



Aide-Memoire: Manukau Institute of Technology 2017 annual report

To:	Hon Chris Hipkins, Minister of Education
From:	Tim Fowler, Chief Executive
Date:	1 June 2018
Reference:	AM/18/00366

Purpose

1. You have received the Manukau Institute of Technology (MIT) 2017 annual report for tabling in the House. This paper provides you with an over view of the 2017 performance of MIT.
2. We recommend that you release this aide-memoire once it has been considered by you, with some information under the heading “Current Issues” withheld as the release of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Chair and Chief Executive updates

3. The Chair, Peter Winder, and the Chief Executive, Gus Gilmore highlight a number of MIT's 2017 achievements in their respective reports. These include:
 - significant effort to redesign courses to deliver more content on-line, to offer nights and weekend classes, shorter blocks, increasing content taught in the workplace to better meet the needs to learners and employers;
 - the return of Te Reo being taught at MIT through the Marae, Ngā Kete Wānanga; and
 - an increase in strategic and cornerstone partnerships with both corporate and other educational organisations.

Statement of Service Performance

4. MIT's Statement of Service Performance (SSP) includes performance indicators relating to TEC Educational Performance Indicators, and Tertiary Education Strategy priorities. MIT also highlights five key organisational goals, which link to the performance measures in the SSP:
 - Improved employability and progression
 - Increased participation
 - Improved success and retention, with a focus on Māori, Pasifika and under 25 students
 - Enhanced experience and satisfaction
 - Increased consultancy and industry training.

Financial Performance

5. MITT's 2016 financial statements received an unmodified opinion from Audit New Zealand, which states that these:
- fairly reflect MIT's and the group's financial position and performance; and
 - fairly reflect MIT's and the group's service performance achievements and outcomes measured against the performance targets adopted in the Investment Plan for the year ended 31 December 2017.
6. Summary metrics from the consolidated financial statements are presented in the table below:

Annual Report Consolidated Group Financial Results \$000	2017 Audited	2017 Budget	2016 Audited
Government Revenue	\$46,041	\$54,817	\$54,786
Student Fees	\$25,854	¹	\$26,305
International fees	\$15,937		\$16,848
Total Revenue	\$104,349	\$111,806	\$114,021
Personnel Expenditure	\$70,558	\$69,815	\$69,505
Total Expenditure	\$111,379	\$113,217	\$114,154
Net Surplus/(deficit)	(\$7,030)	(\$1,411)	(\$133)
Surplus/(deficit) to revenue (%)	(6.7%)	(1.3%)	(0.1%)
Net Operating Cashflows	\$6,065	\$12,548	\$8,171
Operating Cash flows (%)	106.2%	112.6%	107.9%
Total Assets	\$299,090	\$311,867	\$309,781
Total Equity	\$240,776	\$244,386	\$247,806
Staffing FTE	Not available		733
Total EFTS to Total Staff FTE ratio	Not available		9.9:1
Total EFTS to Teaching Staff FTE ratio (academic & tutorial)	20.0:1		22.3:1

7. MIT achieved a net deficit of \$7.0 million (-6.7%) compared to a budgeted deficit of \$1.4 million (1.3%) and a 2016 break-even result. This result includes \$2.6 million in one off restructuring costs.
8. The decline in profitability between 2016 and 2017 is largely attributed to a \$9.7 million decline in revenue, including an \$8.7 million reduction in government funding due to a decline in EFTS and MIT losing some competitive funding. Other than restructuring costs, expenses have remained relatively stable.

¹ The 2017 budget included in the annual report did not provide a breakdown of student fees and other departmental income, therefore this has not been included in the table.

- MIT has an existing borrowing consent issued by the Secretary of Education in 2014, which expires in 2022. Total borrowing under this consent was \$27 million as at 31 December 2017 (2016: \$34.5 million) and is well within approved borrowing limits.

Current issues

- Current issues and concerns regarding the performance of MIT are outlined below.

Mainzeal Construction Collapse

- MIT was impacted by the 2013 collapse of Mainzeal Construction whilst the construction of the Manukau Campus redevelopment was underway. The collapse meant that MIT had to enter a new contract with an alternative provider to complete the project. MIT incurred significant additional costs and required a \$25 million increase in the borrowing consent which was approved by the Secretary of Education.

- 9(2)(g)(i)

EnterpriseMIT investigation

- During 2016 TEC conducted an investigation into the MIT subsidiary PTE EnterpriseMIT. 9(2)(g)(i)
The investigation resulted in a funding recovery of just over \$125,000 which MIT has paid.

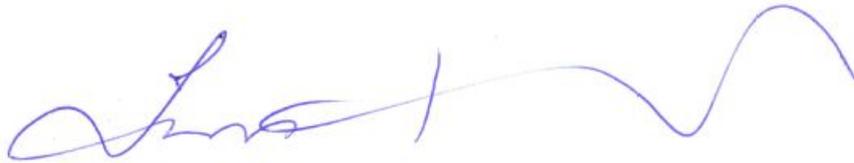
- As a result of the investigation MIT chose to disestablish the EnterpriseMIT subsidiary and all previous EnterpriseMIT courses are were delivered by MIT in 2017.

9(2)(b)(ii) and 9(2)(ba)(i)

-
-
-
-
-

Next Steps

16. We will continue to brief you on progress and performance at MIT as required.



Tim Fowler

Chief Executive

Tertiary Education Commission

1 June 2018

Hon Chris Hipkins

Minister of Education

___ / ___ / ___