



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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Aide-Memoire: Financial viability of non-TEC funded PTEs

To:	Hon Chris Hipkins, Minister of Education
From:	Dr Grant Klinkum, Chief Executive
Date:	15 February 2021
Reference:	CR21884

Purpose

1. This aide memoire advises you on the approach NZQA is taking to assess the current financial viability position of Private Training Establishments (PTEs) that rely on international student enrolments and do not receive funding from the Tertiary Education Commission (TEC).
2. NZQA does not propose to proactively release this briefing until the completion of the activity.

Background

3. NZQA recognises there have been, and may continue to be, significant financial consequences for some PTEs due to the impacts of the COVID-19 pandemic and closing of the New Zealand borders to international students.
4. The Education and Training Act 2020 requires us to be satisfied that all registered PTEs have in place acceptable financial management practices and performance. Our primary focus is to support the provision of good quality education for learners, to minimise the risk of undesirable management or governance behaviours within the business including any that might force the owners / shareholders to suddenly cease trading.
5. The primary purpose of this exercise is to work in partnership alongside PTEs during a challenging period of ongoing uncertainty.
6. There are approximately 90 PTEs that solely rely on international student enrolments and do not receive funding from TEC. A high proportion of these PTEs have existing "Going Concern" issues noted in previous years' Independent Assurance Practitioner's Review reports.
7. International student Visa numbers have dropped significantly from previous years for the majority of these PTEs. It is anticipated that the financial situation of some of these PTEs will have further deteriorated.
8. We have identified an initial tranche of 34 of the 90 PTEs that either have existing financial challenges and/or a significant reduction in international student enrolments (refer Table 1). Eleven of the 34 PTEs have accessed funds under the International Education Recovery plan.

Discussion

9. To understand the extent of current financial risk, we have been assessing the financial viability of PTEs using the information we have available. NZQA is now intending to engage with those PTEs that may be 'at risk' to more fully understand the business continuity challenges, and any associated impacts on education quality. In particular, NZQA seeks to understand whether each PTE has the financial resources to:
- acquire the requisite assets and physical resources to deliver all qualifications in its scope of accreditation.
 - employ sufficient appropriately qualified staff to cover the courses / programmes for which it takes enrolments.
 - provide appropriate levels of student services to students.
 - remain in business to ensure that each student can achieve completion.
 - meet the above requirements on an ongoing basis, even in an uncertain environment.

Next steps

Consultation

10. The Peak Bodies representing PTEs are being provided with information regarding the assessments and the reasons for them.
11. TEC has been advised of our proposed actions and we have discussed with them possible joint approaches for PTEs that receive TEC funding.
12. We will also advise Education New Zealand and Immigration NZ of our plans.

Approach

13. To complete these assessments NZQA needs to obtain additional information from the identified PTEs. We expect the information will be held by the PTE or produced for its management purposes and will not add unduly to their compliance costs.
14. An NZQA Risk Case Analyst will first telephone each identified PTE to explain the purpose of the financial viability assessment and request the additional information required. A letter explaining our request will follow the initial phone call.
15. Once the assessment is complete, if it indicates a PTE is not financially viable, we will work with the PTE to develop and implement a tailored action plan.
16. The range of remedial actions available may involve further investment by the PTE, the PTE applying to become inactive (known as "Hibernation"), or ceasing trading as a PTE.
17. We will keep your office updated on the progress of our work through the regular fortnightly reports



Dr Grant Klinkum
Chief Executive

15 February 2021



Hon Chris Hipkins
Minister of Education

03 / 03 / 2021