>
<td>14,219</td>
<td>11,728</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>22,746</td>
<td>16,044</td>
<td>14,213</td>
</tr>
</tbody>
</table>

Figure 1. Financial position

Note: Whilst NZQA has not reforecast its financial position, given the revised forecasted financial performance and the better than budget opening position, the year end financial position will be better than that shown in the above graph.
# APPENDIX ONE

## MONITORING APPROACH FOR COVID-19

### Strategic Planning

**What does COVID-19 mean for the organisation as a whole?**

- **The current entity's business/operational model**
- **Monitoring lenses**

**Moving from pre-COVID-19 to current and future state**

### Operational Planning

**How has the entity adapted to change and planned to manage impact?**

- **Understanding and adjust**
- **External strategy overlay**
- **Impact**

### Monitoring Delivery

**How is change being managed?**

- **Financial capability**
- **Management capability**
- **Physical capability**
- **ICM capability**

**How is agility supported, impact measured and action enabled?**

- Consider:
  - Governance structure
  - Systems, controls and processes (especially financial systems)
  - Performance measures (including measures for equity)
  - Human resource management
  - Feedback loops to enable adjustment

### Strategic Assurance

**How has COVID-19 affected the entity?**

- **Strategic environment and values**
- **Workforce and inclusions**
- **Systems, governance, environment**
- **Customer and stakeholders**

**What has COVID-19 impacted the entity in achieving equity and excellence in the system?**

- **What have we learned? How have the challenges changed? How do we accelerate changes?**

**How well is the entity thinking through impacts?**

### Operational Assurance

**What changes are needed to the current work programme?**

- **Trade-offs, priorities, scope, sequencing, interdependency**

**What changes are needed in the organisation?**

- **Capability, capacity, systems, processes**

**What is the initial impact assessment and how will it be tracked?**

- **Risk and assurance profile, measures, financial analysis, has equity been adequately incorporated?**

**How is change being managed while continuing to deliver?**

**How is the organisation performing and adjusting?**

- **Consider lenses on the left to understand impact and effectiveness of change and interdependencies within and across the system**
- **Consider organisational health including maturity, risk and performance (measures, evaluation, feedback)**
31 August 2020

Professor Neil Quigley  
Deputy Chair and Acting Chair  
New Zealand Qualifications Authority  
PO Box 160  
WELLINGTON 6140

Dear Neil

Thank you for the New Zealand Qualifications Authority’s (NZQA) Quarter 3 Report for 2019/20. I have also received the Ministry of Education’s report for the quarter which focused mainly on how NZQA responded through the COVID-19 lockdown.

I am pleased to hear how well NZQA managed the lockdown for its staff while continuing to deliver. I note the Ministry’s appreciation of how quickly NZQA worked to respond to the pandemic and the support it provided to enable a cogent sector approach to learners, their whānau, schools and non-university tertiary providers.

As we move into the rest of the year, I look forward to hearing about NZQA’s continued management through COVID-19 and necessary reprioritisation of the work programme. It will not be an easy task to balance and deliver all your competing demands: “business-as-usual’ expectations; continued development of NCEA Online; progress of RoVE and other key reviews; and any changes to the assurance function for ensuring domestic and international student well-being.

That said, the action plan you are developing with the Ministry and ENZ to support international student wellbeing becomes even higher priority than pre-COVID and I would like to see this progressed as a matter of urgency.

I wish to add my personal thanks to that of the Ministry for all the work you and the agency have undertaken through this exceptionally difficult time. That NZQA was able to achieve what it has while transitioning to a new Chief Executive speaks volumes to the health of the organisation and how it is governed. I take heart in knowing NZQA is in a good place to meet the continuing demands ahead.

Yours sincerely

Chris Hipkins  
Minister of Education

cc Dr Grant Klinkum, Chief Executive, New Zealand Qualifications Authority  
cc Emily Fabling, Deputy Secretary, Strategy, Planning and Governance, Ministry of Education