



Aide-Memoire: Te Whare Wānanga o Awanuiārangi 2018 Annual Report

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| To: | Hon Chris Hipkins, Minister of Education |
| From: | Gillian Dudgeon, Deputy Chief Executive, Delivery |
| Date: | 1 July 2019 |
| Reference: | AM-19-00820 |

Purpose

1. You have received the Te Whare Wānanga o Awanuiārangi (Awanuiārangi) 2018 annual report for tabling in the House. This paper provides you with an overview of the 2018 performance of Awanuiārangi.
2. We recommend that you release this aide-memoire once it has been considered by you, with information under the heading “Current Issues” withheld as the release of the information would likely unreasonably prejudice the commercial position of Awanuiārangi who is the subject of the information.

Background

3. 2018 has been a year where Awanuiārangi has gone backwards in all key performance measures; student enrolments, financial performance and educational performance.
4. After a long period of fluctuating but reasonably high surpluses, Awanuiārangi in 2018 has moved into a significant deficit position (whereby the deficit as a percentage of revenue is now -10.3 percent) and not achieved its budgeted surplus target. Surpluses in the past eight years have averaged close to eight percent. In 2017 Awanuiārangi recorded a break-even position with little prior warning.
5. Awanuiārangi continues to maintain good liquidity with cash and other financial assets totalling \$18.2 million at the end of 2018.

Chair and Chief Executive update

6. The Deputy Chair, Judge Layne Harvey, and the Chief Executive, Professor Wiremu Doherty, have described 2018 as a challenging year financially and performance-wise during a period of developing strengthening relationships with stakeholders and new partners, and improving pedagogical practices. Specific areas highlighted include:
 - The adoption of the new strategic plan Te Rautaki 2022. The new strategic plan identifies a set of strategic drivers and goals designed to ensure that Awanuiārangi is well-positioned to realise its institutional vision. The goals cover teaching and learning, relationships, research and international collaboration, organisation performance, assets and infrastructure, and culture of excellence and innovation.

- The commitment to the sciences and technology by reintroduction of environmental sciences, commitment to new platforms of learning such as augmented reality technologies, robotics and a digital-online repository of resources to complement mixed mode delivery of teaching.
- Continuing to progress a significant programme of change through investments to enhance the relevance and viability of programme offerings, initiatives to build leadership capability, and a focus on quality improvement in academic systems, processes, as well as pedagogical practices.
- Strengthening of relationships with communities including iwi and hapū, the business sector, local government and schools of which a key relationship is with the Bay of Plenty Tertiary Partnership involving the University of Waikato and Toi Ohomai Institute of Technology, which resulted in the opening of the new Tauranga campus in 2019.
- The challenges presented to Awanuiārangī due to enrolments being lower than in previous years coupled with an operating deficit for the first time in seven years and falling educational performance.

Statement of Service Performance

7. The Statement of Service Performance (SSP) reports against the performance commitments identified by Tertiary Education Commission (TEC) as contributing to the priorities in the Tertiary Education Strategy; and performance indicators that encompass the broader goals of Awanuiārangī's institutional strategy Te Rautaki 2020.

8. Information provided on the commitments and indicators are detailed below:

- Performance Commitments
 - i. Most of the 2018 (student) participation targets agreed with TEC were not achieved and were also lower than the 2017 results. Only targets relating to research and international students were exceeded, though these are small components of overall participation.
 - ii. None of the 2018 course completion targets agreed with TEC were achieved and were also lower than the 2017 results. Awanuiārangī believe that reasons for this are the uniqueness of their programmes (marae-based) and deprivation issues relating to Māori students.
 - iii. Most of the 2018 qualification completion targets agreed with TEC were not achieved with the exception of Pasifika students, who exceeded the targets set. Awanuiārangī has identified that lower completions at certificate level is the main contributing factor.
 - iv. The majority of the 2018 progress and retention targets agreed with TEC were achieved. The exceptions were progression rates for Pasifika and the overall student count at level 1 to 3. This mirrors Awanuiārangī's 2017 performance.
- Performance Indicators
 - i. Participation – results relating to student satisfaction, NZQA accreditation of relevant programmes and EER rating, maintained or exceeded 2017 levels with the exception of EFTS numbers.
 - ii. Financial – results relating to profitability and liquidity were all below 2017 levels. Awanuiārangī's risk rating against TEC financial monitoring framework is reported as low, however we expect this to change in light of the 2018 results.
 - iii. Cultural – No data was collected for 2018, but Awanuiārangī remains committed to ensuring staff fluency in te reo Māori and staff and student participation with their marae/hapū or iwi.

