



**MANUKAU  
INSTITUTE OF  
TECHNOLOGY**

*Te Whare Takiura o Manukau*

# ANNUAL REPORT 2019





# CONTENTS

## Our Organisation

---

- 3 About Manukau Institute of Technology (MIT)
- 6 2019 at a Glance
- 8 Our Success Stories
- 14 Chairman of Council Review
- 16 Chief Executive Report
- 18 Financial Overview
- 19 Financial Performance Summary and Key Statistics

## Governance

---

- 20 Governance and Accountability
- 21 Council Fees
- 22 Council and Standing Committee Attendance
- 23 Council Members Register of Interests
- 24 Council Delegations
- 25 Council Membership
- 26 Equal Educational Opportunities
- 27 Strengthening our Workforce and Supporting the Wellbeing and Safety of our Employees

## Statement of Service Performance

---

- 28 The Operating Environment
- 28 Tertiary Education Strategy 2014-19
- 28 Our Investment Plan 2019-2020
- 28 Our Performance
- 29 How Are We Doing?
- 34 Statement of the Costs of Outputs

## Financial Statements

---

- 35 Statement of Responsibility
- 36 Independent Audit Report
- 38 Statement of Comprehensive Revenue and Expense
- 38 Statement of Changes in Equity
- 39 Statement of Financial Position
- 40 Statement of Cash Flows
- 41 Notes to the Financial Statements

## General

---

- 64 Compulsory Student Service Fees
- 66 Statement of Resources
- 67 Glossary of Terms



# ANNUAL REPORT 2019

## OUR ORGANISATION



### About MIT

#### Kaupapa

MIT exists to transform the lives of our students, their families and communities. We connect our students' hopes and aspirations to vocational education, job opportunities and career pathways.

We are the place for all people. Our commitment to Te Tiriti o Waitangi creates a foundation for an inclusive and culturally rich learning experience. Our relationship with our students is a lifelong connection of manaakitanga.

We celebrate and draw upon our diversity, which stems from being based in Manukau at the stern of the Tainui waka and in the heart of the Pacific. Our cultural traditions, languages, beliefs, and skills draw from many ethnic groups. People from all walks of life flourish at MIT, creating a rich tapestry of understanding and then spreading it out across the world.

#### What we offer

**202 PROGRAMMES**

**1,385 COURSES**

**3 CAMPUSES**

### Goals



#### GOAL 1:

Grow lifelong learning



#### GOAL 3:

Maximise relevance to employers



#### GOAL 5:

Be a great place to work



#### GOAL 2:

Raise learners' outcomes



#### GOAL 4:

Add value through targeted research



#### GOAL 6:

Be excellent, efficient and effective

# Our Values

---

The values below identify what MIT holds to be important in how we go about our Kaupapa. While they are for staff to embody, it is hoped that they can also be imparted onto our students through the behaviours of our staff.



## MANAAKITANGA

**We genuinely care for others.**

So we make all people feel welcome through kindness, understanding and respect.

We make you feel appreciated by acknowledging your contributions.

All of which creates an environment where achievement can be nurtured.



## WE ARE EXCELLENT

**We aim for the top in everything we do.**

So we push boundaries and exceed expectations. It's how we achieve excellent results and the reason we get to celebrate success.



## WE ARE CONNECTED

We build valuable partnerships with individuals, industry and communities, where knowledge is shared and created without silos, fences or egos. When others talk, we really listen. We are open and approachable. We want our networks to be strong and our relationships to be genuine and long-lasting.



## WE ARE REAL

**We admire people who are genuine and honest.** Down to earth people who reflect the way we like to teach, with practical, hands-on learning that leads to real skills for real jobs in the real world.



# 2019 at a Glance

## Financial Overview

NON-BASE INCOME	NZ\$ 8.7 million
GOVERNMENT FUNDING	NZ\$ 41.5 million
STUDENT FEES AND OTHER REVENUE	NZ\$ 45.6 million
TOTAL EXPENSES*	NZ\$ 99.1 million
TOTAL ASSETS	NZ\$ 256.4 million
SURPLUS / (DEFICIT)*	NZ\$ (3.3) million

\*Surplus/(Deficit) before separately disclosed expense items

## Our People

663

Permanent and Fixed Term Staff



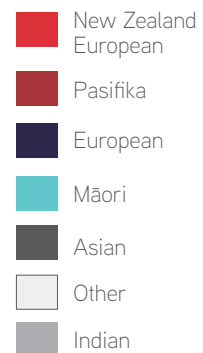
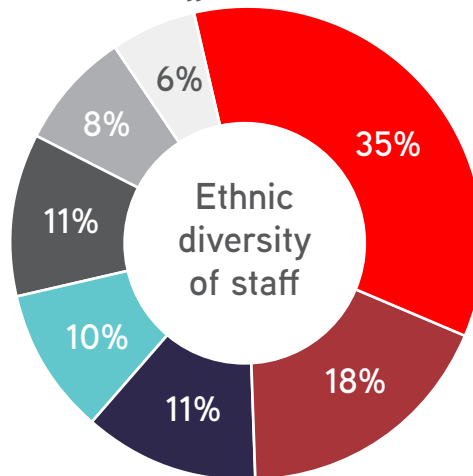
58%

Female staff



42%

Male staff



(Head count 31 December 2018)

## Student Participation



13,922

Total enrolled students



6,121

EFTS (Equivalent Full-Time Student)



43%

Female students



57%

Male students

STUDENTS UNDER 25\*

44%

PASIFIKA STUDENTS\*

30%

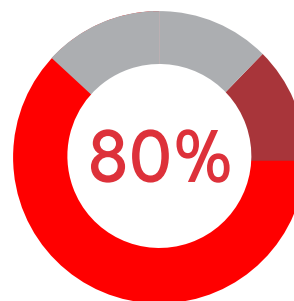
MĀORI STUDENTS\*

14%

\*Not mutually exclusive.

EFTS weighted SAC calculation.

## Success



EFTS weighted SAC calculation.

