



Education Report: New Zealand Qualifications Authority performance – Quarter 2 2018/19

To:	Hon Chris Hipkins		
Date:	21 February 2019	Priority:	Medium
Security Level:	In Confidence	METIS No:	1172256
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper provides our assessment of the Quarter 2 (Q2) 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 Q2 2018/19 (1 October to 31 December 2018) and developments up to the date of this report. This report sits alongside NZQA's own quarterly report which you have received.
- NZQA financial performance in the year to date was better than budget, however this is primarily a result of delay in project expenditure, which will still be incurred in this financial year.
- s 9(2)(g)(i), s 9(2)(f)(iv)
- NZQA is working to improve the experiences of learners and stakeholders. This includes improving the tools available to support moderation and external digital assessment, and co-designing assessment tools with schools and students.
- NZQA is performing well against its non-financial performance measures and the 2018/19 Letter of Expectations (LOE).

Recommended Actions

The Ministry of Education recommends you:

- a. **note** our assessment of NZQA's performance in Q2 2018/19

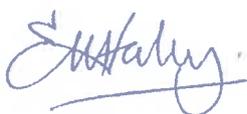
Noted

- b. **sign** and **send** the attached draft letter to the Chair of the NZQA Board

Agree / Disagree

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

Release / Not release



Emily Fabling
Deputy Secretary
Strategy, Planning and Governance

21/02/2019



Hon Chris Hipkins
Minister of Education

24/2/19

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. Monitoring overview for Q2
Annex B. Monitoring focus areas
Annex C. Non-financial performance
Annex D. Financial performance and position
Annex E. The 2018/19 Letter of Expectations (LOE)
Annex F. Draft letter to the NZQA Board Chair

Annex A. Monitoring overview for Q2

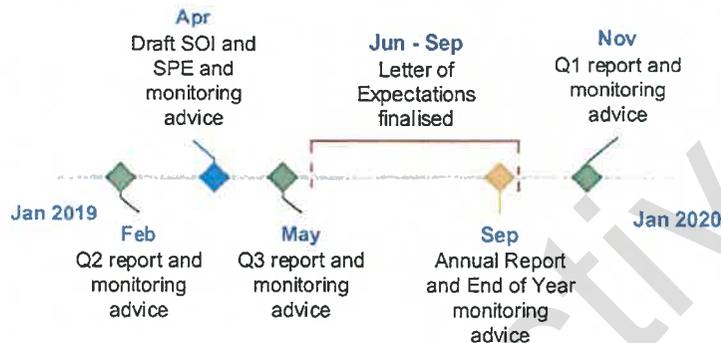
Key points

- NZQA is working to improve the experience for learners and stakeholders
- s 9(2)(g)(i), s 9(2)(f)(iv)
- NZQA continues to focus on delivering its core services and applying a continuous improvement lens to them

Priority monitoring areas for upcoming quarters

- NCEA Online / Digital Assessment Transformation
- Assessment specialist workforce
- Wellbeing
- Risk and assurance
- Statement of Intent and Statement of Performance Expectations
- Changes to performance framework
- Financial position and sustainability
- New Zealand Qualification Review

Upcoming reports



Note: Advice has been provided on the timing of the LOE [METIS 1174700 refers].

Financial performance

Financial performance summary

\$'000	YTD FY19	YTD Budget	YTD FY18	FY19B
Revenue	55,412	56,030	52,244	84,922
Expenditure	(49,501)	(50,842)	(50,333)	(84,922)
Net surplus/(deficit)	5,912	5,188	1,910	0

Financial position summary

\$'000	As at 31 Dec 2018	As at 31 Dec 2017	As at 30 June 2019 (Budget)
Current assets	24,870	24,772	12,018
Equity	15,251	14,626	13,397
Working capital ratio	1.31	1.22	1.48

Board appointments

We are in the planning stage for the Board appointments that expire in 2019/20. Work is underway to fill the vacancy left on the Board by the early resignation of Justine Munro [METIS 1166561 refers].

You have a meeting scheduled for 21 February 2019 to discuss Board appointments for NZQA and the Tertiary Education Commission.