Financial Performance

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

- fairly reflect Awanuiārangi's and the group's financial position, financial performance and cash flows; and
- fairly reflect Awanuiārangi's service performance achievements measured against proposed outcomes described in the Investment Plan for the year ended 31 December 2018.

10. 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 | \$22,033 | \$26,373 | \$22,983 |
| Fees Free Revenue | \$131 | n/a | n/a |
| Domestic Student Fees | \$2,769 | n/a | \$2,954 |
| International fees | \$638 | n/a | \$392 |
| Total Revenue | \$28,804 | \$33,739 | \$29,484 |
| Personnel Expenditure | \$19,489 | \$19,818 | \$16,751 |
| Total Expenditure | \$31,764 | \$32,999 | \$29,223 |
| Net Surplus/(Deficit) | (\$2,960) | \$740 | \$261 |
| Surplus/(Deficit) to revenue (%) | (10.3%) | 2.2% | 0.9% |
| Net Operating Cash flows | \$439 | \$352 | \$2,660 |
| Operating Cash flows (%) | 101.5% | 101.1% | 109.7% |
| Total Assets | \$66,789 | \$62,440 | \$63,028 |
| Total Equity | \$56,313 | \$5,751 | \$55,011 |
| Staffing FTE | 235 | n/a | 214 |
| Total EFTS to Total Staff FTE ratio | 11.7:1 | n/a | 14.1:1 |
| Total EFTS to Teaching Staff FTE ratio (academic & tutorial) | 22.5:1 | n/a | 26.0:1 |

11. In 2018, Awanuiārangi achieved a net deficit of \$2.96 million. This is more than 11 percent lower than the 2017 result. The change is the result of falling government revenue and increasing wages and salaries expenses.

12. Total revenue reduced by almost \$0.7 million (2.3%), as a result of fewer enrolments in 2018 from the previous year, although this was partly offset by higher international fees. Total expenditure increased by \$2.5 million due to higher personnel costs (\$3.1m) partly offset by lower course-related costs.

