
<table>
<thead>
<tr>
<th>To:</th>
<th>Minister of Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>2 March 2018</td>
</tr>
<tr>
<td>Priority:</td>
<td>Low</td>
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<tr>
<td>METIS No:</td>
<td>1098037</td>
</tr>
<tr>
<td>Drafter:</td>
<td></td>
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<tr>
<td>Key Contact:</td>
<td>Fiona O'Leary</td>
</tr>
<tr>
<td>Messaging seen by</td>
<td>No</td>
</tr>
<tr>
<td>Communications team:</td>
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<td>Round Robin:</td>
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Purpose of report

This paper provides our assessment of the Quarter 2 performance of Education New Zealand (ENZ) and asks you to sign and send the letter to the Chair of ENZ relating to its quarterly report.

Summary

The Ministry of Education and Ministry of Business Innovation and Employment (MBIE) provide a joint assessment for ENZ. This assessment covers Quarter 2, 2017/18 (1 October to 31 December 2017) and developments up to the date of this report. Our report sits alongside ENZ's own quarterly report which your office receives at the same time as our report.

Our assessment finds that ENZ is making good progress on its improvement work programmes for education agents and the online Intellilab service.

This quarter's assessment also finds that finances are stable and tracking to be on budget by year-end.

Proactive release

We support the overall direction to proactively release advice. We recommend that you do not submit this report for proactive release until you have considered our briefing on how the principles of proactive release apply to Crown entity monitoring. The briefing will be with your office by 15 March 2018.

Should you prefer to release this report, any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.
Recommended Actions

The Ministry of Education recommends that you:

a. **note** our assessment of ENZ’s performance in Quarter 2 2017/18

   **Noted**

b. **sign and send** the attached letter to Charles Finny, Chair of the ENZ Board

   **Agree / Disagree**

c. **not release** this Education Report as part of proactive release, until after consideration of our briefing on how the principles of proactive release apply to Crown entity monitoring, due 15 March 2018

   **Release / Not release**

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Emily Fabling  
Deputy Secretary  
Strategy, Planning and Governance

02/03/2018

Hon Chris Hipkins  
Minister of Education

17/4/18

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Annexes

Annex 1: Draft letter to the ENZ Board Chair
A. The Ministry’s report at a glance

Key points

- ENZ continues to share its market intelligence across industry and government through its Intellilab online service. A continuous improvement programme is being developed to understand and improve the customer experience.
- ENZ is developing an operational programme of improvements for training and quality assurance of education agents.
- ENZ finances remain stable. Though variances are being seen in the quarterly updates, these are mainly timing issues and will not have a material impact on the budgeted year-end position.

Priority areas for Quarter 3

- Strategic analysis for the Letter of Expectations
- Statement of Intent (SOI), and Performance Framework and targets for the Statement of Performance Expectations (SPE)
- ENZ’s Country Activity Planning improvements for 2017/18

Financial performance

Financial performance summary

<table>
<thead>
<tr>
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<th>YTD Actual</th>
<th>YTD Budget</th>
<th>YTD FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>19,987</td>
<td>19,650</td>
<td>17,975</td>
</tr>
<tr>
<td>Expenditure</td>
<td>(18,302)</td>
<td>(19,152)</td>
<td>(17,801)</td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
<td>1,565</td>
<td>498</td>
<td>174</td>
</tr>
</tbody>
</table>

Financial position summary

<table>
<thead>
<tr>
<th></th>
<th>As at 31 Dec 2017 Actual</th>
<th>As at 31 Dec 2017 Budget</th>
<th>As at 31 Dec 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>6,593</td>
<td>6,216</td>
<td>5,793</td>
</tr>
<tr>
<td>Equity</td>
<td>4,024</td>
<td>2,706</td>
<td>3,904</td>
</tr>
<tr>
<td>Working capital ratio</td>
<td>2.22</td>
<td>1.64</td>
<td>2.01</td>
</tr>
</tbody>
</table>

Non-financial performance

ENZ made the following progress on its 17 performance measures in Quarter 2:

- eight were on track, two more than last quarter
- four demand-driven measures continued to track behind expectations
- one measure did not meet its target of 31 December 2017 (ENZ now aims to complete it in the second half of the performance year)
- four measures will be reported later in the year and measurement plans are on track.

Upcoming reports

- Mar-18: Prepare draft LOE
- Apr-18: Draft SPE and SOI monitoring advice
- May-18: Finalise LOE
- Oct-18: Annual Report and monitoring advice

Board appointments

We are in the ‘candidate sourcing’ stage, advertising the upcoming roles to potential applicants.
B. Monitoring focus areas

1. Background

Areas of focus for Ministry monitoring activity are informed by the content in ENZ’s Letter of Expectations (LOE) and shifts in ENZ’s environmental context.

