Ministry of Education
Review of the International Student Levy

July 2008
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Executive Summary

Introduction

• The International Student Levy (ISL or the Levy) currently applies to primary and secondary state and state-integrated schools that receive tuition fees from international-fee paying students studying in New Zealand.

• The Ministry of Education commissioned PricewaterhouseCoopers to conduct a review of the International Student Levy for the Ministry of Education (the Ministry). The findings will be used by the Ministry to inform policy development.

• PricewaterhouseCoopers reviewed the description and understanding of the ISL, the delivery (services), the school financials in relation to international students and the impact of the ISL.

• The review included the following approaches for gathering data: analysis of school financial statements and roll return data from the Ministry, review of previous reports, policy papers and other documentation, analysis of 311 responses from an online survey for schools and interviews with the Ministry, Education Review Office, school principals and international directors and education sector bodies and professional organisations.

Overview of the International Student Levy

• The ISL was introduced in 1992. It is currently charged at $900 (including GST) per fee-paying student enrolled in state and state-integrated schools and is deducted from schools operating grants by the Ministry.

• The rationale for the ISL is recovery of costs incurred by Government in providing services to schools in relation to international students.

• The following component costs and services are funded by the levy:
  1. A transfer to the Export Education Levy (EEL): variable component;
  2. Capital depreciation and maintenance: $3.6 million;
  3. The international component of Education Review Office (ERO) reviews: $0.478 million;
  4. English for Speakers of other Languages (ESOL) support and advisory services: $1.376 million;
  5. Operational support for schools: residual revenue retained within Vote Education (other costs incurred by the Ministry in respect of international students). We understand this includes the following:
     > policy and regulatory work;
     > general operational advice and support from the Ministry;
     > costs relating to the training and recruitment of additional teachers; and
     > Ministry administration costs in respect of the ISL.
Executive Summary

Financial analysis of school international programmes

- The average net revenue from international students for secondary schools across 2004 to 2006 is approximately three to four times greater ($233,000) than for primary/intermediate schools ($64,800). On a per student basis, however, primary/intermediate schools are more profitable, with net revenue being approximately 14% to 17% higher than for secondary schools from 2004 to 2006.
- The average net revenue per school has decreased from 2004 to 2006 for primary/intermediate and secondary schools in line with the decrease in the average number of international students per school.
- On average, ISL payments represent approximately 6.6% of schools’ international student revenues (there is little difference between primary/intermediate and secondary schools) and 9.2% of net revenue.

Understanding and awareness of the ISL and satisfaction with services funded by the ISL

- We conducted an online survey, which sought feedback from all schools in New Zealand. This allowed feedback from a larger number and range of schools to be incorporated into the analysis.
- The key points of the online survey are:
  - most respondents have little knowledge of the ISL in general, of the rationale and of the costs and services funded by the ISL;
  - respondents confuse the ISL with the EEL;
  - respondents have mixed views as to the quality of the international component of ERO reviews and the availability and quality of ESOL support and advisory services; and
  - none of the interviewees indicated that they had an unmet demand for the services funded by the levy (but not many respondents are aware of the services).

Impact of and support for the ISL

- The key points of the survey responses for the impact of and support for the ISL are:
  - the majority do not consider the levy has a significant impact on participating in education activities or on the level of service provided by schools to international students (the impact is bigger for schools with less than 10 international students);
  - respondents are generally not supportive of the levy;
  - if supportive, many noted that they do not agree with the amount of the ISL;
  - schools perceive the government to be taxing them whilst schools believe they are raising funds to improve the quality of education; and
  - that the lack of understanding and consultation contributed to the lack of support for the ISL.
Discussion and conclusions

• Our discussion points draw upon analysis of the financial data and the information from interviewees and survey respondents.

1. Inter-relationship between the EEL and the ISL:

• The variable amount that is deducted from the ISL fund for the EEL reduces the amount of revenue available beyond commitments to international education; therefore, an increase in the EEL would reduce funding available for other purposes. The EEL and ISL are deducted on a different basis. Therefore, as international student numbers and fees vary, the two levies will vary in different ways. The amount of revenue from the ISL therefore in practice is dependent of the EEL (i.e. what is left over from the total charge).

• In the interests of greater clarity, transparency and accountability, it would be preferable to fund the EEL by deducting it separately from the ISL.

• Current practice may reflect a trade-off between administrative efficiency and transparency in relation to separating the EEL out from the ISL.

• The residual of the levy is retained within Vote Education for operational support (system costs) but the outputs/services are not clearly defined and we cannot verify whether this statement of the Ministry is correct.

2. Capital depreciation and maintenance:

• The rationale behind the deduction in respect of the capital depreciation and maintenance is to reimburse Government for the costs of the Government's capital investment in school buildings, used or “consumed” by international students.

• Since the 2003/04 financial year, a fixed amount of $3.6 million has been transferred from the levy to the Crown Accounts. This amount has not been reviewed since 2003. Therefore, it may not accurately reflect the marginal cost in respect of capital and maintenance related to international students.

• The $3.6 million transferred to the consolidated fund is not explicitly factored into the capital funding available for schools. Based on this, it appears that there is a weak link between the purposes of the levy and the actual spending.

• Further, we understand that:

  – the capital and maintenance part of the levy is raised to assist the Government to cover the cost of wear and tear to Crown-owned and funded school buildings caused by international students;

  – the capital and maintenance funding is allocated to schools by a variety of mechanisms but the allocation appears to be based on domestic students (i.e. they do not take into account the presence of international students);

  – therefore, on a net basis, if a school has international students, it will receive less capital and maintenance money per enrolled domestic student (the receipts that the school does get, less the relevant components of the levy), than if it did not have international students; and

  – an implicit consequence is that this allocation approach effectively cross-subsidises schools with no international students, as a school with international students, then, gets less capital and maintenance money per domestic student than if it didn't have international students i.e. those schools without international students get more money per domestic student; and

  – Further, if the $3.6 million has increased the whole funding pool (this cannot be verified in practice), it would be spread across all schools, not just the schools with international students.
3. Operational support for schools by the Ministry:

- Since 2003/04, the residual revenue from the levy has been retained within Vote Education. It varies annually (after subtracting all of the other transfers and costs) and is intended to cover the Ministry’s other costs in relation to international students.
- There is no clear definition within the Ministry as to what is included within this component. Consequently, the Ministry has not and does not estimate the cost of this component.
- This also precludes transparency with respect to schools for the application of levy funds. We are therefore unable to draw a conclusion as to whether the Ministry is effectively over or under-recovering.
- A more appropriate approach for the levy could be “memorandum accounts”. The purpose of the memorandum account is to record, and make transparent, the revenues and expenditures each year in relation to the ISL. Where memorandum accounts are used, the objective is to ensure financial breakeven (i.e. revenues = expenditures) over time.

4. Accountability:

- Good practice requires accurate and appropriate costing of the outputs that a levy is designed to recover, clear tagging of levy revenues in the levying organisation’s financial management system and regular review of costs, charges and charging basis. This does not appear to be the case currently.
- A review (say once in three years) will only be possible if ‘operational support’ is clarified and is estimated as we now understand that the Ministry does not estimate the cost of providing operational support for schools (the residual revenue of the levy).

5. Transparency and disclosure to levy payers:

- Survey results show that almost half of the respondents do not understand what the ISL is, what the rationale is and what the services or costs are. There is also a lack of awareness by respondents in relation to what the ISL funds.
- Good practice for levies indicates that transparency and consultation is important.
- In order to be more transparent around the ISL, it would be useful if the Ministry could disclose, for example, costing methodologies, definition of the components of the ISL (outputs), and costs and revenues of all components.
- The Ministry could consider some form of Annual Statement, in line with the EEL (although this is not required by law). If a memorandum account is used for the ISL, this will be published as a note to of the financial statements in the Ministry’s Annual Report.
## Executive Summary

### Section 1
This section sets out the background, purpose, scope and approach for the review of the ISL.

### Section 2
This section sets out the rationale of and the services and costs funded by the ISL, the relationship to the EEL and the generated revenue.

### Section 3
This section provides the following financial metrics in relation to school international programmes:
- the proportion of school fees from international enrolments allocated to the ISL;
- the mean, median, lower quartile and upper quartile of ISL payment by schools; and
- the proportion of ‘above costs’ revenues, received by schools from international students.

### Section 4
This section provide answers to the following questions:
- To what extent are the services funded by the ISL (i.e. ERO reviews, and ESOL provision) effectively delivered to schools, and what are stakeholder views as to whether these costs should be met from the ISL or other sources?
- Is there any evidence of unmet demand by schools for these services?
Furthermore, the respondents’ understanding of the ISL and the awareness of the services of the ISL will be addressed in this section.

### Section 5
In this section the support for the ISL will be discussed, and:
- What effect do the amounts paid in ISL deductions have on schools’ provision of appropriate levels of service for international students, that a well-run international student programme requires?
- Has the ISL affected the level of participation by schools in international education activities?

### Section 6
Key discussion points and the answers to questions specified by the Ministry in the Terms of Reference.

<table>
<thead>
<tr>
<th>Appendix</th>
</tr>
</thead>
</table>
| 1 | Glossary  
| 2 | The data sets, used for Section 3, are explained.  
| 3 | The demographics of the survey respondents.  
| 4 | The interview list  
| 5 | The online survey  

### Table S-1: Structure of report

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>This section sets out the background, purpose, scope and approach for the review of the ISL.</td>
</tr>
<tr>
<td>2</td>
<td>This section sets out the rationale of and the services and costs funded by the ISL, the relationship to the EEL and the generated revenue.</td>
</tr>
</tbody>
</table>
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| 6       | Key discussion points and the answers to questions specified by the Ministry in the Terms of Reference. |
| 1       | Glossary  
| 2       | The data sets, used for Section 3, are explained.  
| 3       | The demographics of the survey respondents.  
| 4       | The interview list  
| 5       | The online survey |
Section 1
Introduction
PricewaterhouseCoopers has been engaged by the Ministry of Education to carry out a review of the International Student Levy

Introduction

This section sets out the background, purpose, scope and approach for the review of the ISL.

Background

The International Student Levy (ISL or the Levy) currently applies to primary and secondary state and state-integrated schools that receive tuition fees from international-fee paying students studying in New Zealand.

The number of international students at state and state-integrated schools increased dramatically from approximately 5,000 in 1997 to approximately 20,000 in 2003. International fee-paying student numbers then fell and have slightly recovered in 2007 (Figure 1-1).

The ISL is the means by which schools reimburse the Government for Crown expenditure in respect of international students. The ISL has been deducted from state schools’ operating grants since 1993 and from state integrated schools since 1 January 2008.

The Ministry of Education’s International Division has commissioned PricewaterhouseCoopers to conduct a review of the ISL.

Purpose

The findings of this project will be used by the Ministry of Education (the Ministry) to inform policy development in relation to:

- the role of the ISL in relation to the Government’s strategy for international education and development of the industry;
- whether the rationale for the ISL remains current and its application optimal;
- assessing the impact of the ISL on schools’ participation in international education activities, and on the benefits for schools and students from schools’ participation in international education activities.
- assessing if the ISL is economically efficient, and if changes to the current charging system and the per-student rate of the ISL should be made; and
- whether ISL funds are appropriately allocated across the stated areas of expenditure.

Figure 1-1: Number of fee paying international students in New Zealand

Source: Ministry of Education
Section 1 - Introduction

The Ministry specified a series of questions for this review

Scope

- The Ministry of Education specified a series of questions for this review about the description of the ISL, the 'delivery of ISL outputs', school financials and the impact of the ISL.
- The following topics were not within the scope of this review:
  - assessing the appropriateness of the quantum of the levy;
  - assessing the appropriateness of the approach to funding schools, or the quantum of school funding;
  - the Export Education Levy and its outputs; and
  - the international education industry per se.

Table 1-1: Series of questions of the Ministry of Education for Review of ISL

<table>
<thead>
<tr>
<th>The Ministry specified the following questions for the review.</th>
<th>Question addressed in Section:</th>
</tr>
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<tbody>
<tr>
<td>What is the rationale for the ISL?</td>
<td>2</td>
</tr>
<tr>
<td>What is the relationship to the Export Education Levy?</td>
<td>2</td>
</tr>
<tr>
<td>What costs and services does the ISL currently cover?</td>
<td>2</td>
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<tr>
<td>What are the compliance costs for schools, and administrative costs of the ISL for the Ministry of Education?</td>
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<td>4</td>
</tr>
<tr>
<td>Is there any evidence of unmet demand by schools for these services?</td>
<td>4</td>
</tr>
<tr>
<td>Are there other services that schools think should be funded from the ISL?</td>
<td>4</td>
</tr>
<tr>
<td>How much revenue has the ISL generated?</td>
<td>2</td>
</tr>
<tr>
<td>What proportion of school fees from international enrolments is allocated to the ISL (by primary and secondary schools)?</td>
<td>3</td>
</tr>
<tr>
<td>What is the mean, median, and low to high quartile level of ISL payment by schools?</td>
<td>3</td>
</tr>
<tr>
<td>What proportion of 'above costs' revenues, received by schools from international students, does the ISL represent?</td>
<td>3</td>
</tr>
<tr>
<td>What effect do the amounts paid in ISL deductions have on schools' provision of appropriate levels of service for international students (e.g. ESOL, Pastoral Care), that a well-run international student programme requires?</td>
<td>5</td>
</tr>
<tr>
<td>Has the ISL affected the level of participation by schools in international education activities?</td>
<td>5</td>
</tr>
</tbody>
</table>
Methodology and four phase approach for the review

Methodology

• The review methodology comprised the following elements:
  – analysis of school financial statements, and roll return data from the Ministry of Education;
  – analysis of responses from the online survey of schools;
  – interviews with the Ministry, ERO, education industry bodies and professional associations and school principals/international directors; and
  – review of previous reports, policy papers and other documentation from the Ministry and other sources, where relevant to the review.

