Education Report: New Zealand Qualifications Authority performance – Quarter 2 2017/18

To: Minister of Education

Date: 13 February 2018

Priority: Medium

Security Level: Budget Sensitive

METIS No: 1101825

Draft: [Redacted]

DDI: [Redacted]

Key Contact: Fiona O’Leary

DDI: [Redacted]

Messaging seen by Communications team: No

Round Robin: No [Redacted]

Purpose of report

This paper provides our assessment of the Quarter 2 performance of the New Zealand Qualifications Authority (NZQA) (pages 3-12), and asks you to sign and send the letter to the Chair of NZQA relating to its quarterly report.

Summary

The Ministry’s assessment of NZQA’s performance covers Quarter 2 2017/18 (1 October to 31 December 2017) and developments up to the date of this report. This report sits alongside NZQA’s own quarterly report which you should receive at the same time as our report.

NZQA has completed an assessment of its current project management maturity and has a work programme in place to enhance it.

This quarter’s assessment also finds that the amount of change throughout the education system will require collaboration and interdependency management across the sector. Engagement in Quarter 2 this quarter has highlighted that interdependency management is a critical area for NZQA.
Proactive release

We do not recommend that this Education Report be proactively released.

Under the Official Information Act 1982 consideration must be given to protect Information if it is subject to an obligation of confidence and where the release would likely prejudice the supply of similar information, or Information from the same source.

Crown entity monitoring depends on formal and informal sharing of information with an expectation of confidentiality between the Crown entity and its Board, the monitoring department, and the Minister and their officials. If this information was to be regularly released, we believe the Ministry would not be in a position to receive similar information in future.

Recommended actions

The Ministry of Education recommends you:

a. note our assessment of NZQA's performance in Quarter 2 2017/18 
   Noted

b. sign and send the attached draft letter to Sue Suckling, Chair of the NZQA Board 
   Agree / Disagree

c. not release this Education Report as part of proactive release 
   Release / Not release

Emily Fabling
Deputy Secretary
Strategy, Planning and Governance
13/02/2018

Hon Chris Hipkins
Minister of Education
20/12/12

Annexes

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

Key points

- NZQA is increasing project management maturity.
- The amount of change throughout the education system will require collaboration and interdependency management across the sector.
- Engagement this quarter has highlighted that interdependency management is a critical area.

Priority areas for Quarter 3

- Digital Assessment Transformation programme
- Financial sustainability
- Interdependency management
- Quality assurance – Monitoring
- Internal assessment process

Upcoming reports

<table>
<thead>
<tr>
<th>Mar-18</th>
<th>Apr-18</th>
<th>May-18</th>
<th>Oct-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare draft LOE</td>
<td>Draft SPE and monitoring advice</td>
<td>Finalise LOE</td>
<td>Annual Report and monitoring advice</td>
</tr>
</tbody>
</table>

Financial performance

Financial performance summary

<table>
<thead>
<tr>
<th>$’000</th>
<th>YTD FY18</th>
<th>YTD Budget</th>
<th>YTD Forecast</th>
<th>YTD FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>52,244</td>
<td>51,562</td>
<td>50,692</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>(50,333)</td>
<td>(51,425)</td>
<td>(52,056)</td>
<td></td>
</tr>
<tr>
<td>Net surplus/(deficit)</td>
<td>1,910</td>
<td>137</td>
<td>(1,364)</td>
<td></td>
</tr>
</tbody>
</table>

Financial position summary

<table>
<thead>
<tr>
<th>$’000</th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>21,629</td>
<td>23,428</td>
</tr>
<tr>
<td>Equity</td>
<td>17,296</td>
<td>16,898</td>
</tr>
<tr>
<td>Working capital ratio</td>
<td>1.45</td>
<td>1.40</td>
</tr>
</tbody>
</table>

Non-financial performance

There are no concerns around NZQA’s non-financial performance.  

Impact measures
- Those that are measureable are generally on track.

Output measures
- Thirty four of NZQA’s 56 Output measures are on track and a further 18 are due for measurement later in the year.
- Four are tracking behind, however these are not a concern at this time.

Board appointments

We are at the candidate sourcing stage of the process and preparing to advertise the board vacancies.

