

Aide-Memoire: Toi Ohomai Institute of Technology 2017 annual report

To:	Hon Chris Hipkins, Minister of Education
From:	Mike Blanchard, Deputy Chief Executive - Operations
Date:	11 June 2018
Reference:	AM/18/00386

Purpose

1. You have received the Toi Ohomai Institute of Technology (Toi Ohomai) 2017 annual report for tabling in the House. This paper provides you with an overview of the 2017 performance of Toi Ohomai.
2. We recommend that you release this aide-memoire once it has been considered by you, with information under the heading “Current Issues” be 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.

Background

3. Toi Ohomai was created on 1 May 2016 as a result of the merger between Waiariki Institute of Technology (Waiariki) and Bay of Plenty Polytechnic (BoPP). In 2016 Toi Ohomai published a single full year annual report incorporating the activities of Waiariki, and BoPP, and Toi Ohomai for the full 2016 year. 2017 represents the first full year of operations for Toi Ohomai.

Chair and Chief Executive update

4. The Chair, Cathy Cooney, and the Chief Executive, Dr. Leon Fourie, acknowledge the first full year of operations for Toi Ohomai as well as highlighting a number of achievements:
 - the development of the Strategic Intent 2017-2020 which identified five key areas of focus;
 - reaffirmed the commitment to the Bay of Plenty Tertiary Education Partnership with Te Whare Wānanga o Awanuiārangi and the University of Waikato;
 - increased partnerships and collaborations with Māori, local iwi and community organisations, including new Kura Māori programme in partnership with Te Arawa in Rotorua, which will support the sustainability of cultural leadership wānanga;
 - developing a range of programmes delivering ‘micro-credential’ bites of learning to meet industry needs in disciplines including forestry, horticulture, engineering, creative industries and entrepreneurship.

Statement of Service Performance

5. Toi Ohomai's Statement of Service Performance (SSP) includes a number of key performance indicators under five strategic priorities:
 - Have meaningful and effective partnerships.
 - Deliver tertiary education, research and technology transfer to meet the needs of the region.
 - Be innovative and support innovation.
 - Be learner centred.
 - Be a sustainable organisation.
6. The SSP also includes Educational Performance Indicators agreed as part of Toi Ohomai's Investment Plan.
7. A large proportion of performance measures were not achieved; however as 2017 was the first full year of operation for Toi Ohomai, many of the performance targets have been used to set a benchmark against which future performance can be measured.

Financial Performance

8. Toi Ohomai's 2016 financial statements received an unmodified opinion from Audit New Zealand, which states that these:
 - fairly reflect Toi Ohomai's and the group's financial position and performance; and
 - fairly reflect Toi Ohomai'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.

9. Summary metrics from the consolidated financial statements are presented in the table below. Comparative 2016 results include the combined financial performance of Waiariki, and BoPP, and Toi Ohomai for the full 2016 year.

Annual Report Consolidated Group Financial Results \$000	2017 Audited	2017 Budget	2016 Audited
Government Revenue	\$47,967	\$53,224	\$53,635
Student Fees	\$18,591	\$38,027 ¹	\$20,286
International fees	\$16,725		\$18,842
Total Revenue	\$94,157	\$99,694	\$103,601
Personnel Expenditure	\$64,611	\$63,011	\$61,117
Total Expenditure	\$104,088	\$101,013	\$98,826
Net Surplus/(deficit)	(\$9,913)	(\$1,319)	\$4,775
Surplus/(deficit) to revenue (%)	(10.5%)	(1.3%)	4.6%
Net Operating Cashflows	\$4,844	\$7,081	\$11,817
Operating Cash flows (%)	105.2%	107.6%	113.2%
Total Assets	\$246,074	\$212,214	\$213,754
Total Equity	\$212,177	\$180,911	\$182,483
Staffing FTE	855		Not available
Total EFTS to Total Staff FTE ratio	8.0:1		Not available
Total EFTS to Teaching Staff FTE ratio (academic & tutorial)	Not available		Not available

10. In 2017, Toi Ohomai achieved a net deficit of \$9.9 million (-10.5%). This is a significant decline on the 2016 surplus of \$4.8 million. The 2017 result includes merger costs of \$3.8 million and asset write-offs of \$1.3 million; excluding these one-off items, the operation deficit was \$4.8 million (-5.1%).
11. Total income declined \$9.4 million (-9.0%) from 2016 and was down \$5.6 million compared to budget as a result of the reduction in domestic and international enrolments. No corresponding costs savings were achieved, and total expenditure increased marginally between 2016 and 2017.
12. Toi Ohomai acknowledge that staff costs in relation to income has risen from 60% (2016) to 68.6% (2017) and that this needs to be brought closer to 2016 levels in order to maintain financial viability. Toi Ohomai also acknowledges that this will require right-sizing the institution in line with future expected delivery levels.
13. Total assets increased by \$32.3 million between 2016 and 2017 due to the increased value of property. Total assets and equity are higher than budget due to the budget not including \$23 million in other financial assets, relating to term deposits.

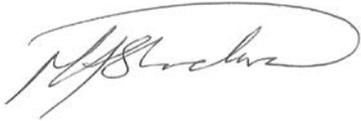
¹ The 2017 budget included in the annual report did not include a breakdown of domestic and international fees; therefore, this amount includes all student fees.

Current issues

14. Current issues and concerns regarding the performance of Toi Ohomai are outlined below.
15. TEC has monitored the post-merger performance closely, throughout 2017. 2017 financial performance was impacted on by both post-merger costs and declining EFTS. The deficit result was signalled to TEC prior to the end of the financial year, and while the deficit result is larger than expected, overall performance is not of significant concern.
16. During 2017 management and support areas were reorganised, which was to be expected as the merger was fully imbedded. The review and right-sizing of delivery areas is now underway.
17. 9(2)(g)(i) and 9(2)(ba)(i) [Redacted]
18. [Redacted]
19. [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]

Next Steps

20. We will continue to brief you on progress and performance at Toi Ohomai as required.



Mike Blanchard

Deputy Chief Executive, Operations
Tertiary Education Commission

11 June 2018

Hon Chris Hipkins

Minister of Education

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