Approach

• The project was structured around the following phases:
  – Phase 1: information was gathered and analysed in relation to the levy and key stakeholders;
  – Phase 2: several interviews were conducted and these were used to confirm findings from the initial information analysis and to gain a deeper understanding of the levy;
  – Phase 3: an online survey sought feedback from all schools in New Zealand. This allowed feedback from a larger number and range of schools to be incorporated into the analysis; and
  – Phase 4: the results of the documentation analysis, the interviews and the survey were combined to inform the findings and recommendations of this report.

Stakeholder Interviews

• We consulted with:
  – principals and international directors of state and state-integrated primary, intermediate and secondary schools;
  – the Ministry of Education (levy administration, international policy advisor and ESOL support and advisory service);
  – Education New Zealand Trust;
  – the Education Review Office; and
  – Education industry bodies and professionals associations.

• Refer to Appendix 4 for a full list of interviewees.
Consultation with stakeholders in the education sector by interviews and online survey

Online Survey

- The online survey contained questions in relation to the context of the ISL, the services and costs funded by the levy and schools’ understanding of and opinions about the ISL.
- The survey was distributed to all schools in New Zealand. A reminder email was sent to all schools with international students in 2007 (598).
- The online survey was also mentioned in the Ministry’s Education Gazette and in an email to the members of the New Zealand Principals’ Federation.
- We received responses from 311 schools with international students (or had in the past). This is 52% of the 598 schools in New Zealand recorded as having at least one international student in 2007, according to the the available roll return data from the Ministry.
- International student enrolments at the represented schools represent 67% of the international student sector (5,938 of a total of 8,941 international students recorded by the Ministry for 2007).
- It appears that the survey data are not significantly different to the underlying population. Analysis showed no significant differences for state and state-integrated schools and number of domestic/international students. The survey data appears somewhat over representative of secondary schools and of respondents from decile 7-10.
- The survey was anonymous, individual responses have not been disclosed to the Ministry and will remain confidential to PwC.
- Survey respondents were self-selected.

- In general, survey response rates vary greatly and are impacted by many factors. According to a study of response rates for online surveys*, most receive a response rate of 26% or higher and for surveys with less than 1000 invitees the average response rate is 41%. On the basis of this study, our response rate of 52% is higher than average and represents a good response.
- Refer to Appendix 3 for detail on the demographics of survey respondents and for the number of responses per survey question and to Appendix 5 for the survey questions.

Section 2
Overview of the International Student Levy
**Section 2 - Overview of the International Student Levy**

**Government’s strategy for the international education sector**

**Introduction**

- Section 2 addresses the following questions set in the Terms of Reference by the Ministry:
  - What is the rationale for the ISL?
  - What is the relationship to the Export Education Levy?
  - What costs and services does the ISL currently cover?
  - How much revenue has the ISL generated?
  - What are the compliance costs for schools, and administrative costs of the ISL for the Ministry of Education?

**The International Education Agenda**

- The International Education Agenda, a strategy for 2007 – 2012, sets out Government's vision and strategy for international education in New Zealand and was released in August 2007.
- The Agenda communicates the aspirations of the Government for New Zealand engagement in international education over the next five years. The agenda has four goals:
  1. New Zealand students are equipped to thrive in an interconnected world;
  2. International students are enriched by their education and living experiences in New Zealand;
  3. Domestic education providers are strengthened academically and financially through international linkages;
  4. New Zealand receives wider economic and social benefits.

- In March 2007, Education NZ proposed that it’s Industry Strategy together with the International Education Agenda should form New Zealand’s ‘NZ Inc’ Strategy on International Education”.

**Figure 2-1: International education goals supporting Government’s priorities**

<table>
<thead>
<tr>
<th>INTERNATIONAL EDUCATION GOALS SUPPORTING GOVERNMENT’S PRIORITIES</th>
</tr>
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<tbody>
<tr>
<td><strong>Goal 1</strong> New Zealand students are equipped to thrive in an inter-connected world.</td>
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<td><strong>Goal 2</strong> International students are enriched by their education and living experiences in New Zealand.</td>
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<td><strong>Goal 3</strong> Domestic education providers are strengthened academically and financially through international linkages.</td>
</tr>
<tr>
<td><strong>Goal 4</strong> New Zealand receives wider economic and social benefits.</td>
</tr>
</tbody>
</table>

**Feedback in relation to ISL and International Education Agenda**

- Interviewees frequently made comments about the Education Agenda, which this comment summarises aptly:
  - “I do not understand the fact that the Government finds international education a key priority but does not give schools any money and even worse it takes money via the ISL”.

- Interviewees also commented that although the Government sets out its international education objectives and priorities for all education providers it focuses too much on the tertiary sector.
International Student Levy: Rational and History

The rationale of the International Student Levy

- The ISL was introduced in 1992 and is currently charged at $900 per fee-paying student (including GST) enrolled in state and state-integrated schools, and is deducted from school operating grants by the Ministry of Education.

- The ISL is the Government’s primary policy instrument for managing and recovering Crown expenditure commitments on international students, including capital costs and system costs.

- As stated in section 4D of the Education Act 1989 (the Act), the ISL is the means by which school Boards are to “reimburse the Crown for expenditure in respect of international students”. “Expenditure” is not specifically defined.

- The rationale for the ISL is cost recovery to manage subsidisation of international students from Government funds.

- This can be contrasted with the EEL, which is primarily a sector development levy: the differing rationale behind the two levies must be taken into consideration when making a comparison between the two.

History of the International Student Levy

- In order to implement Section 4D of the Act, the ISL was introduced in 1993 at the rate of $450 (including GST) per international student for state primary and secondary schools.

- A number of reviews and adjustments have been made to the levy since introduction:
  - in 1998, the ISL was increased to $600 for state primary schools and $900 for state secondary schools to reflect increased but varying demands of schools on capital; and
  - in 2005, the ISL increased to $900 for state primary schools to reflect marginal costs as well as system costs.

- The way in which ISL funds have been utilised has changed since its inception. In 1993, all ISL funds were returned to the Government’s consolidated fund as contribution to capital expenditure on schools.

- In 2003, the EEL was introduced and so the contribution of State schools to the EEL was deducted from their existing ISL to the Crown.

- In 2005, the ISL funds were used to recover for system costs incurred by the Crown (ESOL, ERO, operational support) as well as capital costs.

- In 2008, in accordance with section 4D of the Education Amendment Act 2006, the ISL was extended in its application to state integrated primary and secondary schools at the rate of $900 (but with sharing of ISL revenues with the proprietors of integrated schools).

Source: Several internal documents Ministry of Education
Overview of costs and services funded by the levy

- The Ministry stated that the following costs and services are funded by the levy:
  1. **A transfer to the Export Education Levy (EEL) fund**: the Ministry transfers payment from the ISL fund to the EEL Fund;
  2. **Capital depreciation and maintenance**: this is an amount transferred to the Crown Accounts as compensation for capital depreciation and maintenance of school assets owned by the Crown;
  3. **The international component of Education Review Office (ERO) reviews**: the Education Review Office (ERO) assesses schools with international students in relation to their international programmes, with a focus on compliance with the Code of Practice for the Pastoral Care of International Students;
  4. **English for Speakers of other Languages (ESOL) support and advisory services**: This is funding for the Ministry to develop and provide ESOL resources and training.
  5. **Operational support for schools**: Other costs incurred by the Ministry in respect of international students. We understand this includes the following:
    - policy and regulatory work;
    - operational advice and support from the Ministry;
    - costs relating to the training and recruitment of additional teachers; and
    - Ministry administration costs in respect of the ISL.

### International Student Levy revenue for the Ministry

- Table 2-1 shows the ISL payments from schools received by the Ministry

<table>
<thead>
<tr>
<th>Year</th>
<th>International Student Levy Revenue ($000, GST inclusive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>9,313</td>
</tr>
<tr>
<td>2005</td>
<td>8,241</td>
</tr>
<tr>
<td>2006</td>
<td>6,452</td>
</tr>
<tr>
<td>2007</td>
<td>6,850</td>
</tr>
</tbody>
</table>

*Source: Ministry of Education, rolls return data*
ISL Cash Flows

- The following diagram shows a simplified version of the cash flows relevant for the ISL from a cash flow (not accounting) perspective.
- The percentages are for the 2007 year only (percentages will vary with the amount of revenue received from enrolments of international students).

Figure 2-2: ISL cash flows

Source: PricewaterhouseCoopers analysis based on the Ministry’s information
Section 2 - Overview of the International Student Levy

1. Export Education Levy is a variable component of the ISL

Transfer to EEL

- The rapid growth in numbers of international enrolments from 1999 to 2003 (as shown in Figure 1.1 on page 2) raised a number of issues for the Government and industry bodies. A need became apparent for greater investment in cross-sector promotion in source countries, along with professional development for providers, and research into international education activities and their effectiveness (Export Education Levy Annual report 2006-2007).

- In order to fund the initiatives relating to sector development, the government decided to introduce a compulsory industry levy from 2003.

- The EEL is a levy used to support a broad range of activities and projects relating to the export education industry, including: promotion of New Zealand as a quality education destination; professional development programmes, quality assurance and research into key industry issues. In addition the EEL is used to fund the Code of Practice for the Pastoral Care of International Students office.

- The EEL supports the development of the export education industry, so it has a different purpose to the ISL and is more specific than the ISL. Some of the ISL is transferred to the Education Export Levy. However, this amount is small, and forms also only a small part of the EEL.

- The rate of the EEL is:
  - A flat fee component of $185 (excluding GST) payable by each provider with international students, so this amount is the same regardless the number of international students in the school; and
  - A variable component based on the tuition fees paid by the foreign-fee paying students; this is 0.45% of total international tuition fees (excluding GST).

The inter-relationship between the EEL and ISL

- During the introduction of the EEL, the Government made a commitment that the introduction of the EEL would not lead to an increase in costs for schools that already paid the ISL.

- The EEL is currently deducted from revenue received under the ISL. However, this is not a fixed amount but is calculated based on a flat rate plus a percentage of tuition fees. Therefore, as international student numbers and fees vary, the two levies will vary in different ways. The amount of revenue from the ISL therefore in practice is dependent of the EEL (i.e. what is left over from the total charge).

Education New Zealand Trust

- Education New Zealand (ENZ) is a not for-profit trust that is governed by, and works to empower, New Zealand’s education exporters. ENZ is recognised by government as the umbrella industry body and works in partnership with New Zealand Trade and Enterprise to jointly manage the generic and collective marketing of New Zealand education internationally.

- ENZ is responsible for developing an annual Export Education Levy work programme, spanning research, professional development, promotion and quality assurance in direct consultation with the industry. The work programme is funded from the EEL through a contract with the Ministry of Education.

- A comment from a survey respondent about the EEL transfer from the ISL is:
  - “I support the ISL because it is my professional responsibility to do so however I do not believe that we are being fairly charged and I think that the small proportion of the levy that goes to Education NZ is laughable if they are expected to support this multi-million dollar business effectively”.

- Some interviewees and survey respondents indicated that schools are better at doing marketing themselves:
  - “I believe the levy could be used to benefit schools run better International programs as opposed to helping run organisations like Education New Zealand”.

- Other interviewees highlighted the lack of coordination between education organisations:
  - “It would also be useful if Tourism NZ and Education NZ could, in some way, work together in promotional material.”.

Review of the International Student Levy
Section 2 - Overview of the International Student Levy

2. Each year $3.6 million of the ISL compensates the Crown for capital depreciation and maintenance in respect of international students

Capital depreciation and maintenance

- When the ISL was established in 1992, the only cost it recovered was capital and maintenance in respect of International Students. The levy was initially set at $450 (including GST).
- Conceptually, either a marginal or average cost basis can be applied for calculating the capital and maintenance cost incurred in respect of international students. In this case a marginal cost approach would generally result in a significantly smaller amount in dollars*.
- We understand that the Ministry has reviewed the quantum of the capital and maintenance component at a number of points in time since the inception of the levy, notably:
  - a 1997 report by PriceWaterhouse, which advocated an average cost approach;
  - an internal review in 1996/97, following which the levy was adjusted to ‘more accurately reflect the true capital costs’. The levy was set at $600 (including GST) for primary schools and at $900 (including GST) for secondary schools.
  - a 2000 review by Infometrics, which supported a marginal cost approach; and
  - a further review in 2004, where the costing approach was changed from an average cost to a marginal cost basis. At the same time other (‘system’) costs incurred in relation to international students were added to the levy.

*Source: Ministry of Education internal report

State-integrated schools

- The levy has been extended to include state-integrated schools since the 1 January 2008. However, as the Crown generally does not own integrated schools’ fixed assets, an amount of the levy is returned to the proprietors of state-integrated schools.
- The amount returned is calculated as follows:
  - a percentage of all state-integrated schools’ carrying value for property, plus maintenance costs, divided by the total number of domestic students across state-integrated schools, is calculated; and
  - this figure is multiplied by the number of international students in each state-integrated school, and returned to each state-integrated school.
3. Each year $0.478 million of the ISL is allocated to the international component of ERO reviews

Education Review Office

- The Education Review Office (ERO) is a government department whose purpose is to evaluate and report publicly on the education and care of students in schools and early childhood services. ERO’s findings inform decisions and choices made by parents, teachers, managers, trustees and others, at the individual school level and at the national level by Government policy makers.