2. Strategic areas of focus

ENZ has been consulting with stakeholders on its education agents work programme and improvements. We will update you on progress in coming quarters.

3. Operational areas of focus

Transparency for industry

ENZ has improved the transparency of what it does with industry funding it receives through the Export Education Levy (EEL). In its most recent Annual Report ENZ reported the activities funded by the EEL in one section, giving these projects more visibility. ENZ now provides the latest EEL annual report on its website alongside its Annual Report and is publicising the EEL report in its regular newsletter to stakeholders.

Transparency over projects done with EEL funding is one way that ENZ is demonstrating its value to the sector, as directed in the LOE.

Other areas of monitoring focus

For a progress update on how ENZ does online sharing of market intelligence, see Section C (next page). For our assessment of financial and non-financial performance, see Sections D and E.

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1 The LOE sets out the Minister of Education’s strategic and operational and expectations for ENZ in 2017/18 and the medium term [METIS 1057083 refers].

2 ENZRA is the administrative programme for ‘ENZ Recognised Agents’. Agents have a general role to promote New Zealand as an education destination for international students. Most agents are affiliated to particular education providers in New Zealand and can be paid a commission if they have made agreements with providers. Providers are responsible for monitoring the quality of the agents they have made agreements with.
C. Snapshot: Online market intelligence and insight

1. Background

ENZ launched its Intellilab service in August 2017. Intellilab is a portal providing access to data and analytics for government agencies, education providers and regional development partners. This service informs international education planning, decision making and policy making in many organisations.

In ENZ, Intellilab supports core business activities, such as advice to Ministers, Country Activity Planning and the work of staff offshore.

Intellilab brings together
- real time market information from ENZ’s overseas posts
- data from agencies on enrolment, visas and field of study
- research and insight ENZ has done, or has commissioned.

Access to Intellilab resources is self-service. ENZ’s Intelligence team is able to help users with questions and bespoke analysis requests.

2. Intellilab user groups

Sector

There are more than 300 users across New Zealand education providers and regional development agencies. They are seeking current information about students in their region including numbers, place of origin and the level of study enrolled in.

Providers also benefit from ENZ’s insights into demand in certain markets, such as new demand for teacher training or medical training. This insight feeds into their decisions about promoting their courses in a new market or adding new courses.

We are confident that access to Intellilab is carefully vetted by ENZ staff, ensuring New Zealand’s competitors are not able to access market information.

Government agencies

Government agencies use Intellilab to get correct and timely data to support their policy and analysis work. There are about 50 government users across the Ministry of Foreign Affairs and Trade, Tertiary Education Commission, Ministry of Education and Immigration New Zealand.

3. Continuous improvement and future focus

ENZ is in the first stages of a continuous improvement programme for Intellilab, starting with adding regional factsheets. Over time the programme will enhance the ‘here and now’ type of data that providers and government agencies want, and add the insight and market predictions that customers are also asking for. In-house capability is also being built on to create and support more advanced products such as interactive dashboards.

ENZ also plans to consult representatives of the different groups of users on improvements to their customer experience and what else they would use if it was available.

We will continue to engage with ENZ on how they share market intelligence, online and offline, with stakeholders.
D. Financial performance

1. Background

We noted in our last quarterly report [METIS 1088164 refers] that ENZ has been using remaining establishment funds for planned annual deficits over the last three years. ENZ is now in a position where it has limited financial resources to fund future overspend and it only plans to invest in replacement capital projects within depreciation amounts.

2. Quarterly financial performance

ENZ’s overall net surplus for the quarter ended 31 December 2017 (YTD) was higher than Budget (Table 1). ENZ had a surplus of $1.565m compared to a budgeted surplus of $0.498m. This higher surplus was driven by higher other revenue ($0.217m above Budget) and lower other operating expenses ($0.890m below Budget). These variances were mainly due to timing differences and ENZ is not anticipating that operating performance for the full year will be materially different than Budget (Figure 1).

The scholarship surplus of $1.481m drove the overall surplus. A significant portion of the scholarship surplus was due to timing differences between when scholarship revenue is received and scholarship funding is drawn down by recipients.

Another aspect of the scholarships surplus is an underspend of approximately $0.20m on inbound scholarships. This underspend will increase the scholarship surplus being held by ENZ. ENZ has increased the number of scholarships offered from eight to ten inbound scholarships in order to reduce the scholarship surplus going forward.