QUALIFICATIONS AWARDED:

835

Diplomas and Graduate Diplomas

1,942

Certificates and Awards

411

Degrees

## Employability and Progression

Graduates in employment or further study:

76%



82%

OVERALL STUDENT SATISFACTION



## CAMPUS LOCATIONS

### MIT OTARA

Automotive, Building and Civil Construction, Professional Engineering, Electrical Trades, Mechanical Engineering Trades, Refrigeration and Air Conditioning, Culinary, Hospitality and Baking, Education, Engineering, Foundation and Bridging Studies, Hairdressing, Horticulture and Floristry, Languages, Logistics, Social Work, Sport

*Gate 1, Newbury Street, Otara, Manukau, Auckland*

### MIT MANUKAU

Business and Digital Technologies, Nursing, Health and Counselling

*Level 2, Corner Manukau Station Road and Davies Avenue, Manukau, Auckland*

### MIT TECHPARK

★ Opening mid 2020

Automotive, Building and Civil Construction, Professional Engineering, Electrical Trades, Mechanical Engineering Trades, Plumbing, Gasfitting and Draining, Refrigeration and Air Conditioning, Horticulture  
*Corner Manukau Station Road and Lambie Drive, Manukau, Auckland (opposite MIT Manukau)*

### NEW ZEALAND MARITIME SCHOOL

Nautical Science, Marine Engineering, Marine Electro-Technology, Foreign Going, Master or Chief, Domestic Maritime, Master Yacht, Seafarers Certification  
*Level 3, 2 Commerce Street, Auckland*

### KO AWATEA

Nursing Learning Hub  
*Middlemore Hospital, Hospital Road, Otahuhu, Auckland*

### MIT MAHURANGI

Nautical Science, Marine Engineering, STCW short courses, Superyacht Crew, Domestic Maritime  
*11 Glenmore Drive, Warkworth*





# MIT signs with the Blues

---

The Blues and MIT share a common Kaupapa of helping young people achieve their goals and aspirations on and off the sports field.

That focus is at the heart of the three-year sponsorship arrangement.

It allows Super Rugby and Academy players to access educational and career pathways, while MIT students will be exposed to a high performance sports organisation that competes on the global stage.

"We are thrilled to be partnering with MIT as our exclusive tertiary provider" Michael Redman, Chief Executive of the Blues said when the deal was announced in February. "MIT is a major tertiary organisation in Auckland with a wide range of programmes and we're excited about the future learning and development opportunities for participants from both organisations".

As part of the arrangement MIT's logo was displayed on the field during the television coverage of home games.

This exposed our branding 1,043 times for a total duration of one hour and three minutes to the New Zealand television audience throughout the season.

Blues Academy players have already signed up to study the Bachelor of Applied Sport and Exercise, the school's Police Prep and trades courses.

"The players are role models. A lot of them are from South Auckland. They are good men, who have made it. We look forward to bringing them to campus and sharing their stories with our students to inspire," says Executive General Manager, Academic – Professor Martin Carroll who signed the agreement at training before the season opener against the Crusaders.

"If you want to work in the industry, it (Blues HQ) is the perfect environment to be part of," said Kameli Delana, after touring the facility. He graduated this year from MIT's sports degree programme.

---

"If you want to work in the industry, it (Blues HQ) is the perfect environment to be part of."

"With the new building and equipment it's up to date with strength and conditioning. It's very much athlete-focused with the admin and players in the same place. MIT graduates would be lucky to be part of that environment," said Delana who coaches at the University Club and is currently doing post grad.

The partnership was officially launched on Eden Park at the Blues Captain's Run before their home match against the Highlanders.







## Improving the Student Journey

This year MIT launched two major initiatives designed to better engage students before, during and after their time at the Institute.

AskMe! is our new student services team that provides support at all stages of the enrolment process and student journey.

The team is made up of 29 staff working at five locations including Mahurangi, MIT Manukau, Ōtara North and South campuses.

The initiative came out of the Reretahi project in 2018 that looked at all aspects of the student journey at MIT.

It found there were great improvements to be made in the area of engagement and management of the Institute's relationship with students.

---

"I am delighted with the improved performance we have seen across the year as the team found its stride. "

The change to the way we operate produced significant results.

When MIT closed for the christmas break in December 2019, 38% more offers had been made to prospective students than for the same time the previous year.

"I am delighted with the improved performance we have seen across the year as the team found its stride," says General Manager - Academic Services, Chris Park.

"In particular, the responsiveness to students who are enrolling and the reduction in time between 'application to offer' and 'application to enrolment', in the context of increasing student enquiry and application numbers."

In August, a personal video message from Prime Minister Jacinda Ardern added a special touch to the launch of our Alumni Network.

More than 200 former students attended the event at MIT Manukau with speeches from well-known alumni, including celebrity chef and best-selling author, Bridget Davis.

Current students were on hand practising their skills in food preparation, serving drinks and arranging the flowers.

"We wanted to create a community where our alumni can stay in contact with each other, be inspired by each other's success and to keep up to date with what's happening at MIT," says Deputy Chief Executive Pasifika and Executive General Manager Student Journey, Peseta Sam Lotu-liga.

"Strong, informal networks of former students already existed in some schools like nursing and maritime. This community extends these networks and promotes the benefits of staying connected to present and past MIT students."



## Building the Future of Trades Education

MIT announced the construction of Technology Park (TechPark), a new centre of excellence for the trades in South Auckland.

Education Minister Chris Hipkins broke ground on the site at a ceremony in April.

When complete the 9,000 square metre facility located across the road from MIT Manukau will provide a modern learning environment for more than 1,200 Students and Industry Trainees each week.

The Technology Park will bring all the institute's trades and engineering schools under one roof for the first time since MIT was founded 50 years ago.

The development is being delivered in partnership with construction and property company Haydn & Rollett (H & R) and Panuku Development Auckland.

H & R will own the building and MIT will take up a thirty-year lease on the premises once it is completed in June 2020.

"The great thing about this relationship with H & R, Panuku and MIT is that it allows the institute flexibility in providing a great new facility to students without taking on the risk associated with a major build," says MIT Chief Executive, Gus Gilmore.

TechPark also provides a base to build the future of construction and related careers at a time when the country is looking to confront the need for housing and infrastructure together.

---

"Creating a vibrant centre for technology, education and commerce will bring new opportunities to those living in South Auckland."

It is not just a 'bricks and mortar' solution to these issues, but will be accompanied by a programme refresh preparing our students for the increasing uses of new energy sources including solar generation and electric vehicles.

TechPark will form part of Panuku's 'Transform Manukau' initiative that aims to harness talent and empower communities through strategic investment in urban regeneration.

'Creating a vibrant centre for technology, education and commerce will bring new opportunities to those living in South Auckland,' said Auckland Mayor Phil Goff, on the announcement of the facility.

The project is a key part of MIT's overall campus strategy to provide students with the best places to learn across three locations: MIT Manukau, Auckland CBD and the institute's cultural heart and home, Ōtara.

In 2019, the Institute also announced it was making a \$4.5 M investment in upgrading facilities on North Campus, Ōtara.