Candidate sourcing → Candidate analysis → Candidate interviews → Candidate confirmation

Jan – Feb → March → April – May → June – Oct
B. Monitoring focus areas

1. Background

Areas of focus for Ministry monitoring activity are informed by NZQA’s Letter of Expectations and its environmental context. Our monitoring has a strategic and operational focus.

2. Strategic areas of focus

Digital Assessment Transformation

The 2017 Digital Trials and Pilots have been completed, and NZQA is evaluating results. Through this work NZQA continues to build its understanding of customer needs. s 9(2)(f)(iv)

3. Operational areas of focus

International monitoring

External examination process

NZQA has recently completed the marking of external examinations and is processing and analysing the results. Overall the external examinations process went very well, with no errors that affected students’ ability to complete examinations.

We are confident that the systems and controls NZQA has put in place to manage this part of the external examination process is robust. We are also confident that NZQA will use lessons from this successful examinations process to continue to build on its continuous improvement approach.

Recently, NZQA provided a briefing to you on the Level 1 Mathematics (CR 16988), and has also initiated a proactive release of the provisional Level 1 mathematics achievement results. This was in response to comments made from some teachers that the examination was too difficult.

The initial results from the Level 1 Mathematics were also communicated to you as part of the NZQA briefing. The Ministry’s view is that the variation of achievement levels indicate that there could be underlying issues that need to be understood. These issues are likely to be external to the NZQA environment.

As part of our monitoring focus we will be looking at how dependencies are managed across curriculum and assessment (internal and external) as well as understanding any future impacts from significant work streams such as the NCEA review.
Continuous improvement of performance measurement

NZQA continues to make good progress in its medium-term work programme to rationalise and enhance its performance measures.

Two pilots of a new approach that uses recognised methodology for developing and socialising measures were completed in Quarter 2.

The resulting changes will be reflected in NZQA’s draft 2018/19 Statement of Performance Expectations (SPE) in two sub-classes of Output Class 3: Qualification Support Structures.

NZQA’s new approach includes extensive stakeholder engagement, and is driving a cultural shift in the organisation. Significant work will be required to socialise and embed this process over the next two years.

We are pleased with NZQA’s progress so far and will continue to monitor and report to you as appropriate.

4. Progress against the 2017/18 Letter of Expectations

NZQA continues to demonstrate progress against the priorities outlined in its Letter of Expectation (LOE) for 2017/18\(^1\). We are pleased with its engagement with us in this area.

The majority of NZQA’s initiatives contribute to one or more of these priorities.

<table>
<thead>
<tr>
<th>Strategic priorities</th>
<th>Operational priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative and credible systems</td>
<td>Demonstrate value</td>
</tr>
<tr>
<td>Customer centred design and delivery</td>
<td>Proactive and responsive systems</td>
</tr>
<tr>
<td>Equity of access and achievement for learners</td>
<td>Develop and maintain open and transparent partnerships</td>
</tr>
<tr>
<td></td>
<td>Demonstrate sustainable business practices</td>
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The LOE forms the framework for our ongoing engagement with NZQA. This includes project management and interdependency management. We will be working with NZQA over the current and coming financial year to better understand these areas.

Work is underway to refresh the LOE for 2018/19 (see G. Future Focus: Monitoring work).

Our advice in Quarter 4 will include an assessment of how NZQA has progressed against its 2017/18 LOE across the year.

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\(^1\) The LOE sets out the then Minister of Education’s strategic, operational and governance expectations for NZQA in 2017/18 and the medium term, and came into effect in May 2017 [METIS 1084833 refers].
C. Snapshot: Enhancing project management

1. Background

NZQA is undertaking a programme of work to further enhance its project management functions. This will support its delivery of current projects as well as Future State initiatives.

2. Recent developments

NZQA has completed an assessment of its current maturity through an industry-recognised maturity assessment framework. It has used this to establish its baseline and prioritise its work against seven areas, as set out in Figure 1.

Based on its assessment, areas of priority for NZQA include, benefits management, stakeholder management, financial management and organisational governance.

Key initiatives underway include:
- implementing a benefits management framework and clear benefits roles and responsibilities
- establishing a project cost management estimation methodology
- developing a risk management and assurance framework, working with the Ministry’s project management office to tailor its approach
- setting up vendor management and conflict of interest practices
- enhancing people capability in project management disciplines through a capability framework and learning pathways
- developing improved governance reporting across the portfolio, including measuring and reporting on key performance indicators.

