MANUKAU INSTITUTE OF TECHNOLOGY

Transformation (2014 - 2020)

Manukau Institute of Technology challenges (2014)

- An unplanned debt as a result of the Mainzeal collapse (this collapse is now being pursued in the courts). At the end of 2014 the Debt was $40m.
- The significant decline in demand without support to address the systemic industry issues (**22% decline** in EFTS instead of 11% increase over 5 years).
- Constrained prices (costs have been increasing faster than fees by **1%**).
- Needing to build significant new capability to drive improvement in educational and operational performance.

The situation (2014)

- The enterprise needed to reset its expectation as it would be challenging just to achieve its most "pessimistic budget" and there was a need to align costs with the new demand trends.
- The organisation was poorly equipped to drive improvement.
- MIT faced significant challenges to optimise education delivery. MIT rated poorly amongst its metro peers on measures such as student course completion, qualification completion and students retained in study.

The response (2015-2018)

- Changes in the Board and improved governance process.
- Appointment of a new management team and implementation of improved management processes.
- Maintaining and improving education performance.
- Operational performance in top quartile of Polytechnic sector.
- Rationalisation of the Enterprise MIT operations.
- Increased non-base revenue (**by $5.7m**).
- Ruthless management of cost to ensure every reduction in demand was matched with change that held the key ratios (equates to **$10m annual savings**).
- Delivery of key projects including Manukau property development, sales and marketing systems and pedagogy changes.
- Finalisation of the property rationalisation which results in the transfer of all students to a fit for purposed teaching environment.
- Finalisation of the plan for the TechPark which is strategically important to the success of MIT and a game-changer for students in South Auckland.

The financial impact (budget 2019-2020)

- Cost reduction equivalent to **$10m** per year.
- Increased non-base revenue(**$5.7m** in 2018).
- Repay **$40m debt** from 2015 in 2020.
- **Net operating cash flow at 12%** of operating income in 2019 (4% better than projected in 2014).
- **Operating surplus at 11%** of revenue in 2019 (3% better than projected).
- **Investment of $106m** in the MIT Manukau facilities (up to 2016).
- **Capex investment of $50m** from 2018-2020.
- Cash-flow from 2020 to **invest an additional $5m** in new facilities and new capabilities each year without any debt funding (This is above the current business as usual capex of $7m).
- **Net assets of $230m** and **zero debt** in 2022, compared to the pessimistic model forecast in 2014 of net assets of $196m (debt would have been $37m and the additional $23m of investment from 2018-2020 would have been approved).
- Realisation of **$42m from property sales** (2017-2020).

The future

- ☑ By the end of 2020, MIT will have successfully managed a very complex and challenging transformation that leaves the enterprise as financially viable, with a fit for purpose teaching environment and the capabilities needed to be relevant for future generations.
- ☑ The transformation creates a platform for growth where MIT can now take advantage of its superior asset portfolio, education facilities and demand within South Auckland.
- ☑ MIT has achieved its transformation with limited support from Central Government and limited financial input of stakeholders in the Auckland region – it can do a lot more with additional support.
- ☑ MIT is one of the few entities in the sector that has consistently promoted new models and opportunities for consolidation. It seems logical that MIT should now be provided the license, funding and resources to lead change in the sector.

Source: The summary is prepared by KPMG based on approved MIT Budgets for 2015-2018, the draft budget for 2019 and reviews of the MIT 10 year forecasts associated with each budget.

Manukau Institute of Technology financial projections

	Realistic budget (as at 2014)				Pessimistic budget (as at 2014)				2019 Draft budget (Oct 2018)			
	2014	2015	2019	2022	2014	2015	2019	2022	2014	2015	2019	2022
	Actual	Budget	Budget	Budget	Actual	Budget	Budget	Budget	Actual	Actual	Budget	Budget
EFTS	7178	7259	7981	8533	7178	7126	7005	7039	7178	7588	5578	5578
Revenue ($m)	$110	$112	$126	$150	$110	$110	$115	$121	$110	$111	$102	$106
Operating expenditure ($m)	$98	$99	$112	$134	$98	$98	$106	$114	$98	$93	$89	$97
Operating surplus ($m)	$12	$13	$14	$17	$12	$13	$10	$7	$12	$18	$13	$9
Operating surplus (%)	11%	12%	11%	11%	11%	11%	9%	6%	11%	16%	12%	8%
Net operating cash flow ($m)	$6	$11	$14	$17	$6	$10	$9	$6	$6	$13	$12	$9
Net operating cash flow (%)	5%	10%	11%	11%	5%	9%	8%	5%	5%	12%	12%	8%
Capex ($m)	$49	$7	$7	$7	$49	$7	$6	$7	$49	$7	$14	$7
Debt ($m)	$55	$49	$23	$0	$55	$51	$55	$58	$55	$33	$32	$0

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Te Whare Takiura o Manukau