Planning

Candidate sourcing

Candidate analysis

Candidate selection

Candidate confirmation

Current NZQA board members by term expiry date

Name	Start date	Expiry date	Board profile
Justine Munro	30-Jun-2017	1-Jul-2018 (Resigned Dec-2018)	<ul style="list-style-type: none"> - Four women, three men - Average age of 60 - Skills and experience that includes business and community development for Māori, change management, digital, financial, ICT, regulatory, and tertiary and secondary sector - Regional representation - One Māori member - No Pacific member
Antony Royal	13-Sep-2016	13-Sep-2019	
Mary Chamberlain	13-Sep-2016	13-Sep-2019	
Neil Quigley	1-Nov-2010	7-Nov-2019	
Murray Strong (Chair)	8-Nov-2018	7-Nov-2021	
Jenn Bestwick	8-Nov-2018	7-Nov-2021	
Lyn Provost	8-Nov-2018	7-Nov-2021	
Kate Shevland	26-Aug-2015	7-Nov-2021	

Annex B. Monitoring focus areas

Background

Areas of focus for Ministry monitoring activity are informed by NZQA's 2018/19 LOE [METIS 1153128 refers] and its environmental context.

Strategic areas of focus

Digital Assessment Transformation – NCEA Online

NZQA continues to develop and extend its Digital Assessment Transformation capabilities, and to incorporate lessons into its work programme. Work planned for 2019 includes the following.

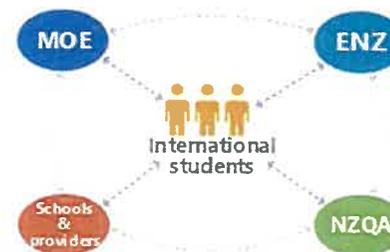
- Moving from exam cycle-based trials to smaller, frequent focussed innovation trials that sit outside of the exam cycle.
- Building the capability to replace paper reporting with digital for Exam Centre Managers (ECMs) and supervisors, while continuing to manage the current paper-based approach.
- Co-designing with schools and students to support disadvantaged learners and improve the assessment experience.
- Building and extending capability in the specialised workforce, in particular for supervision and marking. Training includes increasing ECM's aptitude and comfort with the digital dashboards used for overseeing digital assessment.
- Continuing to increase understanding of digital assessment participation and knowledge within NZQA.

Overall the programme is continuing to work on the short and long term change needed to support a digital environment. One area that the programme is exploring is how to better support the contracted workforce who deliver paper and digital exams. This could include:

- Taking over some or all of the training provided to the supervisors who work underneath the ECM to deliver the exams. This training was traditionally done by ECMs. Having a more direct role would allow NZQA to increase their knowledge of the capabilities that best set up supervisors of digital exams to succeed, and ensure training consistency.
- Sharing an alternate model with schools that involves a 'lead digital supervisor'. This is a new role that reports into the ECM and takes responsibility for all of the administration and technical expertise required to run digital exams. It was developed by a small number of schools who found it to work well.

NZQA has also established a Business Design Authority to manage changes to how the organisation operates through its transition into digital assessment. The Authority makes evidence based decisions that determine operational elements of assessment. For example, students doing digital assessments are provided with paper copies of the exams in case of a problem with the digital exam. The Authority would be the body that determines if paper copies were no longer required and would then propose the necessary changes to the Programme's Governance Board for approval. Best practice improvements, policy decisions and position papers are captured in the Programme's body of knowledge.

Wellbeing of international students



NZQA and Education New Zealand (ENZ) are actively involved in the process of funding and supporting international student wellbeing initiatives under the International Education Strategy and the International Student Wellbeing Strategy.

NZQA, ENZ and the Ministry are working towards having a shared work programme to support international student wellbeing, to ensure roles, opportunities, overlaps and gaps in the system are recognised and addressed. We will report against the shared work programme in the next

quarter. Our engagement with NZQA will also include further understanding the role NZQA plays in:

- monitoring and developing the capability of the signatories of the Education (Pastoral Care of International Students) Code of Practice 2016
- monitoring and quality assuring non-university tertiary providers
- supporting international students through transitions resulting from provider performance issues
- performing their regulatory functions and offering advice.

Operational areas of focus

Delivering and enhancing assessment and support

NZQA continues to deliver and enhance its annual assessment process. Its proof of concept tool that assists with digital moderation has been well received by teachers. NZQA also has work underway to increase the purposeful selection of internal assessment and assessment instruments for moderation by teachers. This work will help clarify for teachers and principals the appropriate level of moderation required to ensure quality while managing workload.

NZQA has resources dedicated to the continuous improvement of its assessment processes. Future areas for improvement will be determined through data analytics and stakeholder engagement.

NZQA is also working with the Ministry to manage and reduce engagement fatigue with the sector, and in continuing its preparations to support the upcoming NCEA assessment standards review.