South Campus, Student Village, V Block and parts of North Campus were sold to the Ministry of Housing and Urban Development for future residential development.



# Celebrating a Legacy of Māori Achievement

This year, MIT's Marae marked 20 years as an 'open hearted gateway' to life on campus for our students and staff.

Ngā Kete Wānanga is also an asset to the community welcoming numerous groups, sports teams and government agencies each year.

In 2019, these included the Auckland Blues, a travelling exhibition on the Kīngitanga Movement and the swearing in of the Ōtara-Papatoetoe Local Board.

In the lead-up to the anniversary, a new poutokomanawa (carved central post) was installed in the whare nui, carved by Fred Harrison, son of the late tohunga whakairo, Dr Pakaariki Harrison, the master carver of the whare.

The celebration was attended by MP for Tāmaki Makaurau, Peeni Henare and other dignitaries.

'The occasion was an important moment in time to acknowledge those who first raised their voices to advocate for our marae to be founded and those who since have worked tirelessly to improve the experience of Māori who come to MIT,' says Deputy Chief Executive Māori, Dr Robert Sullivan.

While the marae was opened in 1999, the campaign for its establishment began more than thirty years ago when the challenge was first laid down to open such a facility for MIT's students, staff and wider community.

The team based at the marae is a key part of MIT's responsibility to improve educational outcomes for Māori and connect all students to high value employment.

"The occasion was an important moment in time to acknowledge those who first raised their voices to advocate for our marae to be founded and those who since have worked tirelessly to improve the experience of Māori who come to MIT."

The revitalisation of te reo is a major focus, with staff offering free courses to the community as well as programmes for inmates at Auckland South Corrections Facility.

Cultural competency training that helps local service providers better understand and engage with Māori is an increasing part of the marae's outreach to groups such as Competenz and the Employers and Manufacturers Association.

'I'm proud to have led the marae team who have delivered results during a period of much change in the education sector by staying true to our kaupapa throughout,' says Dr Sullivan, who stepped down at the end of the year.

MIT renewed its commitment to removing inequalities by partnering with Counties Manukau Health to support the training of 500 Māori and Pasifika healthcare workers.

The Te Ara Oranga Pathways to Wellbeing Project will assist with the health board's goal of delivering a workforce that reflects the population of the region by 2025.





# Children's Education Centre turns 25

MIT's Children's Education Centre celebrated 25 years with music, dancing, singing and wonderful food.

It was great to have Suzy Kim (17) at the party.

She was in her last year of school, wants to become a nurse and started her pre-schooling with us as a 3-year-old.

One of an estimated 2,500 former students to have attended the centre.

"It just shows how much time has passed. I feel really old. It's still the same staff from when I was here and they remember me," Suzy says recalling the emphasis placed on field trips and everyone getting along.

Her mother Yeoun Sook Lim would drop Suzy off at the centre while studying for her degree in Early Childhood Education at MIT.

That strong focus on socializing children remains and is more important than ever with the increase of technology in the lives of families.

"We focus on social skills, problem solving and self-help so the child can grow into an independent, capable person," says Yeoun who has worked there for 11 years.

The cake was cut by Specialist Advisor to the Chief Executive - Dr Stuart Middleton and guest of honour Miriam Anderson who managed the centre for all but a year and a half of its first quarter century.

"We focus on social skills, problem solving and self-help so the child can grow into an independent, capable person."

"It's very special. It's something I've put my passion into. I love listening to the children. It's made me humble to see everyone here remembering who I am," she says.

The facility was the first purpose built children's education centre in the country. It was opened as a venue for students to apply their theory, observe children at play and provide a service to the community.

At its height, ninety students attended the centre and it had a waiting list of two hundred.

Since then many more options have opened though Miriam says ours has a special place because it has children and not money as the focus.





Photo: Stuff Limited

## Helping former refugee students achieve their dreams

When Mahboba Sakhizada arrived in New Zealand she was 22.

Despite knowing how to speak five languages, she could not read and write in any of them.

Today, the English Language student is the recipient of a Sir Robert Jones Refugee Daughter's scholarship and intends to fulfill her ambition of becoming a police officer with the help of MIT.

"I never went to school. The teachers have really helped and try to understand students from different backgrounds. They teach different things. Computers, I'd never used one before," says Mahboba.

---

"She was able to engage in academic discussions. That's a huge leap forward. To actually see her in that forum being part of a student voice was pretty amazing."

Born in Afghanistan, her father and mother had died by the time she was a toddler, Sakhizada – as a child – sold bread instead of attending school.

She spent five years in a Pakistani refugee camp before coming to New Zealand with her son in early 2017.

Shortly after her arrival, Mahboba enrolled at MIT and began learning English without the benefit of any formal education.

Since then Sakhizada has worked all the way up to studying level 5 in 2020. The programme teaches the language skills necessary to gain entry into degree and post graduate diploma courses.

Once that's complete, Mahboba will be a step closer to her ultimate goal of joining the New Zealand Police.

The scholarship she received will be used to support her study for the New Zealand Certificate in Study and Career Preparation (Level 3) Police Studies that is delivered through MIT School of Sport.

"The government brought me here. I appreciate it. It's a way to give back. When I finished Level 3, I got more confident with my speaking. When I finished, I saw, I can do anything if I want it," she says.

Mahboba's success has been a result of her own hard work and determination, but also highlights the institute's strength in helping high needs learners achieve their potential.

"It hasn't come easy," says senior lecturer, Susan Lotoa. "She has accessed every support available at MIT. She's attended every additional workshop the Academic Centre has run. Teachers have given her extra one-to-one support and she has been totally dedicated and motivated."

This year, the Papatoetoe-resident attended the Learning Together in Aotearoa, action-orientated forum hosted by Victoria University in Wellington. The aim of which was to establish a national tertiary network to support students from refugee backgrounds.

"She was able to engage in academic discussions. That's a huge leap forward. To actually see her in that forum being part of a student voice was pretty amazing," says Susan Lotoa.

It's a timely conversation as New Zealand increases its refugee quota and looks at ways it can improve the resettlement experience for those who make their homes in Aotearoa.



## Chairman Of Council Review

---

### **Peter Winder**

Chairman of Council

---

We deliver this Annual Report on the eve of fundamental change in vocational education. The coalition government's 2019 announcement of reforms to create a single, central, national organisation for skills and vocational education under the working title – New Zealand Institute of Skills and Technology (NZIST) – has provided the sector with much needed clarity.

MIT has taken the position that change is not just desirable, but critical for the future of our learners, communities, region and New Zealand as a whole.