- As part of ERO’s regular reviews for every school with international students, ERO evaluates and reports on the extent to which the school meet the requirements of the Code of Practice for the Pastoral Care, as well as the provision of English language support for international students.

- The term “pastoral care” encompasses all aspects of safety and well being. The focus of the reviews include the welfare and accommodation aspects of the Code, and ERO seeks evidence from a sample of home stay carers to verify that schools are meeting with their obligations in these areas. ERO will be observing in classrooms including ESOL programmes and report on the quality of education provided to them.

Costs Education Review Office

- The ERO costs are regarded as a system cost in the ISL and amount to $478,000 per year (this amount is set from the 2004 Budget).

- The main cost associated with the international component of the ERO review is extra full time equivalent (FTE) review office employees. In 2004, ERO proposed for 3.2 FTE reviewers based on approximately 800 schools with international students and a review of each school every three years on average beginning 2004/2005. Refer to Table 2-1 for the reviews that ERO has carried out in each of the subsequent financial years.

Table 2-2: Number of ERO reviews of schools with international students per financial year

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Reviews of schools with international students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/2005</td>
<td>177</td>
</tr>
<tr>
<td>2005/2006</td>
<td>235</td>
</tr>
<tr>
<td>2006/2007</td>
<td>222</td>
</tr>
<tr>
<td>2007/2008</td>
<td>235</td>
</tr>
</tbody>
</table>

Source: Education Review Office

- ERO explained in the interview that a certain number of days will be allocated (e.g. 1 or 1.5 extra days depending on the number of international students) to the international component. The number of hours allocated is on a sliding scale (4, 8 or 16 hours) depending on the number of international students. The reviewers also visit home stays, which are chosen at random (3 or more) but it is still the school’s task to verify the quality of the home stay and ERO will review this to ensure the schools comply with the Code’s review stipulations.

- The part of the ERO review relating to the Code of Practice would appropriately be funded from the EEL, as Code administration is a defined purpose of this levy. However, as schools’ contribution to EEL revenue is in fact deducted from ISL funds, it was proposed in 2004 to draw it from ISL revenue. This deduction was then be offset by a transfer from the ISL to the EEL fund, making it cost-neutral.
4. Each year $1.376 million of the ISL is allocated to ESOL support and advisory service

The Ministry’s ESOL support and advisory service

- The Ministry of Education funds an “English for Speakers of Other Languages” (ESOL) support and advisory service to provide in-classroom specialist assistance to ESOL teachers and teachers providing general tuition to non-English speaking background students.

- Before 2004, the ESOL service was intended to provide support for the education of recent migrant and refugee students; however in practice it also assisted international students and their presence increased the demands on the service. Therefore, from 2004 onward, some ISL funding was used to supplement ESOL support and advisory service.

- The component of the ISL that goes towards Ministry of Education support for teachers of international students, includes:
  - professional development through:
    > TESSOL (Teaching English in Schools to Speakers of Other Languages) Scholarships;
    > support for the 54 regional ESOL professional learning communities;
    > targeted support from School Support Services ESOL International Advisors; and
  - the provision of teaching and learning resources (such as the Waves DVD and teaching notes, the Focus on English materials, the picture dictionary and teaching notes, the provision of ESOL Unit standards material on ESOL Online etc).

Costs of ESOL

- Because of the high number of international students and therefore the necessity of the provision of additional personnel and material resources to ensure that international students are provided with a high quality service, the levy include the costs of ESOL for international students.

- The Ministry indicated that it is not administratively practical or cost effective to charge this out on a simple fee-for-service basis due to the fact that operationally ESOL support and advisory service supports schools’ international and domestic students simultaneously.

- The ISL funding supplements the budget set for providing ESOL services to domestic students.

- The ESOL support and advisory service receives $1.376 million as funding (this amount is set from the 2004 Budget). From this amount, a part goes to support an additional 4 FTE School Support Services ESOL International adviser positions around the country. The other specific components of the expenditure for ESOL are:
  1. Scholarships for teachers to enable them to gain TESSOL qualifications and develop the teaching skills necessary for working with international students;
  2. Professional development opportunities such as:
    - an additional contribution to School Support Services for teacher release day payments for teachers of International students to participate in curriculum based professional development programmes;
    - support for professional learning communities;
    - teacher aide and paraprofessional training workshops in English language support.
  3. Programme materials and teaching resources; and
  4. operational support to co-ordinate the ESOL initiatives and communicate with the school sector.
Section 2 - Overview of the International Student Levy

5. Residual revenue retained within Vote Education for operational support for schools

Operational support for schools

• Prior to the 2003/04 financial year, residual ISL revenue was retained with the Crown Accounts. Effectively, therefore this money was not necessarily being used for Education purposes.

• Since 2003/04, the residual revenue has been retained within Vote Education (post transfer of $3.6 million to the Crown Accounts for capital and maintenance, an amount to the EEL, $1.4 million for ESOL, and $0.5 million for ERO).

• Nominally, this funding is to compensate the Ministry for other ‘system’ costs (operational support for schools) incurred in relation to international students.

• We understand there is no definitive list as to what is covered by this, but the following activities and costs within the Ministry currently support or are incurred in respect of schools with international students:
  - policy and regulatory work carried out by the International Division;
  - general operational advice and support from the Ministry, including from:
    > the Code Office;
    > the International Policy Division;
    > Schools Support;
    > Regional Offices;
  - costs relating to the training and recruitment of additional teachers; and
  - Ministry administration costs in respect of the ISL.
Section 2 - Overview of the International Student Levy

Low compliance costs for schools and effective Ministry administration process for ISL

Compliance costs of ISL for schools

• The ISL is automatically deducted from schools’ operational grants and therefore the only requirement from is schools to complete the relevant sections of school roll returns.

• None of the interviewees indicated that complying with the ISL imposed significant costs for their school. Interviewees indicated that it takes a day per year to perform the administrative tasks in relation to the ISL.

Administrative costs for the Ministry in respect of the ISL

• Part of the review’s brief was to identify the types of administration costs incurred by the Ministry in relation to the ISL*.

• This information will assist the Ministry in assessing the economic efficiency of the levy, and whether, under its current structure, the Ministry incurs excessive costs in administering the levy.

• Administration costs in this context includes all costs incurred by the Ministry with respect to the ISL, including to setting, reviewing, modifying, applying and reporting against the levy.

• Key cost areas identified include:
  – an international student levy administrator, who spends approximately 10 – 15% of time employed administering the ISL;
  – a number of policy analysts within the International Education Policy team in the Ministry. Their workload in relation to the ISL is highly variable across years, and is generally related to the degree of review/modification occurring; and
  – the finance team processing levy deductions.

* Estimating the cost of administration is out of the scope of this review.

Effectiveness

• In general the administrative system for the levy appears to be effective, as:
  – the levy is deducted from school operating grants. Therefore schools have no charge in relation to paying the levy. For a very small number of schools, the ISL payment amount exceeds the operating grant. In these cases, the school is invoiced directly. We understand that debtors, in relation to these cases, is minimal;
  – the quantum of the levy for each school is calculated based on school roll returns, which occur four times a year. In this respect the effectiveness of the levy is reliant on the effectiveness of the roll return system in accurately capturing underlying school data;

• However, for students who both begin and finish attending a school between roll returns, the administrative system relies on the voluntary completion of ‘RS15’ forms, to indicate the presence of international students. We note that although voluntary systems can be less effective, we understand that the number of international students who start and finish between roll returns is not significant.

• We understand that from the 2009 calendar year, the Ministry will be basing the levy calculation for each school on information collected within the ENROL system. This will remove the need for ‘RS15’ returns, and thus the voluntary aspect of the levy administration process.
Section 3
Financial Analysis of School International Programmes
This section provides a number of financial metrics relating to school international programmes.

Introduction

- This section provides the following financial metrics in relation to school international programmes (as specified by the Ministry in the scope for this review):
  - the proportion of school fees from international enrolments allocated to the ISL;
  - the mean, median, lower quartile and upper quartile of ISL payment by schools; and
  - the proportion of ‘above costs’ revenues, received by schools from international students.

- Available data has been analysed along the following dimensions:
  - primary/intermediate schools relative to secondary schools; and
  - deciles 1 to 6 schools relative to deciles 7 to 10 schools.

Approach

- A number of data sources were used (see also Appendix 2):
  - Ministry of Education roll returns;
  - summary school financial statements (supplied by the Ministry); and
  - survey responses (in relation to the components of international programme costs).

- Data was analysed for years ending 31 December 2004 – 2007 where available.
- The data sets supplied by the Ministry contained a number of inconsistencies and data quality issues. Refer to Appendix 2 for further discussion and our analysis of the robustness of the data available.
- The following data points were excluded from analysis for each applicable year:
  - schools with no international students;
  - schools with incomplete data; and
  - Independent schools (out of scope).
- Integrated schools have not been analysed, as they did not begin to pay the levy until 2008.
- We understand that the cost data used does not represent the full cost of international students, only the direct costs incurred in running an international programme.
- All amounts are expressed exclusive of GST.
International programme financials by school type

- Average net revenue from international students for secondary schools across 2004 to 2006 is approximately three to four times greater ($233,000) than for primary/intermediate schools ($64,800).

- Average net revenue from international students for secondary schools across 2004 to 2006 is approximately three to four times greater than net revenue for primary/intermediate schools.

- This appears to be related to the lower average number of international students per school in primary/intermediate schools (approximately three to four times lower).

- On a per student basis, however, primary/intermediate schools are more profitable, with net revenue being approximately 14% to 17% higher than for secondary schools from 2004 to 2006. The average net revenue per student for primary/intermediate schools was $6,900, and for secondary schools was $5,900.

- From a trend perspective, average net revenue per school has decreased from 2004 to 2006 for primary/intermediate and secondary schools in line with the decrease in the average number of international students per school.

- For secondary schools profitability per student has stayed constant across 2004 to 2006 at approximately 58%, whilst profitability for primary/intermediate schools has dropped from 86% in 2004 to 81% in 2006.

Table 3-1: Average net revenue per school by school type

<table>
<thead>
<tr>
<th>School Type</th>
<th>Average per School ($)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary / Intermediate Schools</td>
<td>Revenue</td>
<td>88,447</td>
<td>76,093</td>
<td>80,966</td>
<td>N/A</td>
<td>81,835</td>
</tr>
<tr>
<td></td>
<td>Direct expenses</td>
<td>15,629</td>
<td>17,008</td>
<td>18,372</td>
<td>N/A</td>
<td>17,003</td>
</tr>
<tr>
<td></td>
<td>Net revenue</td>
<td>72,818</td>
<td>59,085</td>
<td>62,594</td>
<td>N/A</td>
<td>64,832</td>
</tr>
<tr>
<td></td>
<td>Net revenue margin (%)</td>
<td>82%</td>
<td>78%</td>
<td>77%</td>
<td>N/A</td>
<td>79%</td>
</tr>
<tr>
<td></td>
<td>International Students per school</td>
<td>13.9</td>
<td>12.7</td>
<td>10.7</td>
<td>N/A</td>
<td>12</td>
</tr>
</tbody>
</table>

Secondary Schools

| Revenue                      | 477,427               | 405,102 | 357,321 | N/A    | 413,283 |
| Direct expenses              | 207,267               | 176,197 | 157,087 | N/A    | 180,184 |
| Net revenue                  | 270,160               | 228,906 | 200,234 | N/A    | 233,100 |
| Net revenue margin (%)       | 57%                   | 57%     | 56%     | N/A    | 56%     |
| International Students per school | 48.7      | 44.3   | 36.8    | N/A    | 43      |

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data

Table 3-2: Average net revenue per international student by school type

<table>
<thead>
<tr>
<th>School Type</th>
<th>Average per International Student ($)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary / Intermediate Schools</td>
<td>Revenue</td>
<td>7,970</td>
<td>7,841</td>
<td>9,123</td>
<td>N/A</td>
<td>8,311</td>
</tr>
<tr>
<td></td>
<td>Direct expenses</td>
<td>1,137</td>
<td>1,391</td>
<td>1,745</td>
<td>N/A</td>
<td>1,424</td>
</tr>
<tr>
<td></td>
<td>Net revenue</td>
<td>6,833</td>
<td>6,450</td>
<td>7,378</td>
<td>N/A</td>
<td>6,887</td>
</tr>
<tr>
<td></td>
<td>Net revenue margin (%)</td>
<td>86%</td>
<td>82%</td>
<td>81%</td>
<td>N/A</td>
<td>83%</td>
</tr>
</tbody>
</table>

Secondary Schools

| Revenue                      | 10,273                 | 9,749   | 10,859  | N/A    | 10,294 |
| Direct expenses              | 4,314                  | 4,216   | 4,503   | N/A    | 4,344  |
| Net revenue                  | 5,959                  | 5,533   | 6,356   | N/A    | 5,940  |
| Net revenue margin (%)       | 58%                    | 57%     | 59%     | N/A    | 58%    |

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data
On average, over the 3 years from 2004, decile 7-10 schools earn two times more net revenue ($189,000) from international students than decile 1-6 schools ($88,000).

