



Education Report: Education New Zealand performance – Quarter 3 2017/18

To:	Minister of Education		
Date:	30 May 2018	Priority:	Medium
Security Level:	In Confidence	METIS No:	1123646
Drafter:	Sarah Day	DDI:	s 9(2)(a)
Key Contact:	Fiona O'Leary	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of report

This paper provides our assessment of the Quarter 3 performance of Education New Zealand (ENZ), and asks you to sign and send the letter to the Chair of ENZ relating to the entity's 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 3 2017/18 (1 January to 31 March 2018) and developments up to the date of this report. This report sits alongside ENZ's own quarterly report which you should receive at the same time as our report.

ENZ's financial performance is tracking well and it anticipates that operating performance for the full year will be in line with Budget. While ENZ's financial position is stable, from FY19, ENZ will have limited ability to fund losses and capital expenditure outside of depreciation amounts.

ENZ continues to mature its strategic investment approach, and has a mechanism to reprioritise funding for priorities that align to the draft New Zealand International Education Strategy (NZIES). This has facilitated development of ENZ's digital marketing capability. ENZ is working to improve its understanding of the value derived from non-digital marketing and is increasing its insight and analytics capability to further inform its investment approach.

Proactive release

We recommend this report is proactively released. This recommendation is in line with your response to our report on how the principles of proactive release apply to Crown entity monitoring [METIS 1111386 refers].

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 you:

- a. **note** our assessment of ENZ's performance in Quarter 3 2017/18

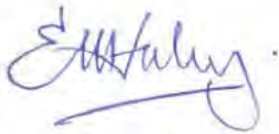
Noted

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

Agree / Disagree

- c. **release** this Education Report as part of proactive release

Release / Not release



Emily Fabling
Deputy Secretary
Strategy, Planning and Governance

30/05/2018



Hon Chris Hipkins
Minister of Education

20/6/18

Annexes

Annex 1: Draft letter to the ENZ Board Chair

A. The Ministry's report at a glance

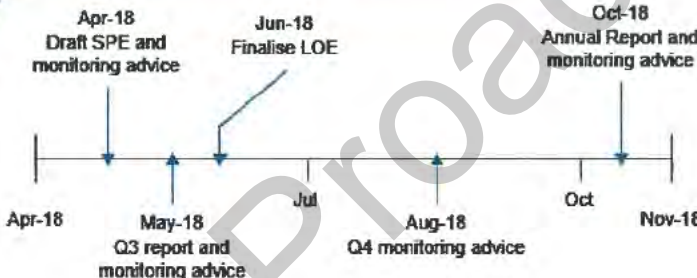
Key points

- ENZ's financial performance is tracking well and it anticipates that operating performance for the full year will be in line with Budget.
- While ENZ's financial position is stable, from FY19, ENZ will have limited ability to fund losses and capital expenditure outside of depreciation amounts.
- ENZ continues to mature its strategic investment approach, and is using reprioritised funds for strategic priorities aligned to the draft New Zealand International Education Strategy.
- ENZ is increasing its digital marketing and analytics and insight capabilities.

Priority areas for Quarter 4

- s 9(2)(f)(iv)
- Evaluation approach for investment model
- Database marketing recruitment and attribution
- Sector engagement and continuing development of the NZIES alongside the Ministry of Education

Upcoming reports



Financial performance

Financial performance summary			
\$'000	YTD Actual	YTD Budget	YTD FY17
Revenue	29,190	29,572	26,642
Expenditure	(25,900)	(28,116)	(26,368)
Net surplus/(deficit)	3,290	1,456	274

Financial position summary			
\$'000	As at 31	As at 31	As at 31
	Dec 2017	Dec	
	Actual	Budget	
Current assets	8,315	6,216	5,953
Equity	5,748	2,706	3,704
Working capital ratio	2.78	1.64	2.10

Non-financial performance

ENZ made the following progress on its 17 performance measures in Quarter 3:

- 5 will be reported in Quarter 4
- 2 are on track to meet target in Quarter 4
- 5 have already met their annual target
- 4 are tracking behind
- 1 is demand driven and has no target.