Declining enrolments, strong employment numbers, technological disruption and changes to immigration settings are challenges being felt nationwide.

As these are being confronted, there are also the pressures of skills shortages and the 'greying' of critical workforces in key areas such as transportation, construction, healthcare, education and information technology.

These issues require a cohesive, united response from a network that extends from Kaitia to Invercargill. The government's reforms provide just that.

In recent years, our institute has taken significant steps to adapt to continue producing quality educational outcomes as the shape and expectations of the market for vocational training evolves.

A major part of this is the Campus Masterplan project that started in 2017. At that time, MIT was holding a large property portfolio, some of which was outdated or surplus to requirements.

The objective of the plan is to deliver modern learning facilities while also providing an institute footprint that is fit for purpose.

Under this project, we have opened a new home for nursing at MIT Manukau, announced an upgrade of North Campus, Ōtara and construction has begun on the TechPark development to house all of our trades and engineering schools under one roof for the first time in 50 years.

TechPark has been realised through a partnership with Panuku Development Auckland and construction company, Haydn & Rollett (H & R). Under this arrangement, Panuku sold to H & R the land in Manukau on which the structure is built, H & R owns the building and MIT leases the site for at least the next 30-years.

It's an innovative relationship allowing the institute to provide a state-of-the-art environment for learners while remaining flexible and without taking on the risk associated with a major build.

In 2019, MIT sold land in Ōtara, including South Campus to the Ministry of Housing and Urban Development for residential building.

This is a win-win for our community as it will increase the stock of available housing in the area while allowing us to reinvest the proceeds of the sale to bring about the best outcomes for students.



---

“In the midst of change we must remember the community that we serve and remain focused on doing what we can to provide opportunity, excellent teaching, learning and mastery of the skills that employers need today for the future of work.”

Our focus has been on making the most of what we have, increasing use of our best premises while also investing in upgrading facilities where necessary.

As a result of our relentless focus on controlling costs, driving efficiencies and freeing up South Campus for sale this year, we paid off the debt that was incurred through no fault of our own after the collapse of Mainzeal Construction in 2013.

This has taken major effort over the last seven years and I would like to pay tribute to Chief Executive Gus Gilmore, Executive General Manager, Strategy and Support Services - Michelle Teirney and the Finance Team, along with all the staff of the institute who remained focused on the job of transforming lives through education while operating under these constraints.

I would also like to take this opportunity to personally thank members of the MIT Council for their governance of the Institute.

Under the rules establishing the NZIST, each of the existing 16 Institutes of Technology and Polytechnics (ITP) will become limited liability companies on 1 April 2020 with new boards required for these subsidiaries.

In August, I had the honour of being appointed to the Establishment Board of NZIST. This has been a tremendous opportunity to contribute to the delivery of sweeping and comprehensive change.

What the government announced this year was not simply a change for ITPs.

Workforce Development Councils, Regional Skills Leadership Groups, Te Taumata Aronui and Centres of Vocational Excellence will be established to give industry experts, researchers, the regions and Māori an opportunity to influence the shape of provision. ITPs and the in-work learning role of Industry Training Organisations (ITO) will be combined into a new national network that will span in-work, face-to-face, and on-line learning across all vocations and for many degree courses, across the whole country.

As part of the changes MIT will become a subsidiary company of the NZIST on 1 April 2020. By December 2022 there will be further major change as ITP and ITO activities are combined to create entirely new ways to meet the needs of learners, employers and communities. Throughout this change it is critical that the diverse learner groups of Aotearoa are acknowledged and supported. The change must work nationally. It must also work locally, and it must work for the communities of South Auckland.

MIT has now been serving its community for 50 years. In that time, we have worked hard to improve the lives of South Aucklanders through vocational training. In the midst of change we must remember the community that we serve and remain focused on doing what we can to provide opportunity, excellent teaching, learning and mastery of the skills that employers need today for the future of work.

This is the last full year on which MIT will report as a stand-alone institution. I would like to acknowledge all of the learners, staff, managers, Chief Executives and Council members who contributed to our development. Your efforts have got us to the end of one road, and now we are about to start a whole new journey down the next path. As we journey on let us remember those who have gone before and made this possible, let us focus on those who currently work and learn at MIT, and let us envision what is necessary to build a bright future for those who are yet to come.

He aha te mea nui o te ao, he tangata he tangata he tangata.



**Peter Winder**  
*Chairman of Council*



## Chief Executive Report

---

---

### **Gus Gilmore**

Chief Executive

---

MIT is a richly diverse education provider, serving a unique community here in South Auckland and as such it is important to measure its success against a wide range of outcomes.

One is the graduates who cross the stage at the Vodafone Events Centre in our ceremonies every year.

The high number of graduates finding roles that are not just rewarding for them and their whānau but enriching for the health of our communities and economy is another.

In the recent year, we have focused hard on the quality of experience students receive from us.

This is not just about the standard of the education we provide, but the ease and efficiency of our enrolment processes, the way we answer their queries and how we connect with them before, during and after their time at MIT.

If this institute is to truly harness the potential of life-long learners we have to stay connected in a way that supports that ongoing journey.

The creation of AskMe!, a front-line team providing all but specialist support to the Student Journey has been a major structural change to external engagement and has driven significant positive benefits in terms of response times and overall satisfaction.

The opening of these centres came out of a project focussing on areas where there were improvements to be made and creating a momentum to change the way we operate for the benefit of students.

Another example from this year was the launch of our Alumni Network. To be in the atrium at MIT Manukau on the night the network was announced was immensely satisfying. There was a real energy in the room. Our people are really proud to have studied here and want to reach out and connect with others.

The introduction of timetabling tool Syllabus Plus and Human Resources Management app MyMIT were also big steps forward for streamlining our processes and will make MIT a better place to work and study.

The opening of TechPark will be a significant milestone in the 50-year history of the institute.

“I want to thank my staff and team for their tenacity, focus and passion. This is not a sector for the faint hearted. There has been plenty of change over the last twelve months with the prospect of more to come.”

It will not just be a first class education facility, it is also an important part of our strategy for future growth. MIT wants to take the lead in building the trades and engineering workforce the country needs.

It was pleasing this year for us to record an increase in overall completion rates for Māori and Pasifika learners and receive funding to extend the Hokule'a early intervention programme that was so successful in lifting outcomes when it was piloted.

There was also a major boost to overall research support with an almost 25% increase in the number of research-active staff in the latest announcement of Performance Based Research Funding. This is great news as our focus is often on applied research into the issues facing the communities we serve.