International Programme Financials by decile

- Key findings from the analysis of international programme financials by decile include:
  - Average net revenue for deciles 7 to 10 schools across 2004 to 2006 is approximately two times greater than net revenue for deciles 1 to 6 schools.
  - This appears to be related to the lower average number of international students per school in deciles 1 to 6 Schools (approximately 20 to 35% lower).
  - On a per student basis, deciles 7 to 10 schools are more profitable, being on average 44% higher than 1-6 decile schools across 2004 to 2006. The average net revenue per student for deciles 1 to 6 schools was approximately $5,000, and for deciles 7 to 10 schools was approximately $7,100.
  - From a trend perspective, average net revenue per school has decreased from 2004 to 2006 for deciles 1 to 6 and deciles 7 to 10 schools, as the average number of international students per school has decreased.
  - For deciles 7 to 10 schools, profitability per student has stayed constant across 2004 to 2006 at approximately 69%, with profitability for deciles 1 to 6 schools being approximately 56%.

### Table 3-3: Average net revenue per school by decile

<table>
<thead>
<tr>
<th>Deciles 1 - 6</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>188,805</td>
<td>163,611</td>
<td>151,101</td>
<td>N/A</td>
<td>167,839</td>
</tr>
<tr>
<td>Direct expenses</td>
<td>88,736</td>
<td>78,597</td>
<td>72,839</td>
<td>N/A</td>
<td>80,057</td>
</tr>
<tr>
<td>Net revenue</td>
<td>100,070</td>
<td>85,013</td>
<td>78,262</td>
<td>N/A</td>
<td>87,782</td>
</tr>
<tr>
<td>Net revenue margin (%)</td>
<td>53%</td>
<td>52%</td>
<td>52%</td>
<td>N/A</td>
<td>52%</td>
</tr>
<tr>
<td>Average per school</td>
<td>23.6</td>
<td>20.9</td>
<td>17.2</td>
<td>N/A</td>
<td>21</td>
</tr>
</tbody>
</table>

### Table 3-4: Average net revenue per international student by decile

<table>
<thead>
<tr>
<th>Deciles 1 - 6</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8,640</td>
<td>8,449</td>
<td>9,481</td>
<td>N/A</td>
<td>8,857</td>
</tr>
<tr>
<td>Direct expenses</td>
<td>3,764</td>
<td>3,765</td>
<td>4,231</td>
<td>N/A</td>
<td>3,920</td>
</tr>
<tr>
<td>Net revenue</td>
<td>4,877</td>
<td>4,684</td>
<td>5,250</td>
<td>N/A</td>
<td>4,937</td>
</tr>
<tr>
<td>Net revenue margin (%)</td>
<td>56%</td>
<td>55%</td>
<td>55%</td>
<td>N/A</td>
<td>56%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deciles 7 - 10</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>10,399</td>
<td>9,802</td>
<td>10,981</td>
<td>N/A</td>
<td>10,394</td>
</tr>
<tr>
<td>Direct expenses</td>
<td>3,081</td>
<td>3,247</td>
<td>3,478</td>
<td>N/A</td>
<td>3,269</td>
</tr>
<tr>
<td>Net revenue</td>
<td>7,318</td>
<td>6,555</td>
<td>7,503</td>
<td>N/A</td>
<td>7,125</td>
</tr>
<tr>
<td>Net revenue margin (%)</td>
<td>70%</td>
<td>67%</td>
<td>68%</td>
<td>N/A</td>
<td>69%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data
Section 3 - Financial Analysis of School International Programmes

Statistics for ISL payments

International Student Levy payments by state schools

- Table 3-5 sets out the mean, lower quartile, median and upper quartile of ISL payments by schools (exclusive of GST) from 2004 to 2007.

- This analysis is based on roll return data provided by the Ministry. State-integrated schools have not been included, as until the beginning of 2008, they did not pay the ISL.

- Note that school ISL payments are a function of the number of equivalent full time international students, and the rate of $800 (exclusive of GST) per equivalent fulltime international student. Note that before 2005, the rate for primary / intermediate schools was $533 (exclusive of GST per equivalent fulltime student).

- The distribution of ISL payments per state school in 2007 are set out in Figure 3-1.

Table 3-5: Mean, lower quartile, median and upper quartile of ISL payments by schools from 2004 - 2007

<table>
<thead>
<tr>
<th>ISL Payments</th>
<th>Average per School, exclusive of GST ($)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td></td>
<td>14,198</td>
<td>13,178</td>
<td>10,447</td>
<td>11,339</td>
<td>12,291</td>
</tr>
<tr>
<td>Lower Quartile</td>
<td></td>
<td>2,013</td>
<td>2,034</td>
<td>1,200</td>
<td>1,380</td>
<td>1,657</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td>5,387</td>
<td>5,600</td>
<td>3,940</td>
<td>4,320</td>
<td>4,812</td>
</tr>
<tr>
<td>Upper Quartile</td>
<td></td>
<td>14,480</td>
<td>14,941</td>
<td>12,921</td>
<td>13,575</td>
<td>13,979</td>
</tr>
</tbody>
</table>

Primary/Intermediate

| Mean         |                                         | 5,499 | 6,382 | 5,063 | 5,919 | 5,716   |
| Lower Quartile|                                         | 1,380 | 1,800 | 900   | 900   | 1,245   |
| Median       |                                         | 3,600 | 3,600 | 2,250 | 2,621 | 3,018   |
| Upper Quartile|                                         | 7,800 | 8,159 | 6,042 | 7,425 | 7,356   |

Secondary

| Mean         |                                         | 34,743| 28,745| 22,428| 23,360| 27,319  |
| Lower Quartile|                                         | 8,550 | 7,200 | 6,101 | 4,865 | 6,679   |
| Median       |                                         | 22,590| 19,266| 14,410| 14,398| 17,666  |
| Upper Quartile|                                         | 48,420| 41,097| 29,509| 32,637| 37,916  |

Deciles 1 - 6

| Mean         |                                         | 12,296| 10,372| 7,802 | 13,780| 11,063  |
| Lower Quartile|                                         | 1,600 | 1,600 | 1,000 | 1,800 | 1,500   |
| Median       |                                         | 4,800 | 4,000 | 3,189 | 5,850 | 4,460   |
| Upper Quartile|                                         | 13,280| 11,487| 10,304| 15,479| 12,638  |

Deciles 7 - 10

| Mean         |                                         | 16,342| 16,317| 13,302| 11,563| 14,381  |
| Lower Quartile|                                         | 2,133 | 2,714 | 1,600 | 1,233 | 1,920   |
| Median       |                                         | 6,400 | 7,200 | 5,370 | 4,038 | 5,752   |
| Upper Quartile|                                         | 15,620| 19,200| 15,065| 14,866| 16,188  |

Source: PricewaterhouseCoopers' analysis of Ministry of Education data
### Section 3 - Financial Analysis of School International Programmes

On average, ISL payments represent 6.6% of school international student revenues

#### ISL / International Student Revenue

- Tables 3-6 and 3-7 set out the average proportion of ISL to international student revenue per school.
- Key points to note include that on average across 2004 - 2006:
  - ISL payments represent approximately 6.6% of school international student revenues (proportion of school fees);
  - there appears to be little difference between the proportion of ISL to international student revenue between primary/ intermediate (6.2%) and secondary (6.1%) schools. However, there does appear to be a small difference between deciles 1 - 6 (6.0%) and deciles 7 - 10 (5.4%) schools;
  - the ISL represents a greater proportion of international student revenues for schools with more than 40 EFT international students (7.0%) than for schools with less than 40 (6.0%);
  - the ISL represents an almost equally proportion of international student revenues for schools with more than 10 EFT international students (6.5%) and for schools with less than 10 (6.4%).

#### Table 3-6: Average proportion of ISL to international student revenue per school by school type, by decile and by number of international students (less or greater than 40 EFTS)

<table>
<thead>
<tr>
<th>ISL / International Student Revenue</th>
<th>Average per School (%)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across all Schools</td>
<td></td>
<td>6.6%</td>
<td>7.2%</td>
<td>6.0%</td>
<td>N/A</td>
<td>6.6%</td>
</tr>
<tr>
<td>By school type</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary / Intermediate Schools</td>
<td></td>
<td>5.5%</td>
<td>7.5%</td>
<td>5.6%</td>
<td>N/A</td>
<td>6.2%</td>
</tr>
<tr>
<td>Secondary Schools</td>
<td></td>
<td>6.5%</td>
<td>6.3%</td>
<td>5.6%</td>
<td>N/A</td>
<td>6.1%</td>
</tr>
<tr>
<td>By decile</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deciles 1 - 6</td>
<td></td>
<td>6.5%</td>
<td>6.3%</td>
<td>5.2%</td>
<td>N/A</td>
<td>6.0%</td>
</tr>
<tr>
<td>Deciles 7 - 10</td>
<td></td>
<td>5.2%</td>
<td>5.8%</td>
<td>5.2%</td>
<td>N/A</td>
<td>5.4%</td>
</tr>
<tr>
<td>By number of international students</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than or equal to 40 EFTS</td>
<td></td>
<td>5.9%</td>
<td>6.7%</td>
<td>5.4%</td>
<td>N/A</td>
<td>6.0%</td>
</tr>
<tr>
<td>Greater than 40 EFTS</td>
<td></td>
<td>7.2%</td>
<td>7.2%</td>
<td>6.5%</td>
<td>N/A</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data

#### Table 3-7: Average proportion of ISL to international student revenue per school by number of international students (less or greater than 10 EFTS)

<table>
<thead>
<tr>
<th>ISL / International Student Revenue</th>
<th>Average per School (%)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>By number of international students</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than or equal to 10 EFTS</td>
<td></td>
<td>5.8%</td>
<td>7.8%</td>
<td>5.7%</td>
<td>N/A</td>
<td>6.4%</td>
</tr>
<tr>
<td>Greater than 10 EFTS</td>
<td></td>
<td>6.6%</td>
<td>6.7%</td>
<td>6.1%</td>
<td>N/A</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data
On average, ISL payments represent 9.2% of school international student net revenues

### ISL / Net International Student Revenue

- The tables opposite sets out the average proportion of ISL to net international student revenue per school (i.e. international student revenue less direct international programme costs).
- Key points to note include that on average across 2004 - 2006:
  - ISL payments represent 9.2% of school international student net revenues on average across all schools (proportion of above costs);
  - ISL payments represent a smaller proportion of net international revenue for primary/intermediate schools (7.8%) than for secondary schools (10.8%);
  - ISL payments represent a smaller proportion of net international revenue for deciles 7 – 10 (8.1%) schools than for deciles 1 – 6 (11.5%) schools;
  - ISL payments represent a smaller proportion of net international revenue for schools with less than 10 EFT international students (9.6%) than for schools with more than 10 EFT international students (10.7).

### Table 3-8: Average proportion of ISL to net international student revenue per school by school type, by decile and by number of international students (less or greater than 40 EFTS)

<table>
<thead>
<tr>
<th>ISL / Net International Student Revenue Average per School (%)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across all Schools</td>
<td>9.2%</td>
<td>9.8%</td>
<td>8.4%</td>
<td>N/A</td>
<td>9.2%</td>
</tr>
<tr>
<td>By school type</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary / Intermediate Schools</td>
<td>6.7%</td>
<td>9.6%</td>
<td>7.2%</td>
<td>N/A</td>
<td>7.8%</td>
</tr>
<tr>
<td>Secondary Schools</td>
<td>11.4%</td>
<td>11.2%</td>
<td>10.0%</td>
<td>N/A</td>
<td>10.8%</td>
</tr>
<tr>
<td>By decile</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deciles 1 - 6</td>
<td>12.3%</td>
<td>12.2%</td>
<td>10.0%</td>
<td>N/A</td>
<td>11.5%</td>
</tr>
<tr>
<td>Deciles 7 - 10</td>
<td>7.6%</td>
<td>8.8%</td>
<td>7.9%</td>
<td>N/A</td>
<td>8.1%</td>
</tr>
<tr>
<td>By number of international students</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than or equal to 40 EFTS</td>
<td>9.4%</td>
<td>11.8%</td>
<td>9.3%</td>
<td>N/A</td>
<td>10.1%</td>
</tr>
<tr>
<td>Greater than 40 EFTS</td>
<td>11.8%</td>
<td>11.3%</td>
<td>10.3%</td>
<td>N/A</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data

### Table 3-9: Average proportion of ISL to net international student revenue per school by number of international students (less or greater than 10 EFTS)

<table>
<thead>
<tr>
<th>ISL / Net International Student Revenue Average per School (%)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>By number of international students</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than or equal to 10 EFTS</td>
<td>8.4%</td>
<td>11.8%</td>
<td>8.5%</td>
<td>N/A</td>
<td>9.6%</td>
</tr>
<tr>
<td>Greater than 10 EFTS</td>
<td>10.8%</td>
<td>11.2%</td>
<td>10.2%</td>
<td>N/A</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data
Composition of international programme costs

The online survey included a question in relation to the major cost components of schools international programmes. As discussed previously, it is important to note that this information does not represent the full cost of international students, only the direct costs incurred in running an international programme.

Figure 3-2 illustrates the percentage makeup of survey respondents current international programme costs for state schools only.

The major cost components are marketing, ESOL staff, other staff, pastoral care, administration costs and other costs.