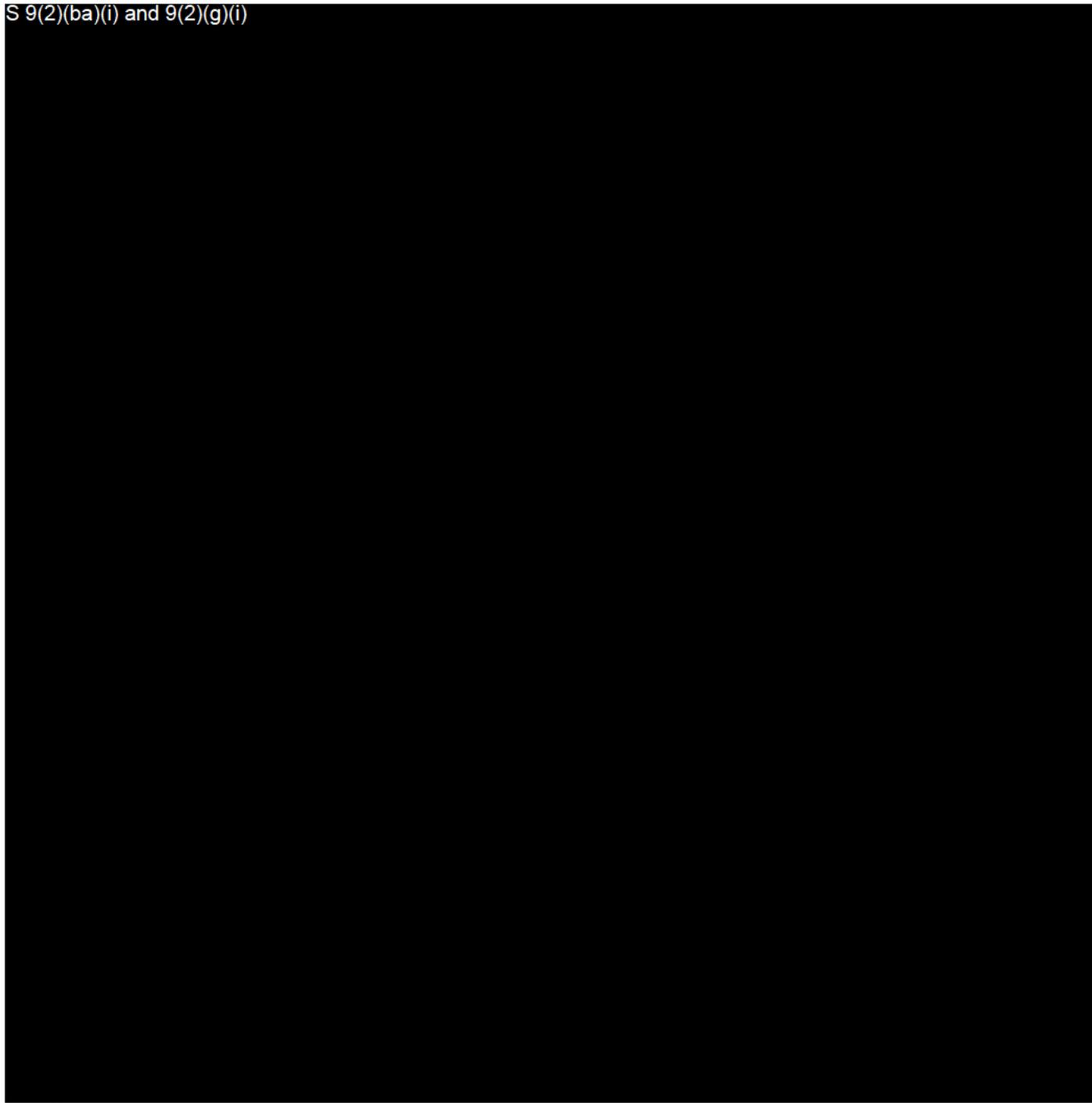
13. Net operating cash flows fell by \$3.7 million to \$0.4 million resulting in a low operating margin of 1.5 percent.

14. Awanuiārangi's total assets have increased by \$3.8 million as a result of mainly asset evaluations and work-in-progress of intangible assets.

15. As at 31 December 2018, Awanuiārangi had no private sector borrowing or Crown loans in its books.

Current issues

S 9(2)(ba)(i) and 9(2)(g)(i)



Gillian Dudgeon

Deputy Chief Executive, Delivery
1 July 2019

Hon Chris Hipkins

Minister of Education

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Distinguished Professor Sir Sydney (Hirini Moko) Mead
Chair of Council
Te Whare Wānanga O Awanuiārangi
Private Bag 1006
WHAKATĀNE 3158

Dear Sir Sydney

Thank you for submitting the Te Whare Wānanga O Awanuiārangi (Awanuiārangi) 2018 annual report. I have now presented this in the House.

It was pleasing to read of Awanuiārangi's achievements and successes in 2018, especially the adoption of your new Strategic Plan, Te Rautaki 2022 and your commitment to the sciences and technology.

I was also interested to read of your relationship with the Bay of Plenty Tertiary Partnership involving the University of Waikato and Toi Ohomai, which culminated with the opening of a new tertiary campus in Tauranga.

I acknowledge that the education environment has been subject to a period of change in recent years, which has affected your financial and educational performance and enrolment numbers. I look forward to seeing an improvement in these areas as a result of the many initiatives you are putting in place to address them.

Finally, I look forward to seeing the staff and students of Awanuiārangi build on their 2018 achievements in 2019.

Yours sincerely

Chris Hipkins
Minister of Education

Cc: Professor Wiremu Doherty – Chief Executive