MIT continued the expansion of the programmes it offers in SERCO correctional facilities. This forms a major part of company's support for rehabilitation, increasing the employability of inmates and also the need to be responsive to Māori.

Financially, it has been a tough year and the institute is recording a sizeable deficit. This result has not been helped by changes to immigration settings. The timing of these leaving little room to adjust our cost base in response. However, on the positive side, the institute is now debt-free.

Our focus for 2020 is to finish off our major strategic projects and begin work necessary to transition to the new NZIST environment from 1 April.

The success of the national body depends heavily on the replacement funding model that was announced by the Education Minister as accompanying the reforms.

Lastly, I want to thank my staff and team for their tenacity, focus and passion. This is not a sector for the faint hearted. There has been plenty of change over the last twelve months with the prospect of more to come.

I thank you for your ongoing support as we continue to serve the people of South Auckland.



**Gus Gilmore**  
Chief Executive

### **Te Whāriki Kia mōhio ai tātou ki a tātou**

E kore e taea e te whenu kōtahi  
Ki te raranga I te whāriki  
Kia mōhio ai tātou  
Mā te mahi tahi o ngā whenu  
Ka oti tēnei whāriki  
I te ōtinga  
Me titiro tātou ki ngā mea pai  
Kā putā mai  
Ā tāna wā, me titiro hoki  
Ki ngā raranga I makere  
Nā te mea, he korero ano kei reira.

### **The Tapestry of Understanding**

The tapestry of understanding  
cannot be woven  
by one strand alone  
only by the working together of weavers  
will such tapestry be completed  
when it is completed  
let us look at the goodness  
that comes from it.  
In time we should also look  
at those dropped stitches  
because they also have a message.



# Financial Overview

This overview provides a brief commentary on MIT's financial performance for the year ended 31 December 2019.

## Operating Performance

2019 was another challenging year for MIT. The deficit before one offs is \$3.3m against a budgeted deficit of \$1.2m. The total net deficit is \$5m. This includes one off costs for restructuring as well as a net gain from the sale of properties and unrealised financial instruments.

Overall in 2019 MIT's domestic equivalent full-time student (EFTS) were similar when compared to 2018. However the trend in falling student numbers is evident across the sector and is symptomatic of a reasonably good economy and low unemployment. Unfortunately for the ITP sector this pattern is forecasted to continue into the 2020 year.

Despite the continuation of the Government's fees free policy MIT has again seen a drop in the domestic EFTS compared to budget and the prior year. In 2019 it is mainly in the SAC L1-2 (19.6% below budget and 22.5% below 2018) which delivers education and support at a foundation level. These results are disappointing, as MIT has had a history of steady success with this funding group in the past. International EFTS also declined (14% below budget and 30.5% below 2018) with the key driver being the changes to the post study work rights visa. Some schools were able to modify their offerings to mitigate this decline in EFTS but this did not mitigate the decline to the extent required.

Indirect expenditure reflects tight cost control coming in at \$2.4m lower than budget before one off items. In addition management have undertaken a review to streamline 2020 costs in line with the 2020 budgeted revenue.

## Financial Position

The highlight for 2019 was the realisation of two milestone events in our Campus Masterplan Strategy. The first was the settlement of the sale of MIT property assets which were identified as part of the campus masterplan as surplus to requirements. These were sold to the Ministry of Housing and Urban Development. This has allowed MIT to settle its debt, becoming debt free as at 31 December 2019 as well as creating cash reserves. MIT now leases these properties back from the Ministry until the end of 2020. Long term this will reduce the footprint to enable MIT's outputs to be delivered more efficiently with reducing operational cost. MIT's debt facility was required as a result of the Mainzeal collapse during the construction of the MIT Manukau building.

The second is the commencement of construction of the TechPark in 2019, which is on track for completion and for teaching to commence from Semester 2 of 2020. This will be a

modern purpose built facility to deliver on the current and future engineering vocational demands in the South Auckland area as well across New Zealand. This facility is being built by Haydn & Rollett and will be leased to MIT under a long term lease arrangement. A number of other property projects also commenced in the 2019 year to effect the consolidation of MIT's proposed property footprint which will bring together the staff and operations currently based in MIT Otara, North and South campus.

## The Future

MIT cannot rely solely on government funding and international enrolments as revenue streams and continues to develop revenue opportunities with industry, community and Māori. In 2019 MIT together with Counties Manukau Health and the Ministry of Health commenced a four year programme of work (Te Ara Oranga) focused on growing the Māori and Pasifika Health Care Workforce through MIT's School of Nursing and School of Health and Counselling.

The vocational education sector will continue to undergo material changes over the next few years. The most significant first step is the change in entity structure from 1 April 2020. Although there is some uncertainty at this point, MIT will continue its commitment to deliver on student career aspirations focusing on Māori, Pasifika and under 25s, working with the South Auckland communities as well as wider New Zealand.

Key capital projects being completed in 2020 include the TechPark campus and other campus masterplan programmes of work. In addition, in 2020 the Maritime school's leases expire, so work is underway to determine a new location for this school. The Maritime project offers an opportunity to review the delivery space required and ensure that the school has an efficient foundation to carry out its operations from.

MIT is committed to ensuring its graduates have the capability and skills required to meet the needs of the changing Auckland economic environment.