Board appointments

We are at the candidate selection stage of the process and preparing for candidate interviews. Overall we received 223 applications for appointments across three Boards.



B. Monitoring focus areas

1. Background

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

2. Strategic areas of focus

Education agents

ENZ has been revisiting how it supports quality in international education agents through its ENZ Recognised Agent (ENZRA) programme [METIS 1098037 refers].

ENZRA is an opt-in programme that recognises education agents that promote New Zealand education services in ways that are sustainable and appropriate.

The new version of the scheme is points based, can be tailored to reflect government priorities, and will have timely and transparent processes around recognition and exiting.

In Quarter 3 the International Education Agencies¹ met and agreed to launch the updated ENZRA scheme around mid-year, to coincide with the launch of the New Zealand International Education Strategy.

To mitigate the risk of ENZRA being mistaken for an education agent licence, ENZ is supporting the launch with a communications programme. It will be targeted at prospective students, providers, agents and ENZ's overseas staff, and provide clarity about the level of assurance the scheme is intended to provide to students and agents.

We support ENZ's communication programme to provide clarity about the level of assurance ENZRA is intended to provide. ENZ could enhance this work by monitoring how agents are using their ENZRA status in their own marketing/recruitment work.

We will provide further updates as appropriate.

3. Operational areas of focus

Business planning approach

ENZ's business planning approach continues to mature. In Quarter 3 ENZ has enhanced its ability to identify the areas that it wants to invest in and the areas where efficiencies can be created.

Developing the performance framework

We will continue to work with ENZ to further understand how they will mature their performance measurement in advance of their 2019 – 2023 Statement of Intent (SOI), in light of the draft NZIES and the developing role ENZ plays in international education. In particular, we are interested in how ENZ plans to identify and reach non-traditional markets.

¹ ENZ, Ministry of Education, MBIE, New Zealand Qualifications Authority

C. Snapshot: Strategic investment management

1. A strategic investment approach

ENZ continues to develop its portfolio approach to investment management. It has made significant progress in understanding the benefits of strategic investment and has enhanced its ability to align projects with strategic objectives.

ENZ is reprioritising existing project funding to better align it to its strategic priorities as set out in the draft NZIES. A senior governance group allocates the reprioritised funding to work that supports high priority changes to ENZ's operations.

2. Building digital marketing capability through reprioritised funding

Strengthening its digital marketing capability is one of ENZ's priorities.

A portion of the reprioritised funding has been allocated to support work to increase the use of global, digital products in Country Activity Plans (CAPs). These products will:

- reduce the need for traditional, bespoke country-specific activities
- make effective use of ENZ's marketing expertise
- mitigate current dependencies on particular markets
- support diversification of existing services.

ENZ recognises that building its digital marketing capability will take time. ENZ has explored options to use existing capability from other agencies such as Tourism New Zealand and is engaging them for advice on the overall digital marketing programme.

We suggest ENZ might find opportunities to reuse existing capability through engagement with agencies who have established a strong digital presence, such as Tourism New Zealand.

It will be important for ENZ to support its stakeholders through change as it increases its investment in digital marketing.

3. Enhancing transparency for the value-add of investment

ENZ is increasing its understanding of the value derived from its different marketing channels and the best to use for each market. In particular, the value of its non-digital investment, such as the impact of its stakeholder events and in-market teams.

ENZ is strengthening the analytics capability of its Insights team, and has recently signed a Memorandum of Understanding for information sharing with Immigration New Zealand in support of CAPs and other strategic priorities.

ENZ has increased the extent of the information captured in its marketing database to include events, so that prospective students can now be tracked from event to enrolment.