This programme of work will lift NZQA’s project management capability over time (2-3 years).

3. Future areas of focus

As part of our ongoing monitoring engagement with NZQA we will continue to provide appropriate updates on how it is progressing its project management work programme. In particular, we are interested in benefits management, financial management, stakeholder management and risk management.
D. Snapshot: Quality assurance for the tertiary education system – Innovation

1. Background

As mentioned in our previous report [METIS 10848336 refers] NZQA’s approach to quality assurance supports innovation in the sector while managing risk (see Figure 2.).

2. An innovation approach

NZQA has a programme of work underway to support innovation. Two of the key programmes of work underway are relevant to this report.

Building a responsive, effective and embedded micro-credential system

NZQA’s micro-credentials pilot with three organisations is currently underway. The pilot has been successful at generating dialogue and confirmed stakeholder interest, supporting NZQA’s goal to increase public and industry engagement and ownership of qualifications and programmes. Quality assurance of micro-credentials is scheduled to be in place by early July 2018.

Review of the New Zealand Qualifications Framework (NZQF)

A review is underway to ensure that the NZQF remains fit for purpose, flexible and adaptive to the future needs of learners, employers and other stakeholders. In particular a refreshed framework will need to support the introduction of new education products and other innovations. The review is scheduled to be completed by the end of 2018.

3. Interdependencies and monitoring

NZQA is aware that there are overlaps with these programmes and the Ministry-led review of NCEA. To ensure that the appropriate alignment occurs, NZQA has established an advisory reference group with representation of key parties. NZQA also has a stakeholder and communications plans and will be consulting with the sector and the community. This will contribute towards NZQA’s long term quality assurance goal to increase industry and community engagement with, and ownership of, qualifications and programmes.

Our monitoring focus will include further understanding of how NZQA is managing interdependencies and ensuring projects are tracking towards key deliverables.

Figure 2. NZQA’s quality assurance drivers
E. Financial performance

1. Background

We noted in our last quarterly report [METIS 1084833 refers] that the financial year ending 30 June 2018 (FY18) is the last planned year of financial deficits for NZQA, after funding deficits from reserves for the last four years. From FY19, NZQA will have limited ability to fund any future deficits and capital expenditure outside of depreciation amounts.

2. Quarterly financial performance

NZQA’s net surplus was higher than Budget in the quarter ended 31 December 2017 (YTD) with a net surplus of $1.910m compared to the Budget of $0.137m. The net surplus was also slightly above the revised YTD forecast of $1.543m.

Total expenditure in the YTD was lower mainly due to timing differences of other operating expenses.

Revenue was $0.682m higher due to the net effect of:
- Government grants of $1.20m for the NCEA Online programme
- lower credit reporting fees of $1.251m
- additional Export Education Levy (EEL) revenue of $0.475m
- higher External Evaluation and Reviews (EER) revenue of $0.228m

The Government grants, EEL and EER revenue will be offset by higher expenditure during the course of the year.
F. Non-financial performance

1. Impact areas

Background


We report on progress against impact areas every second quarter. For the most part our commentary is focused on the impact measures. We recognise that NZQA invests a lot of effort in activities that contribute to the impact areas but which are not captured in its measures.

NZQA is planning to refresh its SOI in 2019.

Progress to date

Impact 1: Qualifications – New Zealand’s qualifications that meet the needs of learners and employers, and enhance NZ’s social and economic outcomes. The measures for this impact area will be assessed in 2019 or 2020. NZQA continues to make progress towards the comprehensive electronic learner record which will be delivered by 2019.

Significant work being progressed in this area includes pilots on micro-credentials, the review of the New Zealand Qualifications Framework, qualification recognition agreements and NZQA’s continuous improvement of performance measures.

Impact 2: Quality assurance – Trust and confidence in education outcomes for non-university tertiary education. This area is tracking well. The measure for the number of programmes quality assured using the te Hono o te Kahurangi framework is on track to surpass its annual target. The measure for satisfaction of TEOs in NZQA’s EER process has not increased but has been maintained at 75%, which it has done for the past two financial years.

We are pleased that the use of assessment practice monitoring of Tertiary Education Organisations (TEOs) as proxy for provider quality is successful. TEO monitoring is an essential part of quality assurance, and will be a focus in our subsequent reports.