## Financial Performance Summary and Key Statistics

### Five Year Financial Performance Summary

All in \$000s	ACTUAL 2019	ACTUAL 2018	ACTUAL 2017	ACTUAL 2016	ACTUAL 2015
<b>FINANCIAL PERFORMANCE</b>					
Government Funding	41,535	44,630	46,041	54,786	57,127
Other Income	54,322	57,588	58,308	59,147	54,365
Operating Expenditure	(99,134)	(103,013)	(108,822)	(112,554)	(108,455)
<b>Surplus/(Deficit) for the Year</b> (Excluding separately disclosed expense items)	<b>(3,277)</b>	<b>(795)</b>	<b>(4,473)</b>	<b>1,379</b>	<b>3,037</b>
<b>FINANCIAL POSITION</b>					
<b>Current Assets</b>					
Cash Equivalents and Other Financial Assets	14,060	1,304	2,084	3,727	4,247
Receivables and Inventory	6,507	6,474	5,489	4,046	4,317
Assets Held for Sale	0	42,989	7,271	4,087	0
	<b>20,567</b>	<b>50,767</b>	<b>14,844</b>	<b>11,860</b>	<b>8,564</b>
<b>Non-Current Assets</b>					
Property, Plant and Equipment	229,513	233,897	280,383	293,880	301,926
Intangible Assets	6,358	4,685	3,863	4,041	3,717
	<b>235,871</b>	<b>238,582</b>	<b>284,246</b>	<b>297,921</b>	<b>305,643</b>
<b>Total Assets</b>	<b>256,437</b>	<b>289,349</b>	<b>299,090</b>	<b>309,781</b>	<b>314,207</b>
<b>Current Liabilities</b>					
Payables, Accruals and Provisions	27,541	24,629	28,868	24,667	30,294
Trust Funds	619	612	605	597	578
Borrowings	0	25,787	7,000	5,000	10,000
Derivative Financial Instruments	180	34	27	28	0
	<b>28,340</b>	<b>51,062</b>	<b>36,500</b>	<b>30,292</b>	<b>40,872</b>
<b>Non-Current Liabilities</b>					
Provisions	394	427	278	377	399
Borrowings	0	0	20,000	29,500	23,000
Derivative Financial Instruments	503	1,067	1,536	1,806	1,922
<b>Total Liabilities</b>	<b>29,237</b>	<b>52,556</b>	<b>58,314</b>	<b>61,975</b>	<b>66,193</b>
<b>Net Assets</b>	<b>227,200</b>	<b>236,793</b>	<b>240,776</b>	<b>247,806</b>	<b>248,014</b>
<b>Equity</b>					
Capital Contributions and Retained Earnings	127,397	104,296	108,820	115,850	116,058
Revaluation Reserves	99,803	132,497	131,956	131,956	131,956
<b>Total Equity</b>	<b>227,200</b>	<b>236,793</b>	<b>240,776</b>	<b>247,806</b>	<b>248,014</b>
<b>CASH FLOW SUMMARY</b>					
Net Cash Flows – Operations	2,433	4,906	6,065	8,171	13,277
Net Cash Flows – Investing	36,110	(4,473)	(208)	(10,191)	(6,768)
Net Cash Flows – Financing Activities	(25,787)	(1,213)	(7,500)	1,500	(7,264)
<b>Net (Decrease)/Increase in Cash</b>	<b>12,756</b>	<b>(780)</b>	<b>(1,643)</b>	<b>(520)</b>	<b>(755)</b>
<b>Bank and Cash at beginning of the year</b>	<b>1,304</b>	<b>2,084</b>	<b>3,727</b>	<b>4,247</b>	<b>5,002</b>
<b>Bank and Cash at end of the year</b>	<b>14,060</b>	<b>1,304</b>	<b>2,084</b>	<b>3,727</b>	<b>4,247</b>
<b>KEY STATISTICS</b>					
<b>Financial</b>					
Current Assets to Current Liabilities	0.72:1	0.99:1	0.41:1	0.26:1	0.21:1
Total Liabilities to Total Assets	11%	18%	19%	20%	21%
<b>Bank Covenants</b>					
Maximum Debt/Debt plus Equity (maximum 25%)	0.0%	9.1%	10.1%	10.5%	11.3%
EBITDA to interest ratio (requirement 2.0)	6.50	8.5	5.4	8.5	9.0



# GOVERNANCE

## Governance and Accountability

### Statutory role

Manukau Institute of Technology (MIT) is a polytechnic established pursuant to section 162 of the Education Act 1989 (the Act). MIT is also a Crown Entity for the purposes of schedule 13A of the Act and schedule 4 of the Crown Entities Act 2004.

### Governance structure

#### Council

The governing body of MIT is the MIT Council. It comprises eight members appointed in accordance with section 222AA of the Act, four members appointed by the Minister for Tertiary Education, Skills and Employment and four members appointed by the Council.

#### Council Committees

Pursuant to section 193(3) of the Act, the MIT Council is empowered to establish committees to exercise such powers as are delegated to them under the Act or conferred on them by statutes made by the Council. The standing committees of the MIT Council are the:

- Audit and Compliance Committee
- Chief Executive Review Committee
- Executive Committee
- Student Appeal Committee
- Academic Board

These committees are formally constituted with terms of reference.

### MIT Rūnanga

#### 1. Purpose

To give advice to Council on strategic matters that impact on Māori at MIT.

#### 2. Membership of the Rūnanga

The Rūnanga comprises of up to eleven members. Membership on the Rūnanga includes:

- a) four members appointed by Council where nominations are drawn from a general call for applications from the Māori community;
- b) four members, with one appointed from each of the following:
  - i. The recognised tribal authority Te Whakakitenga o Waikato,
  - ii. Manukau based Māori Organisation,
  - iii. Otago Community,
  - iv. By/from local secondary schools and/or wharekura;
- c) three ex officio members, the Kaiākau, the Chief Executive Officer MIT (or delegated appointee), and the Deputy Chief Executive, Māori;

- d) the term of appointment is for three years, except where otherwise indicated for the purpose of continuity;
- e) the Chair of the Rūnanga is appointed by MIT Council
- f) members are able to be reappointed for up to three (3) additional three year terms.

### 3. Role of the Rūnanga

#### Community Engagement

To bring to MIT the diverse voices of Māori.

#### Te Tiriti o Waitangi

To uphold and actively protect and promote Te Tiriti o Waitangi, including MIT's responsibilities and obligations.

#### Advocacy

To advocate for the strategic priorities of the Māori Education Strategy.

#### Rūnanga Relative to other MIT Entities

- a) To acknowledge that the Rūnanga is an advisory group to the Council for governance matters.
- b) To help Māori protect tikanga and what is sacred to Māori, and to resolve points of confusion. The Deputy Chief Executive, Māori is MIT's point of reference.

### MIT Pacific Community Komiti (PCK)

#### 1. Purpose

To give advice to Council on matters that impact Pasifika at MIT.

#### 2. Membership of the Pasifika Community Komiti (PCK)

The PCK comprises of up to eleven members:

- a) Four members appointed by Council where nominations are drawn from a general call for applications from Pasifika communities.
- b) Four members with one appointed by Council representing each of the following groups:
  - i. Leader from a Pasifika faith-based organisation (i.e.church).
  - ii. Pasifika community organisation
  - iii. Pasifika education sector
  - iv. Leader from the wider Counties Manukau community
- c) Four ex-officio members made up of MIT staff representation (which includes the Deputy Chief Executive (DCE) Pasifika or designate as well as representatives of the MIT Pasifika Development Office (PDO) and a member from the Pasifika Staff Network.
- d) A member may be appointed for up to a four year term, except where otherwise indicated for the purpose of continuity.
- e) The Chair and Deputy Chair of PCK will be appointed by MIT Council for a four year term.
- f) Members are able to be reappointed to a maximum of two consecutive terms.



g) Where there are gaps in skills and expertise within the PCK, the PCK may co-opt advisors.