Key findings from the analysis include:

- on average, 13% of international programme costs relate to marketing (e.g. flights, 15% of tuition fee for agencies, fees for fairs etc);
- secondary schools spend more as a proportion of total costs on marketing than primary schools;
- ESOL staff is the largest cost component, comprising 35% of international programme costs for survey respondents;
- lower decile schools spend more as a proportion of their total costs on ESOL staff than higher decile schools (Figure 3-3); and
- primary schools spend more as a proportion of total costs on ESOL staff than secondary schools (Figure 3-4).
Section 4
Understanding and Awareness of the ISL and Satisfaction with Services Funded by the ISL
47% of respondents believe they have little or no understanding of the rationale of the ISL

Introduction

- This section provides answers to the following questions:
  - To what extent are the services funded by the ISL (i.e. ERO reviews, and ESOL provision) effectively delivered to schools, and what are stakeholder views as to whether these costs should be met from the ISL or other sources?
  - Is there any evidence of unmet demand by schools for these services?
- Furthermore, the respondents’ understanding of the ISL and the awareness of the services of the ISL will be addressed in this section.

Understanding of the ISL

- Most respondents have little knowledge about the ISL in general: 29% have some understanding and 31% have little or no understanding of the ISL (Figure 4-1). A representative comment is:
  - “I have a very limited understanding of where this fee goes. $30 goes to ENZ, some to funding organisations like ERO but other than that we have no information of where it goes”.

Understanding of the rationale behind the levy

- The rationale behind the ISL (cost recovery) is not well understood by the majority of respondents (Figure 4-2). The conclusion from the interviews and the survey is that the schools in general have a poor understanding of the rationale behind the ISL (47% of survey respondents have little or no understanding).
- After explaining to interviewees the cost recovery rationale, most interviewees disagree with the rationale. A number of schools indicated that the international fees were used for school buildings and refurbishments but are used by every student.
52% of respondents believe they have little or no understanding of the services and costs of the ISL

*Understanding of the services and costs of the levy*

- Only 7% believe they have a full understanding of the services and costs funded by the ISL (Figure 4-3). Many respondents were unsure what ISL funds were spent on. The majority of the survey respondents and the interviewees were not aware of all the services provided by the levy.

- Further analysis showed that there appears to be no difference in responses by school type, decile or schools with a high or low number of international students. However, state schools have a better understanding of the levy (22%) than the state-integrated schools (10%), which is not surprising considered that state-integrated schools have only paid the levy since the beginning of this year.

- Some of the specific comments that were given in response to this question were as follows:
  - “I have had difficulty finding out where this levy really goes to. I still do not have an answer”; and
  - “I would need more information. Part of it goes to Education NZ I believe”.

Figure 4-3: Understanding of the services and costs funded by the ISL

*Source: PricewaterhouseCoopers ISL School Survey 2008*
Respondents have lack of awareness in relation to what the ISL funds

Awareness of EEL transfer from ISL

- Approximately half of respondents are not aware that for schools the EEL is included in the ISL (Figure 4-4). A number of schools believed that the ISL was the EEL; i.e. the majority of their levy payments went to Education New Zealand for research and sector development activities. Deducting funds from the ISL to transfer to the EEL results in reduced transparency between the two levies for respondents and contributes to misunderstanding as to what each levy is funding.
  - “Why do schools have to pay the full international student levy of $900.00 per student when all other providers of International Education only pay the EEL? They are able to access many of the same support systems, attend many of the same workshops, employ ESOL teachers that schools may end up contributing to their training, access ESOL on line, advice services etc., yet pay thousands of dollars less per year?”

Awareness of ISL funding for international component of ERO reviews

- The lowest awareness is for ISL funding of the international component of the ERO review. More than two-thirds of the survey respondents were not aware that the ISL funds this (Figure 4-5).

Awareness of ISL funding for ESOL services for international students

- Approximately half of the respondents are aware that there is ESOL support for international students (Figure 4-6). Comments included:
  - “I assumed these resources were provided for NZ-eligible ESOL, which can also be used for fee paying students.”;
  - “Not explained well - is it a secret?”;
  - “Not using them because we didn’t know about most of them.”; and
  - “Readily available for schools, and good information about resources Concern that the resources are available to all ESOL. Not so much prepared for International Students specifically.”.

Source: PricewaterhouseCoopers ISL School Survey 2008
27% are dissatisfied and 36% of respondents are satisfied with the quality of the international component of ERO reviews

Satisfaction with the quality of international component of ERO review

- Opinions about the quality of the international component of ERO reviews in relation to the international students are mixed (see Table 4-7).
- The positive responses praise the thoroughness but wondered if the review should be the same for schools with many international students as for schools with just one to five international students.
  - “We have recently had an ERO review. It was very thorough with all stakeholders interviewed. A lot of time was given to ensuring that we were meeting all aspects of the code and that our students and home stay families feel very supported.”; and
  - “We had an ERO review last week. The reviewer was focussed and effective; also very pleasant to me, staff, students and host parents.”.
- Many respondents believed the knowledge and experience of the reviewer in relation to international education issues and Pastoral Care was inadequate. The survey did not allow respondents to indicate the year of the last review. Feedback form interviewees indicated that the quality of reviewers may have improved over the last three years.
  - “Some reviewers knew very little about International programs as it is a relatively new area”; 
  - “The last ERO review at our school was conducted by staff with limited experience of the pastoral care of international students”; 
  - Our previous reviewers seemed to have had little knowledge or understanding of what the real requirements were for schools to provide for international students. If it is funded separately the international component of the Review should be reported separately and made more easily accessible to its community”; and
  - “Our last review was conducted by someone not familiar with International students, and took a narrow focus”.

Source: PricewaterhouseCoopers ISL School Survey 2008

Figure 4-7: Satisfaction with the quality of the international student component of ERO reviews
22% are satisfied and 32% of respondents are dissatisfied with the availability of ESOL

Availability of ESOL services for international students

- Figure 4-8 shows that twenty-two percent of respondents are satisfied with the availability of the ESOL services for international students, while 32% are dissatisfied. The largest group (46%) is neither satisfied nor dissatisfied with the availability. Note that the survey respondents were in general not ESOL teachers and may not be aware of the ESOL services for international students.

- While respondents noted that “there is regular information via newsletters and Ministry’s flyers regarding International and ESOL services”, the majority were not aware of the availability of ESOL support for international students:
  - “not fully aware they were available. But good to see there is something out there”;
  - “There are not many resources available specifically for international students. What is available is usually lumped in with other generic ESOL resources; it is not always sent to the most appropriate people in the school. The ability for our international department to access these resources and direct input and use is minimal - and I am sure this situation exists in other high schools too”;
  - “What services? They are hard to comment upon because of their inconspicuousness!”; and
  - “More information re what is available would be helpful”.

Source: PricewaterhouseCoopers ISL School Survey 2008
31% of respondents are satisfied and 24% are dissatisfied with the quality of ESOL services

Quality of the ESOL services for international students

- The biggest group of respondents is neither satisfied nor dissatisfied in relation to the quality of the ESOL services (Figure 4-9). It should be noted that the survey was not addressed to ESOL teachers and the respondents may not be familiar with ESOL support.

- One-third of respondents are (completely) satisfied with the services and support that ESOL provide for international students. Many comments by satisfied schools included:
  - "The quality is good but the quantity is not there";
  - "Thoughtfully prepared and a genuine effort to meet market demand is made."; and
  - "Speakers have had good knowledge of their subject matter."

- Comments from dissatisfied respondents included that:
  - "advisors not actively support schools in relation to international students"; and
  - "the resources are more appropriate for students with no English skills".

- We also received mixed comments in relation to the ESOL website. Some respondents believe it is not easy to use, but there were also compliments about the online ESOL website.
27% of respondents from state schools believe that schools should compensate the Government for capital and maintenance in respect of international students through the ISL.

Should capital depreciation and maintenance be funded through the ISL?

- Many schools indicated that, as the Government does not provide capital funding in respect of international students, schools fund buildings for international students/staff from ‘profits’ from international student programmes.
- A number of schools noted that they used international student profits to fund new buildings and refurbishments that international students use but they were not ‘international student specific’, and benefit all students within the school.
- In general schools did not believe that they were getting ‘approximately $450’ worth of value from the Crown for additional capital.
- Comments included:
  - “International student money has been used to improve many school facilities as well as to refurbish class rooms etc so it feels like a double dipping to then use the levy to cover maintenance etc”;
  - “The school has purchased its own buildings corresponding to the number of International Students from International funds and is itself responsible for their upkeep. To charge us twice is unfair”;
  - “Don’t feel that capital depreciation and maintenance is altered by the presence of international students, this happens anyway with the large number of domestic students - the small number of international students would have no significant effect”; and
  - “International student money has added buildings in just about every school. Surely this should be seen as compensating for depreciation “.

- Figure 4-10 summarises survey responses in respect of the maintenance and depreciation component of the levy. Note that this only includes responses from state schools (as opposed to state-integrated schools), reflecting that the capital and maintenance component of the levy is effectively returned to integrated schools.
- Only 27% of respondents from state schools believed that schools should compensate the Government for capital and maintenance in respect of international students through the ISL. A total of 73% were either unsure or did not support this.

Source: PricewaterhouseCoopers ISL School Survey 2008
40% of respondents believe that ERO should be funded and 71% believe that ESOL support and advisory service should be funded through the ISL.

Should the international component of ERO be funded through the ISL?

- Forty percent of the respondents believe that the international student component of ERO reviews should be funded through the ISL, approximately the same (39%) indicated that it should not be funded and 21% are unsure or have no opinion (Figure 4-11).

- Some comments in relation to funding were:
  - “I am not happy that we end up funding ERO at all - this is daylight robbery in reality! If ERO wants to know about international students - then the government comes up with the funding to do so not taking our money!!!”;
  - “If the ERO were not funded by ISL would they review the international student component? Are they only reviewing because of funding?”.

Should ESOL services for international students be funded through the ISL?

- From all the components of the ISL, ESOL services, received the highest percentage of respondents whether or not it should be funded through the ISL: 71% believe it should, 10% are unsure or have no opinion and 19% stated that it should not be funded by the ISL (Figure 4-12).

- Comments from respondents about the funding for ESOL services included the following:
  - “Why should we be paying for this? School should decide and determine its own PD needs. Our responsibility is to educate the students and should not be paying for these services and for the teacher PD and resources.”;
  - “Providing for ESOL students is costly and we would rather have the $900 to do it ourselves. The money would then translate into actual tuition for students and be well used rather than being soaked up in advisors expenses and the like!!”.

Source: PricewaterhouseCoopers ISL School Survey 2008

Figure 4-11: Views as to whether the international component of ERO reviews should be funded through the ISL

Figure 4-12: Views as to whether ESOL support should be funded through the ISL

Source: PricewaterhouseCoopers ISL School Survey 2008
51% of respondents believe that other operational support should be funded through the ISL

Should “operational support by the Ministry” be funded through the ISL?

- As discussed previously, schools were generally unaware as to what other services and costs within the Ministry are funded by the levy. In light of the lack of specificity within the Ministry, this is not surprising.
- Many respondents believe that part (or all) of the ISL goes toward funding ‘Government bureaucracy’, for which they believe they see little direct benefit.
- A number of interviewees did acknowledge the need for policy work and the appropriateness of funding this from the levy.
- Respondents generally believed that Ministry and Code Office support was funded by the levy.
- 51% of respondents believe ‘other support’ should be funded through the ISL, 15% are unsure and 34% believe it should not be funded (Figure 4-13).

Figure 4-13: Views as to whether ‘other support’ should be funded through the ISL

Source: PricewaterhouseCoopers ISL School Survey 2008
Are there other services that could be funded by the ISL?

- In the consultation round interviewees were asked whether there are other services that should be funded by the ISL. The same question was asked in the online survey.
- The most common answer is “marketing”:
  - “Greater support for the marketing and promotion of NZ as a destination for international students, particularly in the primary/intermediate sector. At the moment this appears to be focused on the secondary/tertiary sector although we all pay the levy.”
- Another answer is “advice, support and courses”. Schools are looking for courses in relation to international issues or in relation to the Code and for courses for administrators.
- Regarding the Code, some schools asked for more school visits to clarify Pastoral Care issues, while others asked for Pastoral Care resources.
- The other service that was mentioned were the NCEA fees.
  - “I think it is too high for what is delivered. Perhaps some of the current fee could be used to subsidise the exorbitant fees that international students have to pay to take NCEA exams (currently $300 more than domestic students, yet no other costs are incurred).”
- One school noted the following:
  - “I believe that there needs to be a ‘body’ that oversees the International Students with regulations on welfare and education. If this ‘body’ is funded through the ISL, then that is fair.”

Other services that were mentioned, were:
- scholarships for students;
- immigration support;
- staffing;
- review and enhancement costs for the international code; and
- resources for supporting programmes.
Section 5
Impact of and Support for the ISL
Section 5 - Impact of and Support for the ISL

67% of respondents believe that the levy has little or no impact on participating in international education activities

Introduction

- In this section the support for the ISL will be discussed, and:
  - What effect do the amounts paid in ISL deductions have on schools’ provision of appropriate levels of service for international students, that a well-run international student programme requires?
  - Has the ISL affected the level of participation by schools in international education activities?

Impact of the ISL

- The ISL has a history of unpopularity with the school sector which sees it as a form of tax. The majority of survey respondents and interviewees do not see the levy having a significant impact on participating in the education activities or on the level of service provided to the international students. We must acknowledge that the survey is not answered by non-participating schools in education activities and therefore we do not know if these schools are not participating in international education activities because of the levy.

Effect of the ISL on the level of participation

- Ten percent of respondents find that the levy has a (significant) impact on participating international education activities. However, the majority of respondents (67%) believe that the ISL has little or no effect (Figure 5-1).

- Figure 5-2 shows that the ISL has a higher impact on secondary schools than on primary and intermediate schools.