Journeying towards equity

NZQA continues to work towards the government's priority to increase equitable outcomes for learners. It continues its work to:

- design for those with specific learning needs from the ground up in the NCEA Online programme of work, and
- improve equity of access to special assessment conditions (SAC) for all students, by identifying and removing policy barriers and improving support for low decile schools.

Planning is underway to build an evidence base to support future work to improve equity as finances allow, such as equity in STEM for Māori and Pasifika.

NZQA's process to enhance internal equity continues, with a supporting programme of initiatives expected in Q3 once its current enterprise-wide 120 day focus on equity comes to a close.

This is in addition to its existing processes and initiatives, which include:

- regular engagement between the NZQA Board and Ngā Kaitūhono
- presentations to the Board and leadership team on recognising and challenging bias
- Pasifika 'talanoa cafes', where staff can learn about the experiences of others through external engagement and dialogue, and
- participating in cross agency initiatives, such those supporting equity for Māori and Pasifika in STEM.

s 9(2)(g)(i), s 9(2)(f)(iv)

¹ set out in the 2018/19 and 2017/18 LOEs

Annex C. Non-financial performance

Non-financial performance

Performance against current measures

In this quarter NZQA has adopted an exceptions-based approach for reporting its non-financial performance measures.

Of the 34 output measures that have results available in Q2, the two that are not on track are within 2% of the target.

The result for *Measure 1.1(2) The proportion of survey respondents who agree/strongly agree that the NZQA website is easy to use* is the highest quarterly result reported since the measure was introduced for 2017/18. This could be a result of NZQA's increased customer insight capability. The next result for this measure is expected in Q4.

NZQA is performing equally well against its impact measures. NZQA does not expect that it will reach its target of an annual 10% increase in the number of programmes quality assured using Mātauranga Māori Evaluative Quality Assurance due to reduced sector demand. Three measures have no results this quarter. Two of those are expected in Q4, and the third is due in 2020.

Enhancing the performance framework

NZQA continues to refresh its performance framework in support of its upcoming 2019/20 – 2023/24 Statement of Intent (SOI) and 2019/20 Statement of Performance Expectations (SPE). To date this has included a top down strategy review and a mapping of performance measures using the PuMP© Methodology. NZQA is cultivating ownership and line of sight for staff with measures. Engagement with external sector stakeholders will occur over February 2019. Enhancements to its framework are expected to continue over multiple years as it shifts towards an outcome based performance framework.

Crown entity monitoring topics for Q3

Our monitoring engagement for all education Crown entities in the next quarter will include risk and assurance processes and information and data management.

Annex D. Financial performance and position

Background

We have previously advised that following several years of planned deficits, NZQA is now in a position where it has limited ability to fund losses and capital expenditure outside of depreciation amounts. On this basis NZQA budgeted to have a zero surplus/deficit at the end of FY19.

Quarterly financial performance

NZQA's net surplus was marginally higher than budget in the quarter ended 31 December 2018 (YTD) with a net surplus of \$5.912m compared to the budget of \$5.188m. Note that the budget was revised from the SPE to include the subsequently approved NCEA Online funding and associated expenses.

While the net surplus was higher than budget, revenue was down, driven by lower credit fee payments of \$1.093m. This appears to be due to the continuing trend of lower student numbers at Tertiary Education Organisations (TEOs), however it may partially be a result of the timing of TEOs reporting student completions to NZQA. We recommended that further analysis would increase understanding in this area.

There are no direct overheads associated with this revenue, therefore if this trend continues in the medium term NZQA will have to manage its expenses carefully and potentially reprioritise projects or reduce expenditure elsewhere in the organisation.

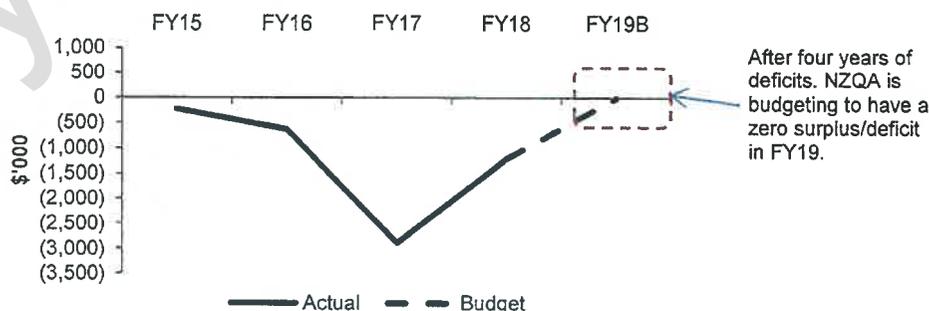
Expenditure was lower than budget as a result of a delay in the timing of expenditure associated with the NCEA Online programme. This was partially offset by higher expenditure on other projects due to the timing of capitalisation of expenses.