Impact 3: Assessment – Trust and confidence in education outcomes for non-university tertiary education. This section is the most substantive in NZQA’s Quarter 2 report. It includes descriptions of its work on a range of topics that build capability, strengthen and advance the assessment system, and improve and ensure equity and access.

Three of the measures in this section will be reported on in Quarter 4. The other impact measures are on track, with two having already surpassed annual targets.

We are pleased with the preliminary results reported for Special Access Conditions (SAC), which show a significant shift from 2014. NZQA indicates that it will be working to further improve its result for the annual SAC impact measure.

2. Output classes

Background

NZQA’s 2017/18 SPE outlines its non-financial measures and performance standards for the current financial year against four output classes. We report on these every quarter.
**Progress to date**

NZQA made good progress in Quarter 2, with 34 of its 56 measures on track (see Figure 5). Of the remaining 22 measures:
- six are demand driven and have no standard set
- four cannot yet be measured as they relate to activities that have not yet been required this year
- eight will be reported for the first time this year in Quarter 3 (five measures) or Quarter 4 (three measures)
- four could be considered to be tracking behind.

![Figure 5. Performance at Quarter 2 2017/18](image)

Of those tracking behind, three measures are in Output class 1.1 Community consultation and communication.
- Measure 1.1(1) *The proportion of survey respondents who agree or strongly agree that NZQA’s response time met their expectations.* In Quarter 2 actual performance was reported as 68%, against a target of 85%.

- Measure 1.1(2) *The proportion of survey respondents who agree/strongly agree that information they received from NZQA met their needs.* In Quarter 2 actual performance was reported as 69%, against a target of 75%.

- Measure 1.1(3) *The proportion of survey respondents who agree/strongly agree that the NZQA website is easy to use.* In Quarter 2 actual performance was reported as 66%, against a target of 70%. These measures were established in 2017/18 and are being reported on for the first time this quarter. NZQA has indicated that in future it might revise these measures and targets when more data has been collected, and also review the scope statement of Output class 1.1. We will engage with NZQA on these measures and any work to revise them over the financial year.

Before the changes implemented last year, the measures for Output class 1.1 had been static and consistently met for the previous four years. The Ministry support’s NZQA’s work to improve its performance measures and its use of stretch targets.

The final measure that is tracking behind is demand driven, and so is not a concern.

- Measure 2.3(1) *The number of newly registered signatories to the Code of Pastoral Care.* Year to date performance at the end of Quarter 2 was reported as four, against a demand driven estimate for 2017/18 of 30.

In 2016/17 the actual performance for this measure was eight.

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2 Measure 1.1(2) is also an Estimates of Appropriations measure.
G. Future focus: Monitoring work

1. Background

There are three areas related to the monitoring function that we will provide you with advice on, as set out below.

2. NZQA Board appointments

We recently provided you with our view of the skills and expertise that could strengthen the NZQA Board and our plan to recruit candidates [METIS 109488 refers].

We will seek your direction on potential candidates once candidates have been sourced.

There are five upcoming vacancies on the NZQA Board. All five will need to be filled to meet requirement s256B of the Education Act 1989 to have between eight and ten members. The terms that will end in 2018 include the Chair.

Figure 6: Appointment process and indicative timeline

3. Statement of Performance expectations (SPE)

NZQA will be submitting its draft 2018/19 SPE to you at the end of April 2018. You will receive our commentary on the draft alongside it. You must respond to NZQA’s draft within 15 working days to comply with statutory requirements. NZQA has been engaging with stakeholders on changes to its performance measures for several months.

4. 2018/19 Letter of Expectations (LOE)

As the responsible minister for NZQA there is a convention that you provide an LOE to the Chair of the NZQA Board each year in May. The LOE will inform NZQA’s strategy and business operations for the coming year.

The Ministry’s role is to engage with you and NZQA to develop 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 the LOE. This involves the Ministry, NZQA, and yourself and two stages of consultation. This approach is aligned with the State Services Commission’s guidance on Minister-Crown entity relationships ‘It Takes Three’.

In the initial round of consultation we will provide you with a strategic assessment, a list of possible strategic and operational principles and the items NZQA has capability to deliver in each area. In the second stage of consultation we provide a draft LOE Letter and request your feedback on it.