### 3. Role of the Pasifika Community Komiti (PCK)

The role of the PCK is to provide advice to MIT Council by:

1. Pasifika Student Success: Developing and recommending to the MIT Council strategies for the recruitment, retention and success of Pasifika students and staff at MIT.
2. Pasifika Engagement: Representing the voice of Pasifika to MIT Council and providing advice to the MIT Council on matters that impact on Pasifika at MIT.
3. Pasifika Strategic Priorities: Supporting the PDO to achieve the goals set out in the MIT Pasifika Strategic Plan 2018-2023.
4. Pasifika Community Advocacy: Working closely alongside the PDO to ensure that Pasifika communities' needs are being heard. Building strong relationships between MIT and the Pasifika communities of Auckland, Tamaki Makaurau.

## Governance Philosophy

### Division of Responsibility between Council and Management

The MIT Council considers and approves the mission and strategic direction of MIT and monitors performance against agreed strategies and plans. Management, on the other hand, is responsible for the management of MIT and develops the procedures and operational plans that are needed to implement and deliver the Council's approved strategy.

While many of the MIT Council's functions have been delegated, overall responsibility for maintaining effective systems of internal control ultimately rests with the MIT Council. To ensure that there is clarity around responsibilities and accountabilities, the Council has a detailed delegations framework in place.

Both the MIT Council and management acknowledge their responsibilities by certifying 'The Statement of Responsibility' (in terms of the Crown Entities Act 2004) contained within this Annual Report.

### Legislative Compliance

The MIT Council acknowledges its responsibility to ensure that the institute complies with all relevant legislation. The Council oversees the Chief Executive's operation of a MIT-wide legislative compliance programme that systematically identifies compliance issues so that all staff are aware of legislative requirements relevant to their role.

As part of this programme, management provides the Audit and Compliance Committee with the results of an annual verification of MIT's compliance with specific legislative requirements.

### Risk Management

The MIT Council is committed to the management of risk at MIT and takes part in risk workshops and has approved procedures for the identification and management of risk in order to deliver a balanced portfolio of risk exposures.

### Internal Audit

The internal audit work at MIT is for the most part directed to high-risk areas; this means that the internal audit plan is responsive to major changes in the risk profile of the Institute.

The Audit and Compliance Committee reviews internal audit coverage and the Annual Audit Plan and recommends approval of the Plan and any subsequent amendments to the MIT Council. The Audit and Compliance Committee monitors the delivery of the Annual Audit Plan and management's responses to and implementation of significant internal audit recommendations.

## Council Fees

All in \$000s	ACTUAL 2019	ACTUAL 2018
P Winder <i>Chairman</i>	40	40
B Monk <i>Deputy Chairman (Term Expired 30 April 2018)</i>	0	8
T Stratton <i>Deputy Chair (Appointed 01 May 2018)</i>	25	17
J Hannan	20	20
K Schaffler	20	20
J Tattersall	20	20
R Tuwhangai	20	20
P Parussini	20	20
U Aiono	20	19
<b>Total</b>	<b>185</b>	<b>184</b>

# Council and Standing Committee Attendance

	COUNCIL		CHIEF EXECUTIVE REVIEW		EXECUTIVE		STUDENT APPEAL		AUDIT & COMPLIANCE	
	HELD	ATTENDANCE	HELD	ATTENDANCE	HELD	ATTENDANCE	HELD	ATTENDANCE	HELD	ATTENDANCE
Peter Winder, <i>Chairman &amp; Alternate Member A&amp;C</i>	9	9	1	1	0	0	0	0	3	3
Theresa Stratton, <i>Deputy Chair &amp; Chairperson A&amp;C</i>	9	9	1	1	0	0	0	0	4	4
John Hannan	9	7	1	1	0	0	0	0	4	3
Kira Schaffler	9	8	0	0	0	0	0	0	4	4
Jill Tattersall <i>Alternate Member A&amp;C</i>	9	6	0	0	0	0	0	0	0	0
Rachael Tuwhanagi	9	9	0	0	0	0	0	0	0	0
Peter Parussini	9	7	0	0	0	0	0	0	0	0
Uluomato'otua (Ulu) Aiono	9	8	0	0	0	0	0	0	4	2

The Council met six weekly between February to December and at other times as required; a Special Meeting x1 (April 2019). Standing Committee Meetings x5 (February 2019 to December 2019): Audit and Compliance Meetings x4; and CE Review Committee Meeting x1.

# Council Members Terms of Appointment

COUNCILLOR	TERM COMMENCED	TERM EXPIRES
Peter Winder, <i>Chairman</i>	17 December 2013	30 April 2021
Theresa Stratton, <i>Deputy Chair</i>	1 May 2018	30 April 2022
John Hannan	26 February 2009	30 April 2020
Kira Schaffler	1 May 2015	30 April 2020
Jill Tattersall	1 May 2015	30 April 2020
Rachael Tuwhanagi	1 May 2015	30 April 2020
Peter Parussini	1 May 2017	30 April 2021
Uluomato'otua (Ulu) Aiono	12 June 2017	30 April 2021

Note that the Education (Vocational Education and Training and Reform) Amendment Act provides that Council member terms cease as at 31 March 2020.

# Council Members Register of Interests

COUNCILLOR	INVOLVEMENTS WITH OTHER ENTITIES	LAST UPDATED
P Winder <i>Chairman</i>	Director, McGredy Winder and Co Limited Director, The Sound of Music Education Limited Trustee, Silo Theatre Company Committee Member on State Services Commission's Risk and Audit Committee Member of Advisory Committee supporting the Unitec Commissioner Board member NZIST Establishment Board	31 October 2019
T Stratton <i>Deputy Chair</i>	Owner/operator of Waiau Consulting Treasurer of Refugees As Survivors New Zealand	16 May 2019
U Aiono	Chairman of the National Pacific Radio Trust (Ministerial Appointment) Chairman of Alliance Health Plus PHO Chairman of Alliance Community Initiatives Trust Chairman of Finance and Audit and Risk Committee at Habitat for Humanity Greater Auckland Board member and Treasurer at RiseUp Partnership School in Mangere, Auckland Shareholder in Management Consulting Company Viago International Ltd Chairman of Bio Technology Company Sensor Flo Ltd Alumnus of AUT University Council 2002 – 2010 Vice Chairman of Board and Chairman Property and Finance Committee Otahuhu College Board of Trustees (Retired December 2016)	6 June 2017
J Hannan	Partner, DLA Piper	27 April 2017
P Parussini	ANZ Bank New Zealand Chairperson Southern Cross Campus Board member Radio New Zealand	15 August 2019
K Schaffler		27 April 2017
J Tattersall	Chair, Kiwa Digital Limited Consultant, Cognition Education	27 April 2017
R Tuwhangai	Chair, MIT Rūnanga Managing Director, Māori and Pasifika Support Services Board Trustee, Auckland Community Law Centre New School's Governance Facilitator, Ministry of Education Board of Education New Zealand	21 February 2019

Note: Interests that should be registered are those where there may at some future time be a conflict of interest with the individual's role as a Council Member at MIT.