This has increased ENZ's ability to target its investment and to identify areas in the pathway to enrolment that could be enhanced, such as the conversion rate from attending an event to contacting an education agent to commence the enrolment process.

We will continue to work with ENZ as they mature their strategic investment approach and will provide future updates.

D. Financial performance

1. Background

We noted in our previous quarterly reports that ENZ has been using reserves to fund planned annual deficits over the last three years. From FY19, ENZ will have limited ability to fund losses and capital expenditure outside of depreciation amounts.

2. Quarterly financial performance

ENZ's operating surplus for the quarter ended 31 March 2018 (YTD) was higher than Budget (Table 1). ENZ had a surplus of \$1.473m compared to a budgeted surplus of \$0.596m. This higher surplus was driven by a delay in expenditure, in particular on the Digital Student Experience and Agent Learning Management system projects. Both of these projects are now underway and ENZ anticipates expenditure on the projects in the financial year will be in line with Budget.

ENZ is anticipating that operating performance for the full year will be in line with Budget, which is consistent with the last two completed financial years (Figure 1).

The scholarship surplus of \$1.817m 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.

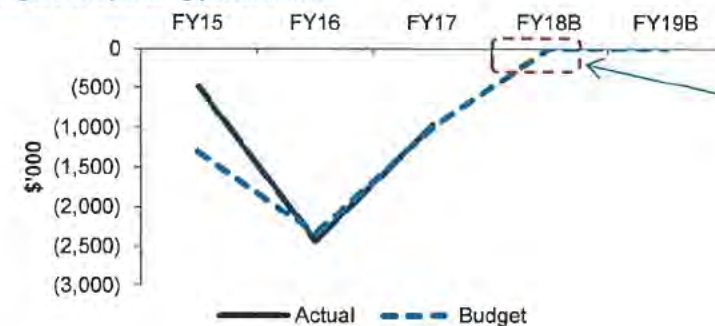
There is an underspend of approximately \$0.20m on inbound scholarships. This will increase the scholarship surplus being held by ENZ. In 2017/18 ENZ increased the number of scholarships offered from eight to ten, and increased the length of the scholarships on offer.

Table 1. Financial performance			
\$'000	YTD FY18	YTD Budget	YTD FY17
Operating			
Revenue			
Crown - operating	20,665	20,856	19,315
Crown - EEL	2,448	2,448	2,637
Other	2,665	2,856	1,580
	25,778	26,160	23,532
Expenditure			
Personnel expenses	(8,413)	(8,926)	(8,685)
Other operating expenses	(15,632)	(16,377)	(15,769)
Depreciation & amortisation	(260)	(261)	(306)
	(24,305)	(25,564)	(24,760)
Net surplus/(deficit)	1,473	596	(1,229)
Scholarships			
Revenue	3,412	3,412	3,111
Expenditure	(1,595)	(2,552)	(1,608)
Net surplus/(deficit)	1,817	860	1,503
Overall			
Net surplus/(deficit)	3,290	1,456	274

