

Aide-Memoire: Western Institute of Technology at Taranaki 2018 Annual Report

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive, Delivery
Date:	16 May 2019
Reference:	AM-19-00651

Purpose

1. You have received the Western Institute of Technology at Taranaki (WITT) 2018 annual report for tabling in the House. This paper provides you with an overview of the 2018 performance of WITT.
2. We recommend that you proactively release this aide-memoire, with information withheld that is likely to unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.

Chair and Chief Executive update

3. The Chair, Mr Robin Brockie, and the Chief Executive, Mr John Snook, have focused on 2018 as a period of building on the sustainability work undertaken in 2017 in their joint report. Specific areas highlighted include:
 - Achieving a category 2 External Evaluation Review assessment from the New Zealand Qualification Authority, lifting them from a category 3.
 - Whilst performance improved on 2017 results, WITT were unable to deliver on their targets, most notably student enrolments, course completions and qualification completions.
 - WITT did not pursue external research income in 2018, and did not participate in the Performance-based Research Fund round.

Statement of Service Performance

4. WITT's Statement of Service Performance (SSP) includes performance indicators relating to their 2018 Investment Plan:
 - Performance Commitments – SAC Levels 1 and 2
 - i. Targets not achieved in participation, course completions and qualification completions
 - ii. Targets achieved in student retention and student progression.
 - Performance Commitments – SAC Levels 3 and above

- i. Targets not achieved in Māori and Pasifika participation, course completions, qualifications and student retention.
- ii. Targets achieved in Under 25 participation, Māori and Pasifika student retention, student progression and international student EFTS.

5. WITT's SSP also includes statements relating to implemented strategy including:

- Recommendations from the recent NZQA review are underway in many areas and work towards them strengthens alignment with WITT's Academic, Teaching and Learning Strategy.
- WITT continues to align its provision to industry needs with a particular focus on pathways to employment for our learners and this is reflected in their portfolio of provision along with their application of the aspirations of the WITT Academic, Teaching and Learning Strategy.
- WITT Strategy 2017-2020 gives effect to the four goals of graduates; teaching and learning; engagement and development; and sustainability.

Financial Performance

6. WITT's 2018 financial statements received an unmodified opinion from Audit New Zealand, which states that these:

- fairly reflect WITT's and the group's financial position and performance; and
- fairly reflect WITT'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 2018.

7. Summary metrics from the consolidated financial statements are presented in the table below:

Annual Report Consolidated Group Financial Results	2018	2018	2017
\$000	Audited	Budget	Audited
Government Revenue	\$11,330	\$12,542	\$11,071
Fees Free Revenue	\$962	\$1,082	\$0
Domestic Student Fees	\$5,665	\$6,464	\$5,365
International fees	\$2,585	\$2,426	\$2,056
Total Revenue	\$20,941	\$22,702	\$19,957
Personnel Expenditure	\$11,339	\$11,276	\$11,776
Total Expenditure	\$21,861	\$22,940	\$23,105
Net Surplus/(deficit)	(\$920)	(\$238)	(\$3,641)
Surplus/(deficit) to revenue (%)	(4.4%)	(1.0%)	(18.2%)
Net Operating Cash flows	\$112	(\$724)	\$2,075
Operating Cash flows (%)	100.6%	96.6%	110.3%
Total Assets	\$39,081	\$40,218	\$43,021
Total Equity	\$29,242	\$29,923	\$30,162
Staffing FTE	151	148	155
Total EFTS to Total Staff FTE ratio	8.8:1	9.8:1	8.8:1
Total EFTS to Teaching Staff FTE ratio (academic & tutorial)	17.1:1	18.4:1	16.0:1

8. In 2018, WITT achieved a net deficit of \$0.92 million (negative 4.4%). This is an improvement from the 2017 result, driven primarily by increased revenue and lower expenses.
9. Total revenue improved by almost \$ 1.0 million (4.9%) due to higher international fees and new fees-free related domestic fees. Total expenditure decreased by \$1.2 million due to lower personnel costs and other expenses.
10. WITT's total assets have decreased by \$3.9 million mainly due to lower student fee receivable and a reduction in cash and financial assets.
11. As at 31 December, WITT had no private sector borrowing, but have an interest free Crown loan of \$5.2 million which is repayable between 2020 and 2024. This is reflected in the balance sheet at a fair value of \$4.2 million.

Current issues

12. Current issues and concerns regarding the performance of WITT are outlined below.

Uncertainty as to WITT's long term sustainability

13. The ongoing financial performance of WITT has led to concerns regarding WITT's medium to long term sustainability. A decline in 2016 and 2017 financial performance led to the appointment of an Independent Advisor, Dr Neil Barns, to the WITT Council.
14. However, while we have concerns around WITT's long-term sustainability, we do not expect it to require any Crown support over 2019 (AM-19-00494 refers). As with all other ITPs, WITT is providing us with detailed, monthly financial information and we will continue to closely monitor its financial position.

Crown loan

15. WITT has a suspensory loan from the Crown of \$5.2 million, which is repayable in equal instalments between 2020 and 2024. WITT is due to commence repayments on the Crown loan in 2020, with 5 equal instalments of \$1.04 million payable annually between 2020 and 2024. **S 9(2)(g)(i) and S 9(2)(ba)(i)**
[REDACTED]
[REDACTED]
[REDACTED]

Staff turnover

16. John Snook started as the new Chief Executive of WITT in early 2019. **S 9(2)(g)(i)**
[REDACTED]
[REDACTED]
[REDACTED]

TEC monitoring arrangements

17. In response to these issues, TEC has increased monitoring and engagement in place, which includes:

- a. The receipt of Council papers;
- b. Regular attendance at WITT Council meetings;
- c. The appointment of an Independent Advisor to the Council, Dr Neil Barns, in 2017;
- d. Detailed monthly financial reporting; and
- e. Regular reporting to TEC by the Independent Advisor.



Gillian Dudgeon

Deputy Chief Executive, Delivery

16 May 2019

Hon Chris Hipkins

Minister of Education

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Robin Brockie
Chair
Western Institute of Technology at Taranaki
20 Bell Street
New Plymouth 4310

Dear Robin

Thank you for submitting the Western Institute of Technology at Taranaki (WITT) 2018 annual report. I have now presented this to the House.

It was pleasing to read of WITT's achievements and success in 2018. In particular I would like to congratulate you on the work you have done to lift your External Evaluation Review assessment of the quality of your performance from a category three to category two, and that you are planning to implement the recommendations which resulted from the review.

I was disappointed to read that you did not achieve your goals in Māori participation and completion rates. These measures have decreased significantly since 2017 and I would encourage you to put some strategic goals in place to address this disparity in 2019.

I acknowledge that 2018 has represented a period of uncertainty for the ITP sector and I encourage you to continue your positive engagement with the TEC and Ministry of Education going forward.

Yours sincerely

Chris Hipkins
Minister of Education

CC: John Snook, Chief Executive