Source: PricewaterhouseCoopers ISL School Survey 2008
Section 5 - Impact of and Support for the ISL

67% of respondents believe that the levy has little or no impact on participating in international education activities

Effect of the ISL on the level of participation (continued)

- Graph 5-3 shows that also 17% of schools with more than 40 international students also find that the ISL has an impact on running participating international education activities (as opposed to 9% of schools with 40 or fewer international students).
- A further breakdown for the amount of international students per school (Figure 5-4) shows that schools with less than 10 international students find that the ISL has a (significant) impact (17%) against 5% from schools with more than 10 international students.
- A comment that was made by a survey respondent to the question “Do you believe the ISL affects the level of participation your school has in international education activities?” are:
  – “Takes away money from the school give it just that much less spending power. YES, we are supposed to account for this in fee adjustment but why do we need to pay someone else when we can master our own needs?”

Figure 5-3: Effect of the ISL on level of participation in international education activities by number of international students (fewer and more than 40 international students)

Figure 5-4: Effect of the ISL on level of participation in international education activities by number of international students (fewer and more than 10 international students)

Source: PricewaterhouseCoopers ISL School Survey 2008
59% of respondents believe that the levy has little or no impact on their level of service

Effect of the ISL on the level of service

- 59% of respondents see little or no impact on the effect of the ISL on the school’s level of service and 21% believe that it has some impact (Figure 5-5).
- The majority of the additional comments provided believe that the ISL would have an impact. Comments include:
  - “As our International Student numbers are low this year, the ISL takes a large portion of the funds available to run our programme. We like to offer all our ESOL students a high quality programme, however this is at risk with the lower IS numbers and the high ISL fee.”
  - “If we didn’t pay this fee, the money would be directly spent on our students”
  - “Another 40,000+ can make a big difference in pastoral care hours, first language or teacher aide support across a range of subjects, the ability to keep ESOL classes small.”
  - “Reduces down what we can allocate because we lack the funding!”
- The impact is almost two times higher for schools with more than 40 international students. 32% of the schools with more than 40 international students indicated that the ISL has a (significant) impact on the level of services compared to 18% of schools with less than 40 international students (Figure 5-6).
- The picture changes by a further breakdown for international students. Figure 5-7 shows that the impact is higher for schools with less than 10 international students (28%) compared to schools with more than 10 international students (14%).
Reasons why respondents are supportive or unsupportive of the ISL (1)

Supportive of the ISL

- The supporters of the ISL find in particular ESOL services important and the need for consistency for international students by having ERO reviews.

- Some comments of these supporters of the ISL are:
  - “Appreciate the resources that are supplied. Understand the need for ERO review”;
  - “I support the ISL as long as The Ministry provides assistance by way of resources, teacher training etc”; and
  - “I believe it is good to have a national body to ensure consistency of outcomes for FFPS”.

- While respondents noted that they were supportive, many noted that they do not agree with the amount of the ISL ($900 inclusive of GST).

  Comments included:
  - “I support much of the work being done by ISL but being charged $900 per student is a lot more than the government gives us for each NZ student, particularly in a decile 10 school”;
  - “A reasonable payment would be acceptable. However, a figure of $900 (particularly when compared to the tertiary levy) is absolutely and totally unacceptable. It is simply another way in which the MOE and government can readily source funds” and
  - “I am appalled by the high amount of levy schools are charged and as reflected in my responses feel that the government cannot seriously justify the levy given that we already pay GST and international student money that goes into schools and local communities 10x off-sets any perceived extra costs this business might be bringing to the MOE”.

Unsupportive of the ISL

- Schools perceive the government to be taxing them when they are raising funds to improve the quality of education and that the Ministry of Education is taking away from schools more money (especially combined with GST) than it is putting back into the international education industry.

- The levy is seen by schools as the government charging them for earning extra money which is put straight back into improving the quality of education for domestic students.

- The most common theme in the interviews and in the additional comments is that schools see the levy as a tax and that in fact the international students support the domestic students and the school:
  - “The level of funding from the Operational Grant is insufficient and without the income from International students, the opportunities and programmes offered at our school would not be able to operate.”
  - “International students are supporting an under-funded education system which schools have come to rely on and coincidentally this has resulted in savings for central government. There has been a cause and effect situation. Had the international student market not been there, schools would be more restricted in funds than they currently are or else the education expenditure for schools would have been greater. The international students bring revenue into NZ via GST and other taxes. Levies limit the funds available directly to schools making the profitability less and consequently the market could diminish”.

Section 5 - Impact of and Support for the ISL
Reasons why respondents are supportive or unsupportive of the ISL (2)

- The majority of the feedback also indicated that schools believe that if they can use the levy money themselves, they can do a better job:
  - “For the percentage that gets taken I feel schools could manage this amount themselves better, and that we don’t get back what we put in”; and
  - “The benefits to schools of, in our case paying a levy of $52,000 pa, must be far more transparent. Currently there seems very little return on this money and in fact we could do much better ourselves”.

- Another topic that frequently came up is about the payment of GST, which is payable on the ISL. The existing levy rate of $900 includes GST although this is not always made clear. In practice, the levy is deducted from grants to schools at these rates on a GST inclusive basis:
  - “It is another tax on schools. We pay GST on the amount and then the levy. It is double dipping. Also we pay about $8000 pa and yet see very little value out of this contribution.”

- Feedback from the interviews, together with additional comments from the survey respondents noted that the lack of understanding and consultation contributed to the lack of support for the ISL:
  - “We do not support the ISL because we had/have no choice/consultation in the matter.”

Respondents of schools ask for more transparency and consultation

- Bringing together some of the analysis from section 4 and 5 of the online survey, the results show that:
  - 40% of the schools do not understand what the ISL is;
  - almost half of the schools have no understanding of the rationale for the existence of the ISL;
  - more than half of the respondents have no or a little understanding of the services and costs funded by the ISL;
  - 48% of the schools are unsupportive of the ISL.

- During the interviews and in the additional comments section in the survey, schools ask for more transparency around the levy. Some comments illustrate this:
  - “It is never been detailed”;
  - “It is not clear what the justification for this levy is.”
  - “This review is long overdue. Any funding needs to be transparent in its distribution and I am of the opinion that too much of the ISL is being used to support other programmes and MoE administration.”;
  - “It is a compulsory levy with only minimal justification and not transparent on how it has been calculated.”;
  - “There is some cost recovery needed; concern with the administrative side of recovery.”.

- Regarding this last comment about transparency, some schools referred to the Annual report of the EEL by the Ministry of Education, which describes the levy and its income and expenditure per education sector. We must note that the legislation for the EEL requires an Annual report (unlike the ISL).
Section 6
Discussion and Conclusions
Discussion

Introduction

- The following five points will be discussed in this section:
  - inter-relationship between the EEL and the ISL;
  - capital depreciation and maintenance;
  - operational support for schools by the Ministry;
  - accountability; and
  - transparency and disclosure to levy payers.
- Our discussion draws upon analysis of the financial data, the information from interviewees and respondents and the principles and guidelines for levies (set out below).

Assessment of ISL against principles and guidelines

- Levies are a form of cost recovery for third parties. A levy is an amount of money that has to be paid to the government or an organisation. Levies are 'tax-like' and the principles of good tax policy apply – in particular, to minimise behavioural distortions.
- Having regard to the Treasury’s Guidelines for Setting Charges in the Public Sector, the Auditor General’s Guidelines and our experience in working with levies, we assess the ISL against the following principles:
  1. Levy income should only be used for the purposes for which it was levied;
  2. Levies should have regard to/encourage decisions on the volume and standard of services demanded and supplied that are consistent with:
     - economic efficiency, both technical efficiency (minimising the cost of supply) and allocative efficiency (the efficient allocation of resources);
     - ability to pay (a levy should not discourage participation in the ‘market’, note that there is often a tension between the ability to pay and economic efficiency); and
     - the outcomes the government is seeking in providing the service.
  3. Under recovery is acceptable, if in alignment with government policy and objectives.
  4. Over recovery is not acceptable: over recovery can be viewed as a tax, and without Parliamentary authorisation would be considered ultra vires.
  5. Those who benefit from the output, and/or those whose actions give rise to the need for the output, and hence costs, should contribute.
  6. Keeping transaction costs low (both in administration and compliance terms) and evasion at acceptable low levels.
  7. Transparency/consultation is important. Stakeholder participation in the charge review process should be encouraged wherever appropriate. Consultation and openness can aid a sound charging process and increase public understanding and acceptance.
- The above principles require:
  - accurate and appropriate costing of the outputs that the levy is designed to recover, including:
    - clear definitions of all outputs funded by the levy;
    - appropriate allocation of joint costs (across outputs);
    - appropriate costing basis - short run versus long run costs, marginal versus average costs;
  - clear tagging of levy revenues in the levying organisation’s financial management system; and
  - regular review of costs, charges and charging basis.
Discussion continued

Inter-relationship between ISL and EEL

• Some of the ISL funds are transferred to the EEL but this amount is not fixed. Therefore, as international student numbers and fees vary, the two levies will vary in different ways. The amount of revenue from the ISL therefore in practice is dependent of the EEL (i.e. what is left over from the total charge).

• The deduction from the ISL fund for the EEL reduces the amount of revenue available beyond commitments to international education; therefore, an increase in the EEL would reduce funding available for other purposes.

• In the interests of greater clarity, transparency and accountability, it would be preferable to fund the EEL by deducting it separately from the ISL. Under the current arrangements there is some confusion amongst schools as to the difference between the two levies, and the purpose of each. Approximately half of respondents are not aware that the EEL is included in the ISL and many thought that the ISL was the EEL.

• To date, the Ministry have chosen to fund the EEL by deducting it from ISL revenue, which may reflect a trade-off between administrative efficiency and transparency in relation to separating the EEL out from the ISL.

• The Ministry indicated that there are some pragmatic arguments for continuing with the current deduction arrangements. There are overlaps in use between the two levies, notably with relation to system costs which are very difficult to separate between EEL and ISL uses*.

• As explained in Section 2, the residual of the levy is retained within Vote Education for operational support (system costs) but the outputs/services are not clearly defined and making verification of this statement problematic.

Capital depreciation and maintenance

• The rationale behind the deduction of the capital depreciation and maintenance is to reimburse Government for costs of the Government’s capital investment used by international students in schools.

• Since the 2003/04 financial year, a fixed amount of $3.6 million (as agreed between the Ministry of Finance and the Ministry of Education at the time) has been transferred from the levy to the Crown Accounts.

• This amount has not been reviewed since 2003. Therefore it may not accurately reflect the marginal cost in respect of capital and maintenance related to international students.

• We understand that:
  – the capital and maintenance part of the levy is raised to assist the Government to cover the cost of wear and tear TO Crown-owned and funded school buildings caused by international students;
  – the capital and maintenance funding is allocated to schools by a variety of mechanisms but the allocation appears to be based on domestic students (i.e. they do not take into account the presence of international students);
  – therefore, on a net basis, if a school has international students, it will receive less capital and maintenance money per enrolled domestic student (the receipts that the school does get, less the relevant components of the levy), than if it did not have international students; and
  – an implicit consequence is that this allocation approach effectively cross-subsidises schools with no international students, as a school with international students, then, gets less capital and maintenance money per domestic student than if it didn't have international students i.e. those schools without international students get more money per domestic student; and
  – Further, if the $3.6 million has increased the whole funding pool (this cannot be verified in practice), it would be spread across all schools, not just the schools with international students.

*Source: Ministry of Education internal document 2004
Section 6 - Discussion and Conclusions

Discussion continued

Operational support for schools by the Ministry

- Since 2003/04, the residual revenue from the levy has been retained within Vote Education. It varies annually (after subtracting all of the other transfers and costs) and is intended to cover the Ministry’s other costs in relation to international students.

- The residual funding is effectively now ‘tagged’ as education-related funding, but not specifically ‘international student education’ funding.

- There is no clear definition within the Ministry as to what is included within this component.

- Consequently, the Ministry has not and does not estimate the cost of this component. This is unlike other components funded by the levy, where a costing exercise was carried out, at least initially (ERO, ESOL).

- The Ministry does not appear to be in a position where it can provide assurance that the residual funding quantum is broadly in line with the cost of provision of services and other costs incurred by the Ministry in respect of international students.

- This also precludes transparency with respect to schools for the application of levy funds. Although we understand the Ministry does not estimate the cost of supporting international students, we do note that this residual amount has reduced over the last 3 – 4 years. However, as stated above, we are unable to draw a conclusion at this time as to whether the Ministry is effectively over or under-recovering.

- A more appropriate approach for the levy could be “memorandum accounts”. The purpose of the memorandum account is to record, and make transparent, the revenues and expenditures each year in relation to the ISL. Where memorandum accounts are used, the objective is to ensure financial breakeven (i.e. revenues = expenditures) over time. This does not mean that revenues has to equal expenditure each year, memorandum accounts allow for under- and over-recovery in any one year provided that, over time, the balance oscillates around zero (i.e. revenue = expenditure). This seems appropriate as the quantum of levy revenues varies from year to year with the number of international student and it will be a variable cost component (e.g. policy work).
Discussion continued

Accountability

- Good practice requires accurate and appropriate costing of the outputs that a levy is designed to recover, clear tagging of levy revenues in the levying organisation’s financial management system and regular review of costs, charges and charging basis. This does not appear to be the case currently.

- Most of the ISL components have not been reviewed in the last few years. According to the guidelines and principles for setting charges (Treasury’s Guidelines for Setting Charges in the Public Sector and the Auditor General’s Guidelines) and good practice, the Ministry should review the ISL cost estimates and compare to ISL revenues regularly (e.g. once in three years). This will indicate an under- or over-recovery of the levy, and show if action is required in case of over-recovery (adjusting the rate or level of services).