Timing differences resulted in lower other operating expenses compared to Budget

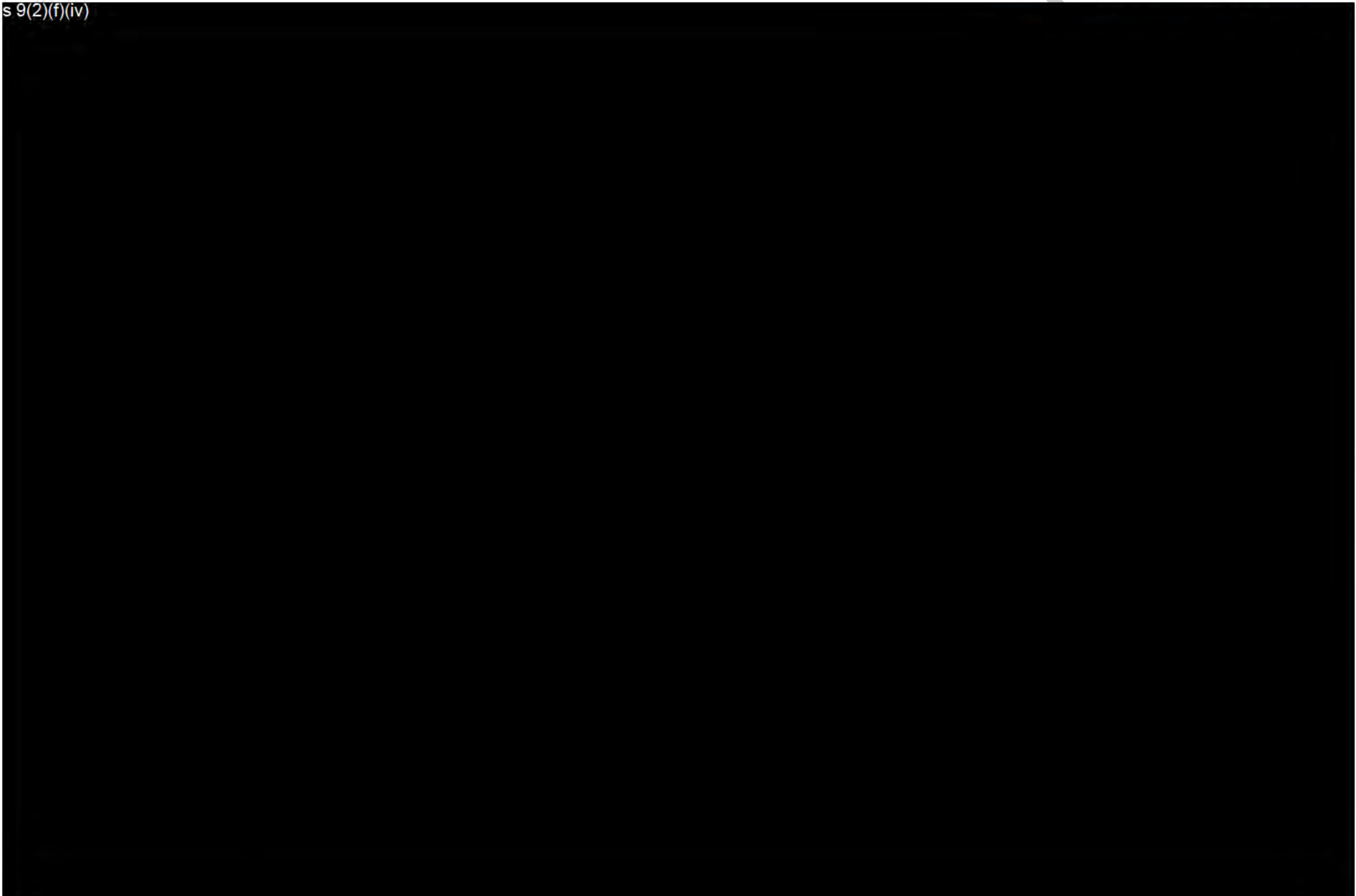
Includes inbound and outbound scholarships

Figure 1. Operating performance



Once the timing differences correct themselves, ENZ's actual financial performance should closely track to Budget

s 9(2)(f)(iv)



E. Non-financial performance

1. 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).

ENZ initiated Economic Value Analysis (EVA) for three measures in Quarter 3. Results will be reported in Quarter 4. The remaining three measures will also be reported on in Quarter 4.

2. Performance measures

ENZ reports against 17 performance measures set out in its Statement of Performance Expectations (SPE) 2017/18.

Five will be reported in Quarter 4. Four of these are annual measures. The fifth is being reported against a revised target deadline of 30 June 2018 [METIS 1098037 refers]: *Develop and document an agreed approach for supporting growth in delivery of education services offshore.*

Quarter 3 results indicate that performance is on track to be met in Quarter 4 for the following measures:

- *Usage of the Skills Lab*
- *IESOG² and government agencies have an agreed government wide approach to international education.*

Targets were met in Quarter 3 for the following measures (*indicates that this measure was also met in a previous quarter this financial year).

