

Aide-Memoire: Western Institute of Technology at Taranaki 2017 annual report

To:	Hon Chris Hipkins, Minister of Education
From:	Tim Fowler, Chief Executive
Date:	1 June 2018
Reference:	AM/18/00322

Purpose

1. You have received the Western Institute of Technology at Taranaki (WITT) 2017 annual report for tabling in the House. This paper provides you with an over view of the 2017 performance of WITT.
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.

Chair and Chief Executive update

3. The Chair, Robin Brockie, and the Chief Executive, Barbara George, have focused on 2017 as a period of building on the sustainability work undertaken in 2016 in their joint report. Specific areas highlighted include:
 - a new strategic alliance with the Open Polytechnic to utilise the iQualify platform;
 - the continued progress towards the New Zealand Qualifications Authority (NZQA) improvement plan;
 - an increase in course completion rates.

Statement of Service Performance

4. WITT's Statement of Service Performance (SSP) includes performance indicators relating to TEC Educational Performance Indicators, research and programmes and courses. While progress was made against a number of these, WITT's ability to achieve a number of these targets was impacted on by lower than anticipated EFTS.
5. Rather than being included in the SSP goals relating to teaching and learning excellence and student satisfaction are reported separately in the annual report.

Financial Performance

6. WITT's 2016 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 2017.
7. However, without modifying their audit opinion, or making additional reference in the audit opinion, Audit New Zealand required WITT to make an additional disclosure (note 23 on page 59) regarding the basis on which the WITT Council has assessed WITT as being a going concern. Audit New Zealand considered these disclosures to be adequate.
8. 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	\$11,071	\$13,617	\$13,234
Student Fees	\$5,365	\$9,446 ¹	\$6,082
International fees	\$2,056		\$2,338
Total Revenue	\$19,957	\$24,639	\$23,670
Personnel Expenditure	\$12,269	\$13,000	\$12,178
Total Expenditure	\$24,091	\$23,813	\$24,958
Net Surplus/(deficit)	(\$3,641)	\$826	\$73
Surplus/(deficit) to revenue (%)	(18.2%)	3.4%	0.3%
Net Operating Cashflows	\$2,075	\$3,164	(\$1,110)
Operating Cash flows (%)	110.3%	115.1%	95.5%
Total Assets	\$43,021	\$35,866	\$35,410
Total Equity	\$30,162	\$26,613	\$25,787
Staffing FTE	294		233
Total EFTS to Total Staff FTE ratio	4.6:1		7.1:1
Total EFTS to Teaching Staff FTE ratio (academic & tutorial)	18.3:1		

9. In 2017, WITT achieved a net deficit of \$3.6 million (-18.2%). This was a considerable decline from the 2016 break even result, and was against a budget of \$0.8 million (3.4%). This result was driven primarily by a significant decline in EFTS.
10. Total revenue declined by \$3.7 million (15.7%) due to declining EFTS numbers. Despite the declining revenue, total expenditure declined by \$0.9 million, in part due to \$0.5 million in redundancy costs.
11. WITT's total assets increased by \$7.6 million due to the revaluation of land and buildings.

¹ The 2017 budget did not separate domestic and international student fees; therefore both are included in this amount

- 12. As at 31 December, WITT had no private sector borrowing. However, WITT has a suspensory loan from the Crown of \$5.2 million, which is repayable in equal instalments between 2020 and 2024. This loan is appropriately disclosed in the financial statements.
- 13. As at 31 December, WITT had one subsidiary entity, the New Zealand Institute of Highway Technology (NZIHT). The performance of NZIHT is material to the operating result of the consolidated group.

Current issues

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

Ongoing financial performance

- 15. Since the 2014 investigation into some programmes at WITT, which resulted in a large funding recovery, WITT has been unable to return a surplus of more than 1%. Both 2016 and 2017 results were worse than budget.

- 16. 9(2)(g)(i) and 9(2)(ba)(i)

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 20. [REDACTED]

- 21. [REDACTED]

- 22. [REDACTED]

The recent loss of a number of senior staff

23. A number of key management personnel have departed WITT in recent months:

- 9(2)(a) and 9(2)(g)(i) [REDACTED]
- [REDACTED]
- [REDACTED]

24. 9(2)(f)(iv) and 9(2)(a) [REDACTED]

NZQA EER rating

25. In 2016 WITT received a category three External Evaluation and Review (EER) rating from the New Zealand Qualifications Authority (NZQA). This means WITT has been rated as Not Yet Confident in terms of both educational performance and capability in self-assessment.

26. This rating led to WITT being required to develop an improvement plan, which it has worked towards during 2017. NZQA is currently in the process of undertaking another EER of WITT, the results of which will be known in approximately mid-July.

27. The Bachelor of Nursing is included in the scope of the EER and it is an area where issues have been raised by the degree monitor; although these appear to have been resolved. With the Bachelor of Nursing accreditation visit scheduled to be after EER, outcomes from EER are critical and further improvements to this area are going to be sensitive but essential.

9(2)(b)(ii) and 9(2)(ba)(i) [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

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

[Redacted text block]

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

- [Redacted list item 1]
- [Redacted list item 2]
- [Redacted list item 3]
- [Redacted list item 4]
- [Redacted list item 5]
- [Redacted list item 6]
- [Redacted list item 7]
- [Redacted list item 8]

² A number of these areas have are now being considered in the context of the ITP 2020 Roadmap Project and/or have been paused while the project is underway.

Next Steps

31. We will continue to brief you on progress and performance at WITT as required.



Tim Fowler

Chief Executive

Tertiary Education Commission

1 June 2018

Hon Chris Hipkins

Minister of Education

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