![Figure 1. Operating performance](image-url)
E. Non-financial performance

1. Progress in this quarter

**Impact areas**

ENZ sets out its seven impact measures in its Statement of Intent (SOI) 2016/17 – 2019/20. ENZ has achieved one of its impact measures in Quarter 1 (*Student experience satisfaction rating for the Independent Tertiary Providers (ITP) and University sectors*). Of the remaining six measures, four are timed to be measured across Quarters 3 and 4, and two will be measured in Quarter 4. Plans are on track for ensuring the measurement is done on time (see ENZ Quarterly Report, page 4).

**Performance measures on track or reported later in the year**

ENZ reports against 17 performance measures in its SPE 2017/18 (see ENZ Quarterly Report, page 5-6).

Eight measures are on track (Figure 4), three of which have reached the targets set for the year.

As noted in our last report, four of the 17 performance measures will be reported later in the year.

**Performance measures not achieved or not on track**

This measure did not meet its SPE target date of 31 December 2017; *Develop and document an ‘agreed approach for supporting growth of education services delivered offshore*. Due to the change of Government, the direction for delivery offshore needs to be reconfirmed and as a result ENZ has set a revised deadline of June 2018 (ENZ Quarterly Report, page 6).

ENZ’s report noted that four measures were tracking behind target in Quarter 2. This is a group of demand-driven targets which means they are not in ENZ’s control to deliver on, although ENZ is able to lift promotion efforts across various channels. For example, there is a performance target about downloads by users of the Brandlab site. The target is 50,000 downloads over the year. At the end of Quarter 2 this target was tracking at 11,649 when ideally this would have been closer to 25,000 downloads.

We will continue to monitor and report on all measures.

2. Continuous improvement of measures and targets

We are working with ENZ on revised performance targets for its draft Statement of Performance Expectations (SPE) for 2018/19.
1. Background

There are three areas related to the monitoring function that we will advise you on in the next quarter.

2. ENZ Board appointments

We recently provided you with our view of the skills and expertise that could strengthen the ENZ Board and our plan to recruit candidates [METIS 1094883 refers].

We will seek your direction after potential candidates have been identified through the sourcing process (Figure 5).

There are four upcoming vacancies and filling all four would keep the size of the Board at the current maximum size of seven members. Two positions must be filled to meet the minimum number of five Board members.3

Figure 5: Appointment process and indicative timeline

<table>
<thead>
<tr>
<th>Stages</th>
<th>Candidate sourcing</th>
<th>Candidate analysis</th>
<th>Candidate interviews</th>
<th>Candidate confirmation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Jan – Feb</td>
<td>Mar</td>
<td>Apr – May</td>
<td>June – Oct</td>
</tr>
<tr>
<td>performed by Ministry</td>
<td>• Finalise position profiles for Board members and Chair positions</td>
<td>• Confirm approach to skills analysis of candidates</td>
<td>• Shortlist and interview preferred candidates</td>
<td>• Confirm successful candidates</td>
</tr>
<tr>
<td></td>
<td>• Confirm interest of suitable candidates from databases</td>
<td>• Perform skills analysis of potential candidates</td>
<td>• Complete probity checks</td>
<td>• Complete APH requirements</td>
</tr>
<tr>
<td></td>
<td>• Advertise for additional candidates</td>
<td></td>
<td></td>
<td>• Publish appointments</td>
</tr>
</tbody>
</table>

| Actions sought from Minister | Provide direction on skills sought for each Board | Provide direction on: | Attend APH Committee meetings (in June for TEC and ENZ, and in July for NZDSA) |
|                             | | • candidates to appoint to Boards | • Confirm appointments with successful candidates |
|                             | | • method used to contact confirmed candidates | |

3 Education Act 1989 s272

3. Statement of Intent (SOI) and SPE

ENZ will submit its draft SOI and SPE for 2018/19 to you in April 2018. You will receive our commentary on the drafts alongside these. You must respond to ENZ’s drafts within 15 working days to comply with statutory requirements. ENZ is engaging with us on the measures and targets for the SPE.

4. 2018/19 Letter of Expectations (LOE)

As the Responsible Minister for ENZ there is a convention that you provide a LOE to the Chair of the Board each year in May. The LOE will inform ENZ strategy and business planning for the coming year.

The Ministry’s role is to engage with you and the entity to tailor a draft LOE that reflects your priorities and the organisation’s strategic and operating environment. You can amend the LOE before sending it to the Board Chair.

The Ministry takes a transparent approach to drafting the LOE. This involves the Minister, ENZ, and yourself and two stages of consultation. This approach is aligned with the State Services Commission’s guidance on the Minister - Crown entity relationship ‘It Takes Three’.

In the first round of consultation we will provide you with a strategic assessment A3 showing possible strategic and operational principles and the items ENZ can deliver in each area.

This strategic assessment will be aligned to the NZIES and Government priorities.

In the second stage of consultation we provide a draft LOE Letter and request your feedback on it.