s 9(2)(g)(i), s 9(2)(f)(iv)

Table 2. Statement of financial performance

\$'000	YTD FY19	YTD Budget	YTD FY18	FY19B
Revenue				
Government grants	27,723	27,723	23,759	41,351
Other	27,689	28,307	28,485	43,571
	55,412	56,030	52,244	84,922
Expenditure				
Personnel expenses	(33,917)	(33,728)	(33,997)	(56,701)
Other operating expenses	(14,440)	(15,647)	(14,986)	(25,082)
Depreciation & amortisation	(1,144)	(1,467)	(1,351)	(3,139)
	(49,501)	(50,842)	(50,333)	(84,922)
Net surplus/(deficit)	5,912	5,188	1,910	0

Figure 1. Financial Performance



s 9(2)(g)(i), s 9(2)(f)(iv)

Quarterly financial position

NZQA's financial position at the end of Q2 was stable with equity of \$20.105m.

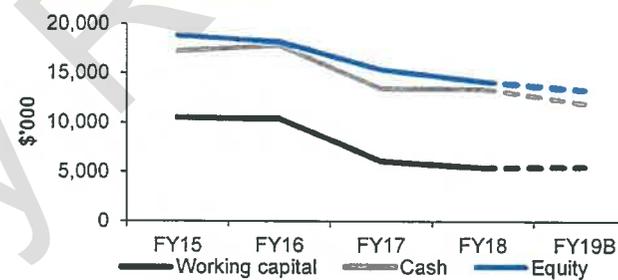
Its current assets and liabilities were significantly higher than the budgeted year end position due to the receipt of fees for NCEA exams and NCEA Online funding, which will be utilised during the course to the remainder of the financial year.

s 9(2)(f)(iv), s 9(2)(g)(i)

Table 3. Statement of financial position

\$'000	As at 31 Dec 2018	As at 31 Dec 2017	As at 30 June 2019 (Budget)
Assets			
Current assets	30,642	26,209	17,077
Non-current assets	9,032	10,239	8,597
	39,674	36,448	25,674
Liabilities			
Current liabilities	18,635	18,116	11,552
Non-current liabilities	934	1,036	725
	19,569	19,152	12,277
Equity	20,105	17,296	13,397

Figure 2. Financial position



Annex E. The 2018/19 Letter of Expectations (LOE)

NZQA is making good progress against the priorities in its 2018/19 LOE and has incorporated high level reporting against it into its quarterly reports.

Table 1. Overview of Q2 activity

An overview of how the key activities and events outlined in NZQA's Q2 report and our monitoring activity relate to the priorities outlined in NZQA's 2018/19 Letter of Expectations (LOE).

Areas of activity in NZQA's Q2 report	Priority areas outlined in NZQA's LOE					
	Equity of access and outcomes	Strategic section Flexible and future focussed	Working in collaboration with learners and the sector	Operational section Sustainable business practices and responsive systems	Supporting system outcomes	Introduction Also referred to in the LOE introduction
Ensuring New Zealand's qualifications respond to the changing needs of learners and employers and enhance New Zealand's social and economic outcomes	•	•	•			•
Providing easy access to a record of the learning an individual has achieved	•	•				•
Recognising qualifications gained overseas		•			•	•
Working with other jurisdictions so that New Zealand qualifications are internationally recognised and portable			•		•	
Quality assuring and actively monitoring education outcomes in the non-university sector	•		•		•	
Further maturing the Evaluative Quality Assurance Framework					•	
Managing quality assessment practice	•		•		•	
Delivering robust senior secondary (NCEA and New Zealand Scholarship) external examinations	•	•	•	•	•	•
Working with others to lift Māori and Pasifika achievement in Science, Technology, Engineering and Mathematics (STEM) related NCEA subjects	•	•	•		•	
Organisational health and capability				•		•
Service delivery performance				•		
NZQA Operation Performance: December 2018				•		•
Areas of Q2 monitoring focus and engagement						
Delivering and enhancing assessment and support	•		•	•	•	
Progressing Digital Assessment Transformation – NCEA Online	•	•	•	•	•	•
Enhancing the performance framework		•		•		
Journeying towards equity	•		•	•	•	
Financial position and sustainability			•	•		
Wellbeing of international students	•		•			•