- Such a review will only be possible if ‘operational support’ is clarified and is estimated as we now understand that the Ministry does not estimate the cost of supporting international students (the residual revenue of the levy).

- For the EEL the Ministry calculates all costs which are provided in the EEL Annual Report. The administration costs of the EEL are calculated and include administration of administration of levy collection, management of levy funds and policy work.

Transparency and disclosure to levy payers

- Survey results show that almost half of the respondents do not understand what the ISL is, what the rationale is and what the services or costs are. There is also a lack of awareness by respondents in relation to what the ISL funds.

- Interviewees and survey respondents felt that the Ministry should demonstrate how it is using the levy for the benefit of schools or it should be abolished so that schools could spend the money themselves.

- Good practice for levies indicates that transparency and consultation is important.

- In order to be more transparent around the ISL, it would be useful if the Ministry could disclose, for example:
  - costing methodologies;
  - definition of the components of the ISL (outputs); and
  - costs and revenues of all components.

- The Ministry could consider some form of Annual Statement, in line with the EEL (although this is not required by law). If a memorandum account is used for the ISL, this will be published as a note of the financial statements in the Ministry’s Annual Report.
Conclusions

Answers to questions Terms of Reference

- The Ministry specified a series of questions for the review of the International Student Levy (ISL) which are addressed in full in this report. Summary answers are given in this section.

What is the rationale for the ISL?

- The ISL is the policy tool by which the Government implements section 4D of the Education Act 1989 (“reimburse the Crown for expenditure in respect of international students”). Thus, the rationale for the ISL is recovery of costs incurred by Government in providing services to schools in relation to international students.

- Forty percent of survey respondents believe they have some or full understanding of the levy and 46% believe they have little or no understanding of the rationale behind it.

- See also our discussion about issues around the cost recovery of the ISL.

What is the relationship to the Export Education Levy (EEL)?

- The EEL is a levy to support the development of the export education strategy. The Government decided that its introduction should not lead to an increase in costs for schools that already paying the ISL. Consequently for schools, the EEL is currently deducted from revenue received under the ISL.

- However, unlike the ISL, the EEL is not a fixed amount per student (calculated as a flat fee per school and percentage of tuition fees charged). Therefore the residual in the ISL after EEL deduction is depended on the amount deducted. An increase in the level of the EEL would reduce the amount of remaining in the ISL.

- This mechanism results in reduced transparency between the two levies. Also Approximately half of the respondents are not aware that for schools the EEL is included in the ISL.

- See also our discussion about issues around the EEL transfer.

What costs and services does the ISL currently cover?

- The following components are funded by the levy:
  - transfer to the Export Education Levy (EEL) fund;
  - maintenance and depreciation;
  - English for Speakers of other Languages support and advisory service;
  - international component of Education Review Office reviews;
  - operational support for schools:
    > policy and regulatory work;
    > general operational advice and support from the Ministry from the Code Office, the International Policy Division, schools support, regional offices;
    > costs relating to the training and recruitment of additional teachers; and
    > Ministry administration costs in respect of the ISL.

- 52% of survey respondents have little or no understanding of the services and costs funded by the ISL.
Conclusions continued

What are the compliance costs for schools, and administrative costs of the ISL for the Ministry of Education?

- None of the interviewees indicated that complying with the ISL imposed significant costs for their school.
- The ISL is automatically deducted from schools’ operational grants and therefore the only requirement from is schools to complete the relevant sections of school roll returns.
- From the information given, the administration process for the ISL appears to be effective. Administration costs to the Ministry in respect to the ISL are the international student levy administrator (spending 10-15% of time on ISL) and policy analysts within the International Education Policy whose workload is variable across years.

To what extent are the services (i.e. ERO reviews, and ESOL provision) funded by the ISL effectively delivered to schools, and what are stakeholder views as to whether these costs should be met from the ISL or other sources?

**ERO reviews**

- More than two-thirds of survey respondents were not aware that the ISL funds the international component of ERO reviews.
- Opinions about the delivery of ERO reviews are mixed: 27% are dissatisfied, 37% are neither satisfied nor dissatisfied and 36% are satisfied. A number of satisfied respondents noted the thoroughness of the reviewers. Many respondents believed the knowledge and experience of the reviewer in relation to international education was inadequate.
- 40% of the respondents believe the international component of ERO reviews should be funded through the ISL.

**ESOL support and advisory service**

- Approximately half of survey respondents were aware that there is ESOL support available for international students.
- Twenty-two percent of respondents were satisfied with the availability of the ESOL services for international students, while 32% is not satisfied (46% is neither satisfied nor dissatisfied).
- One-third of respondents were (completely) satisfied with the quality of the ESOL support and advice, 25% were dissatisfied and 45% were neither satisfied nor dissatisfied.
- 71% of the respondents believe ESOL support and advice for international students should be funded.

Is there any evidence of unmet demand by schools for these services?

- When asked none of the interviewees indicated that they had an unmet demand for the services funded by the levy. Some of the survey respondents have suggestions such as more practical ESOL material (in particular on the South Island) and more support re ESOL Unit Standards.

Are there other services that schools think should be funded from the ISL?

- ‘Marketing’ is the most common answer, followed by ‘advice, support and courses’, this in relation to international issues or the Code. Payment of NCEA fees from the levy was also mentioned a number of times.
- Regarding the other two current components funded by the levy:
  - 27% from state schools respondents believe that schools should compensate the Government for capital and maintenance;
  - 51% of respondents believe ‘other support’ should be funded through the ISL.
How much revenue has the ISL generated?

- Table 6-1 shows the ISL payments from schools received by the Ministry.

### Table 6-1: International Student Levy Revenue per year

<table>
<thead>
<tr>
<th>Year</th>
<th>International Student Levy Revenue ($000, GST inclusive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>9,313</td>
</tr>
<tr>
<td>2005</td>
<td>8,241</td>
</tr>
<tr>
<td>2006</td>
<td>6,452</td>
</tr>
<tr>
<td>2007</td>
<td>6,850</td>
</tr>
</tbody>
</table>

Source: Ministry of Education

What proportion of school fees from international enrolments is allocated to the ISL (by primary and secondary schools)?

- On average, ISL payments represent 6.6% of school international revenues.
- There appears to be little difference between the proportion of ISL to international student revenue between primary/intermediate (6.1%) and secondary (6.2%) schools.

What is the mean, median, and low to high quartile level of ISL payment by schools?

### ISL Payments

**Average per School, exclusive of GST ($)**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>14,198</td>
<td>13,178</td>
<td>10,447</td>
<td>11,339</td>
<td>12,291</td>
</tr>
<tr>
<td>Lower Quartile</td>
<td>2,013</td>
<td>2,034</td>
<td>1,200</td>
<td>1,380</td>
<td>1,657</td>
</tr>
<tr>
<td>Median</td>
<td>5,387</td>
<td>5,600</td>
<td>3,940</td>
<td>4,320</td>
<td>4,812</td>
</tr>
<tr>
<td>Upper Quartile</td>
<td>14,480</td>
<td>14,941</td>
<td>12,921</td>
<td>13,575</td>
<td>13,979</td>
</tr>
</tbody>
</table>

- A break down per school type and decile is given in Section 3.

What proportion of ‘above costs’ revenues, received by schools from international students, does the ISL represent?

- On average, ISL payments represent 9.2% of school international student net revenues on average across all schools (proportion of above costs).
- The ISL payments represent a smaller proportion of net international revenue for primary/intermediate schools (7.8%) than for secondary schools (10.8).

What effect do the amounts paid in ISL deductions have on schools provision of appropriate levels of service for international students (e.g. ESOL, Pastoral Care), that a well-run international student programme requires?

- Sixty percent of respondents see the ISL having little or no impact on the provision of appropriate levels of service and 21% believed that it has some impact. 19% indicated that the ISL affects the level of service provided.
Has the ISL affected the level of participation by schools in international education activities?

- Ten percent of respondents indicated that the levy has a (significant) impact on participation in international education activities. However, the majority of respondents (67%) believe that the ISL has little or no effect.
- The ISL appears to have a higher impact on secondary schools than on primary and intermediate schools. Schools with more than 40 international students also indicated that the ISL has an impact on participation in international education activities (17%), which is greater than schools with 40 or fewer international students (9%). A further breakdown for the amount of international students per schools shows that schools with less than 10 international students find that the ISL has a (significant) impact (17%) against 5% from schools with more than 10 international students.

Support for the ISL

- Respondents and interviewees acknowledge that international education is a key priority by Government but do not understand that the Government do not provide money for this.
- The ISL has a history of unpopularity with the school sector which sees it as a form of tax. Almost half of the respondents (48%) is unsupportive of the ISL and 39% are somewhat supportive. Schools with more international students and state schools are less supportive.
- Supporters of the ISL find ESOL support and advisory service as well as ERO reviews important. Unsupportive respondents perceive the government to be taxing them (especially with the GST on top) when they are raising funds to improve the quality of education and that in fact the international students support the domestic students and the school. Respondents and interviewees believe that if they can use the levy money themselves, they can do a better job.
- Respondents noted that the lack of understanding and consultation contributed to the lack of support for the ISL and ask for more transparency around the costs and services of the ISL.
Appendix 1

Glossary
## Glossary of terms and abbreviations

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code</td>
<td>The Code of Practice for the Pastoral Care of International Students</td>
</tr>
<tr>
<td>Domestic student</td>
<td>As defined under s 2 of the Education Act 1989.</td>
</tr>
<tr>
<td>EEL</td>
<td>Export Education Levy</td>
</tr>
<tr>
<td>ENZ</td>
<td>Education New Zealand</td>
</tr>
<tr>
<td>ERO</td>
<td>Education Review Office</td>
</tr>
<tr>
<td>FFPS</td>
<td>Foreign Fee Paying Student</td>
</tr>
<tr>
<td>International student</td>
<td>A student who falls outside the definition of a “domestic” student in the school sector, as defined under s 2 of the Education Act 1989; excludes exchange students for the purposes of the ISL.</td>
</tr>
</tbody>
</table>
Appendix 2
Explanation of Data Set Choice
Appendix 2 - Explanation of Data Set Choice

Explanation of data set choice (1)

• From the data set we need to calculate two values;
  – (A) ISL/REVENUE
  – (B) ISL/[REVENUE-COSTS]

• We have two data sets; Roll Returns and Financial Statements. ISL can only be sourced from Roll Returns, and Costs can only be sourced from Financial Statements. Revenue, however, is available from both. We are therefore confronted with a problem in deciding which revenue data to use in the calculations.

• In order to enable like for like comparison of (A) and (B), Financial Statement Revenue is used in both calculations.

• However, we believe the Roll Returns data are more accurate overall. This is based on the following:
  – Schools are obliged to file Roll Returns to the Ministry of Education based on rigid guidelines, whereas school Financial Statements are subject to individual school interpretation. 35% of schools which reported ISL revenue in the Roll Returns did not report revenue in the Financial Statements.
  – It is understood that schools with lower numbers of international students have less accurate record keeping, and this is reflected in our interviews. As a result, these schools tend to not report revenue and cost figures. These schools have to be excluded from the analysis, which would theoretically lead to an upward bias in the Financial Statement figures.

• A comparison of the average and median of each data set’s Revenue across each category for 2004 reinforces this. In all instances, the Revenue included in the Financial Statements overstates the Roll Return Revenue. This shows that there is an upward bias in the Revenue of the Financial Statements, which should be considered when analysing the data.

Table A2-1: Mean and median revenue from data sets “financial statement” and “roll return”

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>MEAN REVENUE</th>
<th>MEDIAN REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decile 1-5</td>
<td>186,400</td>
<td>168,554</td>
</tr>
<tr>
<td>Decile 6 - 10</td>
<td>289,516</td>
<td>265,643</td>
</tr>
<tr>
<td>Int. Stud &lt;=40</td>
<td>116,730</td>
<td>99,021</td>
</tr>
<tr>
<td>Int. Stud &gt;40</td>
<td>880,791</td>
<td>840,844</td>
</tr>
<tr>
<td>Primary</td>
<td>89,580</td>
<td>81,909</td>
</tr>
<tr>
<td>Secondary</td>
<td>480,783</td>
<td>439,293</td>
</tr>
<tr>
<td>Overall</td>
<td>250,847</td>
<td>229,235</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers’ analysis of Ministry of Education data

• It would appear to make sense to use the Roll Return Revenue in both calculations, as it is more accurate. However, it is considered better to use the revenue and costs from the same data set in (B), as there could be distortion using different sources for each. Consequently, as highlighted earlier, Financial Statements Revenue is also used in (A) to allow comparability.
Another point to note, is that we have used the mean for the tables provided. However, this may not be the most appropriate measure to use. A histogram plot shows an exponential type distribution rather than a normal distribution, indicating the median may be more accurate than the mean, for both Roll Return and Financial Statement Revenue. Therefore, again, revenue may be further overstated, by as much as 72% depending on what category is used.

In summary, the proportions will be understated, but comparable.

Figure A2-1: 2004 Roll return revenue frequency

Source: PricewaterhouseCoopers' analysis of Ministry of Education data

Figure A2-2: 2004 Financial statement revenue frequency

Source: PricewaterhouseCoopers' analysis of Ministry of Education data
Appendix 3
Demographics of Survey Respondents
Appendix 3 - Demographics of Survey Respondents

Demographics of survey respondents

Introduction

This appendix describes the demographics of the survey respondents, including:

- school type;
- school authority;
- socio-economic decile;
- number of domestic students; and
- number of international students.