- *Number of referrals to institutional websites from ENZ's studyinnewzealand.govt.nz website*
- *Number of registrations to ENZ's Student Membership Programme through studyinnewzealand.govt.nz website*
- *Percentage of Active Visits on ENZ's studyinnewzealand.govt.nz website**
- *Percentage of Prime Minister's Scholarship recipients who record that the scholarship has benefited their future career aspirations*.* This measure has sub-measures for Latin America and for Asia.

Of the remaining measures:

- *Number of key messages about the benefits to New Zealand from international education delivered through third parties – is in its first year and is being used to establish a baseline for future measurement. It has no target so cannot be considered to be on track or not on track.*
- *Number of new and existing Prime Minister's Scholarships funded – is tracking behind target due to the scheduling of events. Scholarships are awarded twice a year, and the next round will be awarded in Quarter 4. This measure has sub-measures for Latin America and for Asia. Longer scholarships are also being funded which reduces the number of scholarships able to be awarded.*
- *Usage of the Brand Lab – is tracking significantly behind target (Quarter 3 result was 17,326 downloads, and the target for the year is 50,000 downloads). ENZ attributes this to not actively promoting the Brand Lab. ENZ will be promoting it in Quarter 4.*

3. Continuous improvement

We will continue to work with ENZ as it matures its performance measurement framework, and prepares to implement the changes described in its 2019 – 2023 SOI.

² Now referred to as the International Education Agencies

F. 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. ENZ Board appointments

As you are aware, we received 223 applications for positions across the three Crown entity Boards. 150 were for the upcoming vacancies on the ENZ Board, including 17 for the Chair position.

Two member positions will need to be filled in 2018 to meet the requirement under s272 of the Education Act 1989 to have between five and seven members, though it is possible to appoint to up to four positions. It will also be necessary to replace the Chair in early 2019.

You recently met with Ministry officials about our advice on potential shortlisting candidates. We will continue to progress the appointment work which will incorporate your views.

3. Statement of Intent (SOI) and Statement of Performance Expectations (SPE)

ENZ submitted its draft SOI 2018-2022 and its draft SPE 2018/19 to you on 30 April 2018. We submitted our advice on the SOI and SPE alongside [METIS 1118701 refers].

4. 2018/19 Letter of Expectations (LOE)

The LOE will inform ENZ's strategy and business operations for the coming year.

The Ministry has been engaging with ENZ to develop a draft LOE that reflects your priorities and ENZ's strategic and operating environment.

You will receive the draft LOE for comment in June. We will subsequently provide you with the final letter for the Board Chair which will incorporate your feedback.

Office of Hon Chris Hipkins



MP for Rimutaka

Minister of Education

Minister of State Services

Leader of the House

Minister Responsible for Ministerial Services

Charles Finny
Chair
Education New Zealand
PO Box 12041
WELLINGTON 6141

Dear Charles

I have received ENZ's Quarter 3 Report for 2017/18, alongside the Ministry of Education and Ministry of Business, Innovation and Employment's assessment. Thank you for providing me with this information.

I am pleased to learn more about the progress in the ENZRA scheme and how the launch, alongside your wider portfolio investment, is being aligned to coincide with the wider draft New Zealand International Education Strategy (NZIES). I also appreciate the input and expertise ENZ are contributing to NZIES and encourage you to continue engaging with the sector.

I look forward to further updates on these areas and to hearing about the insights you gain as you continue to build your digital and analytics capability.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Chris Hipkins'.

Chris Hipkins
Minister of Education

cc Grant McPherson, Chief Executive, Education New Zealand
cc Emily Fabling, Deputy Secretary, Strategy, Planning and Governance, Ministry of Education