School type

For the purposes of the analysis, we define “primary/intermediate schools” as schools spanning years 1-6, years 1-8 and years 7-8 and “secondary schools” as years 7-13 and years 9-13.

The 311 respondents were reasonably evenly distributed by school type, 48% primary/intermediate and 52% being secondary schools. A full breakdown by school type is given in the table opposite.

The data provided by the Ministry for all schools with at least one international student in 2007 (latest data available) comprises 63% of primary/intermediate schools and 37% of secondary schools. Therefore, the survey data appears somewhat over representative of secondary schools.

Table A3-1: Survey responses by school type

<table>
<thead>
<tr>
<th>Responses by school type</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary schools</td>
<td>85</td>
<td>27%</td>
</tr>
<tr>
<td>Intermediate schools</td>
<td>40</td>
<td>13%</td>
</tr>
<tr>
<td>Secondary schools</td>
<td>118</td>
<td>38%</td>
</tr>
<tr>
<td>Primary/Intermediate schools</td>
<td>36</td>
<td>12%</td>
</tr>
<tr>
<td>Intermediate/Secondary schools</td>
<td>20</td>
<td>6%</td>
</tr>
<tr>
<td>Primary/Intermediate/Secondary schools</td>
<td>9</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>311</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers ISL School Survey 2008
Demographics of survey respondents

School authority

- 81% of the survey responses were from state schools, with the remainder being from state-integrated schools.
- The survey respondents appear to be representative of the underlying population of schools with international students (82% state and 18% state-integrated schools).

Socio-economic decile

- Table A3-2 provides information about the number of responses per decile. 59% of respondents were from decile 7 or higher.
- The survey respondents appear slightly different to the underlying population with international students where 48% of schools are decile 7 or higher.

<table>
<thead>
<tr>
<th>Number of schools by decile</th>
<th>Number of schools</th>
<th>Percentage of schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>4%</td>
</tr>
<tr>
<td>3</td>
<td>19</td>
<td>6%</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>9%</td>
</tr>
<tr>
<td>5</td>
<td>31</td>
<td>10%</td>
</tr>
<tr>
<td>6</td>
<td>32</td>
<td>10%</td>
</tr>
<tr>
<td>7</td>
<td>37</td>
<td>12%</td>
</tr>
<tr>
<td>8</td>
<td>52</td>
<td>17%</td>
</tr>
<tr>
<td>9</td>
<td>35</td>
<td>11%</td>
</tr>
<tr>
<td>10</td>
<td>57</td>
<td>19%</td>
</tr>
<tr>
<td>Total</td>
<td>305</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers ISL School Survey 2008
Appendix 3 - Demographics of Survey Respondents

Demographics of survey respondents

Number of domestic students

- Figure A3-3 shows that 35% of the 311 respondents were from schools with 301 - 600 domestic students followed by 21% with 601 - 900 domestic students and 20% with 0 - 300 domestic students.
- It appears that the survey data are not significantly different to the underlying population (90% of schools with 1200 or less domestic students and 10% of schools with more than 1200 students).

Number of international students

- Figure A3-4 shows that 36% of the 311 respondents come from schools with 0-5 international students followed by 17% with 6-10 international students, 13% with 11-20 international students and 13% with 21-30 international students.
- Thus, 85% of the respondents are from schools with 40 or less international students and 15% are from schools with more than 40 international students.
- For international students the conclusion is that the survey data is slightly different to the underlying population (93% are from schools with 40 or less international students and 7% from schools with more than 40 international students).

Source: PricewaterhouseCoopers ISL School Survey 2008
### Number of respondents to each survey question

Table A3-3: Number of respondents to each survey question

<table>
<thead>
<tr>
<th>Question number</th>
<th>Question</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>School type</td>
<td>311</td>
</tr>
<tr>
<td>2</td>
<td>School authority</td>
<td>310</td>
</tr>
<tr>
<td>3</td>
<td>Decile</td>
<td>305</td>
</tr>
<tr>
<td>4</td>
<td>Number of domestic students</td>
<td>297</td>
</tr>
<tr>
<td>5</td>
<td>Number of international students</td>
<td>299</td>
</tr>
<tr>
<td>6</td>
<td>2008 international fee per student</td>
<td>294</td>
</tr>
<tr>
<td>7</td>
<td>Understanding of the ISL</td>
<td>273</td>
</tr>
<tr>
<td>8</td>
<td>Understanding of services and costs funded by the ISL</td>
<td>272</td>
</tr>
<tr>
<td>9</td>
<td>Understanding of the rationale of the ISL</td>
<td>272</td>
</tr>
<tr>
<td>10</td>
<td>Awareness that the EEL is included in the ISL</td>
<td>269</td>
</tr>
<tr>
<td>11</td>
<td>Awareness of Ministry-funded ESoL services</td>
<td>251</td>
</tr>
<tr>
<td>12</td>
<td>Satisfaction with availability of ESoL services</td>
<td>240</td>
</tr>
<tr>
<td>13</td>
<td>Satisfaction with quality of ESoL services</td>
<td>228</td>
</tr>
<tr>
<td>14</td>
<td>Awareness that the ISL funds the international component of ERO reviews</td>
<td>250</td>
</tr>
<tr>
<td>15</td>
<td>Satisfaction with quality of the international component of ERO reviews</td>
<td>234</td>
</tr>
<tr>
<td>16</td>
<td>International programme costs components</td>
<td>171</td>
</tr>
<tr>
<td>17</td>
<td>Other costs</td>
<td>63</td>
</tr>
<tr>
<td>18</td>
<td>Effect of ISL on schools’ level of participation in international education</td>
<td>175</td>
</tr>
<tr>
<td>19</td>
<td>Effect of ISL on schools’ level of service to international students</td>
<td>173</td>
</tr>
<tr>
<td>20</td>
<td>Views as to whether costs should be funded through the ISL</td>
<td>175</td>
</tr>
<tr>
<td>21</td>
<td>Other services that should be funded through the ISL</td>
<td>42</td>
</tr>
<tr>
<td>22</td>
<td>Extent of support for the ISL</td>
<td>168</td>
</tr>
<tr>
<td>23</td>
<td>Reasons for supporting/not supporting the ISL</td>
<td>92</td>
</tr>
<tr>
<td>24</td>
<td>Other comments</td>
<td>42</td>
</tr>
</tbody>
</table>
## Interviewees

Table A4-1: Number of respondents to each survey question

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation/School</th>
<th>Position held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Susan Gamble</td>
<td>Ministry of Education</td>
<td>ESoL Team Leader, International Education Team</td>
</tr>
<tr>
<td>Daniel Haddock</td>
<td>Ministry of Education</td>
<td>ESoL Team</td>
</tr>
<tr>
<td>Brett Parker</td>
<td>Ministry of Education</td>
<td>Senior Policy Analyst, International Division</td>
</tr>
<tr>
<td>Ron Ross</td>
<td>Ministry of Education</td>
<td>Finance Levies Administrator</td>
</tr>
<tr>
<td>Frances Salt</td>
<td>Education Review Office (ERO)</td>
<td>National Manager</td>
</tr>
<tr>
<td>Robert Stevens</td>
<td>Education New Zealand</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Br Pat Lynch</td>
<td>Association of Proprietors of Integrated Schools</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Lorraine Kerr</td>
<td>NZ School Trustees Association</td>
<td>President</td>
</tr>
<tr>
<td>Ray Newport</td>
<td>NZ School Trustees Association</td>
<td>General Manager</td>
</tr>
<tr>
<td>Vaughan Darby</td>
<td>Association of Integrated Schools</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Kingsway School, Auckland</td>
<td></td>
<td>Deputy Chairman, Board of Trustees</td>
</tr>
<tr>
<td>David Ellery</td>
<td>NZ Principals Federation</td>
<td>International Expert</td>
</tr>
<tr>
<td>Peter Gall</td>
<td>Secondary Principals Association of New Zealand</td>
<td>Principal</td>
</tr>
<tr>
<td>Papatoetoe High School, Auckland</td>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>Robbie Pickford</td>
<td>Rangitoto College, Auckland</td>
<td>International Director</td>
</tr>
<tr>
<td>Patricia Goddard</td>
<td>St Peter's College, Auckland</td>
<td>International Director</td>
</tr>
<tr>
<td>Byron Bentley</td>
<td>Macleans College, Auckland</td>
<td>Principal</td>
</tr>
<tr>
<td>Patrick Lau</td>
<td>Macleans College, Auckland</td>
<td>International Director</td>
</tr>
<tr>
<td>Madaleine East</td>
<td>Farm Cove Intermediate School, Auckland</td>
<td>Principal</td>
</tr>
<tr>
<td>Jo Hawes</td>
<td>Upper Hutt College, Wellington</td>
<td>International Director</td>
</tr>
<tr>
<td>Ron Noordijk</td>
<td>Burnside High School, Christchurch</td>
<td>Principal</td>
</tr>
</tbody>
</table>
Appendix 5 - Online Survey

Background

Thank you for taking the time to complete this survey.

The survey will be available from Monday 29 June and to meet the tight review timelines the survey will close on 2 July.

The survey has been developed to gather information from all NSW public schools and will be used to support the review. In particular, the survey will allow more detailed responses from students about their educational experiences.

If you have any questions concerning this survey, please contact your area accountant or contact us on 1300 793 556. If your school is experiencing issues with the survey, please contact your area accountant or the NSW DET helpdesk.

The survey is anonymous and will be used to contribute to a report summarising the review findings. All responses will be collected anonymously and will remain confidential to NSW DET. The results of this survey will also be used to contribute to an independent review of the International Student Levy (ISL).

Purpose

The purpose of the survey is to gather information from students about their educational experiences at NSW public schools.

The survey will be available from Monday 29 June and to meet the tight review timelines the survey will close on 2 July.

If you have any questions concerning this survey, please contact your area accountant or contact us on 1300 793 556. If your school is experiencing issues with the survey, please contact your area accountant or the NSW DET helpdesk.

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Appendix 5 - Online Survey

<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you believe you have a clear understanding of the ISL?</td>
<td>1 (Not at all)</td>
</tr>
<tr>
<td></td>
<td>2 (A little)</td>
</tr>
<tr>
<td></td>
<td>3 (Yes)</td>
</tr>
<tr>
<td></td>
<td>4 (Yes)</td>
</tr>
<tr>
<td></td>
<td>5 (Yes, in detail)</td>
</tr>
<tr>
<td>2. Is your school a:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other (please specify)</td>
</tr>
<tr>
<td></td>
<td>State-integrated school</td>
</tr>
<tr>
<td></td>
<td>State school</td>
</tr>
<tr>
<td>3. What socio-economic decile is your school?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>10</td>
</tr>
<tr>
<td>4. How many domestic students does your school currently have?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td>5. How many international students does your school currently have?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td>6. What is your current (2008 calendar year) international student fee per student (exclusive of GST)?</td>
<td>1.208.00</td>
</tr>
<tr>
<td></td>
<td>2.144.00</td>
</tr>
<tr>
<td></td>
<td>3.210.00</td>
</tr>
<tr>
<td></td>
<td>4.348.00</td>
</tr>
<tr>
<td></td>
<td>5.504.00</td>
</tr>
<tr>
<td></td>
<td>6.660.00</td>
</tr>
<tr>
<td></td>
<td>7.816.00</td>
</tr>
<tr>
<td></td>
<td>8.972.00</td>
</tr>
<tr>
<td></td>
<td>9.113.00</td>
</tr>
<tr>
<td></td>
<td>10.144.00</td>
</tr>
</tbody>
</table>

Context of the ISL

2. Do you believe you have a clear understanding as to what services and costs are funded by the ISL?

Comment if desired:

[Table continued...]

Ministry of Education
Review of the International Student Levy
Appendix 5 - Online Survey

Are you satisfied with the quality of these ESOL services?

Are you satisfied with the availability of these ESOL services?

ESOL unit standards material on ESOL online etc.
Focus on English materials, pictures, dictionary and teaching notes, provision of
and the provision of teaching and learning resources (e.g., videos, DVDs and teaching
and language support, classroom support, ESOL information advisory services
and larger support for the 54 regional ESOL professional development communities,
Studies into the ESOL professional development through ESOL

2. A component of the ISL goes towards Ministry of Education support for teachers

1. Are you aware of the ISL services for international students available via the

English for Speakers of Other Languages (ESOL) & Education Review Office.

4. Before you read the introduction, were you aware that the Expert Education

3. Do you believe you have a clear understanding of the rationale behind the
1. Do you believe the ISL affects the level of participation your school has in international education activities?

2. Please note: Please specify what the other costs in the last box above are:

   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )

   (in relation to international students/international student programme)

3. Approximately how much do you spend (in NZ$) per year in total on the following (aggregated and only disclosed in aggregated form):

   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )
   - [ ] ( )

   This question is to understand the costs involved in running an international student programme (information will be aggregated and only disclosed in aggregated form).

4. Are you aware that the ISL funds the international student component of ERO?

   - [ ] Yes
   - [ ] No

5. Are you satisfied with the quality of the international student component of ERO?

   - [ ] Yes
   - [ ] No
6. Can you please explain why you support/do not support the ISL?

5. To what extent do you support the ISL?

4. Are there other services that you believe should be funded by the ISL?

3. Do you believe the following should be funded through the ISL:

2. To what extent does the existence of the ISL affect the level of service you are able to provide to international students?