# Council Delegations

Pursuant to section 222(1) of the Education Act 1989, the MIT Council may delegate any of its functions or powers (except the appointment of the Chief Executive) to the Chief Executive or a Committee appointed in accordance with section 193(3) of the Act.

*The following table summarises Council Delegations which are to be exercised in accordance with the provisions of the Education Act 1989, other relevant legislation and Council Approved Statutes:*

COUNCIL DELEGATION	SUMMARY
Chief Executive – Operational	Provision of Courses/Programmes of Study, Strategic Planning, Management, Management Policies, Manufacture and Distribution of Goods, Provision of Goods and Services, Urgency and Incidental.
Chief Executive – Academic	Enrolment, Refusal and Cancellation of Enrolment, Student Discipline, Granting of Awards and Unsealed Certificates.
Chief Executive – Financial	Expenditure, Tenders for Capital Expenditure, Sensitive Expenditure, Disposal of Assets, Fellowships, Scholarships, Bursaries or Prizes, Student Grants and Loans, Gifts, Devices and Bequests, Fees, Fee Instalments and Refunds.
Academic Board	Courses/Programmes of Study, Quality Assurance, Research, Sub-Committees, Academic Policies, Incidental and Assessment.
Executive Committee of Council	To act with the full powers of the Council during the extended summer holiday period and at other times when (in either case) urgent matters arise.
Student Appeals Committee of Council	Student Appeals.
Chief Executive Review Committee of Council	Oversight of the Chief Executive's conditions of employment and performance-related matters.

The Audit and Compliance Committee has no formal delegation. The Audit and Compliance Committee acts under its terms of reference to advise the MIT Council on audit and compliance requirements.

# Council Membership

as at 31 December 2019

## Chairman



**Peter Winder**  
MA (Hons), MCILT  
Ministerial Appointment

## Deputy Chair



**Theresa Stratton**  
Ministerial Appointment

## Members



**John Hannan**  
LLB (Hons) (1st Class), BA  
Council Appointment



**Rachael Tuwhangai**  
M.Ed, M.ProfSt (LangTch),  
PGDipEd (Counselling), DipTchg  
Ministerial Appointment



**Kira Schaffler**  
Higher Diploma of Education  
Council Appointment



**Jill Tattersall**  
MA (Hons)  
Council Appointment



**Peter Parussini**  
MComm  
Dip Chinese  
Cert Journalism  
Council Appointment



**Uluomatootua (Ulu) Aiono**  
ONZM  
BSc (Computer Science), MBA  
Ministerial Appointment

# Equal Educational Opportunities

---

Manukau Institute of Technology has, through its Student Regulations (section 1.1), committed to providing an environment in which all students have an equal opportunity to achieve their academic potential and ensuring no unreasonable barriers are created which could prevent students from gaining access to education and training. MIT places particular emphasis on the elimination of barriers that result in under representation in tertiary education.

As part of this commitment, in 2019 the Institute provided 56 fees scholarships, as well as various other fees grants supporting community initiatives and supporting the transition of students into tertiary study. The Institute's financial commitment in 2019 to these scholarships was \$148,406. The Government's Fees Free policy means that most scholarships are applied to students' second year of study, hence creating a timing lag in much of this expenditure.

In addition in 2019 there was an increase in students seeking financial assistance due to hardship. There were 59 applications for hardship funds processed, totalling \$12,851. This compares with 43 applications and \$7,040 in 2018.

In 2019 MIT was allocated 540 places for Trades Academy delivery and 180 Trades Academy places in its School of Secondary Tertiary Studies. Students from 37 local schools attended these programmes. The 2018 Outcomes Data from the Ministry of Education shows Māori make up 20.9% of Trades Academy enrolments and Pasifika 43.1%. MIT had a "successful transition" rate of 97.3% for Trades Academy students compared to the national average of 80.7%. Draft 2019 figures show similar results and will be confirmed by the Ministry later in 2020.

Disability Support at MIT delivers integrated and specialist support to registered students that identify with permanent, recurring or temporary disabilities. Supports are individually designed through individual access plans to ensure equal opportunity, flexibility and access to all aspects of tertiary life for students with disabilities. In 2019, MIT supported 672 students, up from 529 from previous year. The Disability Support Team continues to work closely with our external community partners and ACHIEVE (National Post-Secondary Education Disability Network Incorporated) to promote inclusion in the learning environment through day to day supports and adaptive technology. Disability Support implemented a wrap-around service at MIT to enable flexible learning and study arrangements to meet the unique needs of students. Success has been seen through high proactive engagements and increased retention and success rates of students as they progress towards employment and/or higher studies.

MIT provides a range of amenities, events and support services for all students. This includes:

- Student Life offering a variety of on-boarding and transition support events and activities throughout the year.
- Student Support Advisors ensure students transition into their studies with targeted support and on-going pastoral care as needed.
- The Learning Support Centre delivers a range of learning and language support, including seminars on exam and study techniques, group and peer tutoring sessions and other learning assistance sessions directly related to the student's programme of study.
- Accessible campus libraries - located at MIT Otara and MIT Manukau, giving easy access to computing and study facilities.
- MIT Counselling Services provides accessible counselling sessions, mediation support as well as organising and participating in activities promoting general health and wellbeing.
- The MIT Children's Education Centre is situated on MIT Otara, North campus and is for pre-school children. This is a well-equipped, purpose-built facility where the children are cared for using the widely recognised Reggio Emilia early childhood philosophy and Te Whāriki curriculum. The centre is staffed by qualified teachers and supports a number of parents who study at MIT.





# Strengthening our Workforce and Supporting the Wellbeing and Safety of our Employees - 2019

## Māori and Pasifika Talent Strategy

In late 2017 MIT identified the need for a dedicated Māori and Pasifika Talent Strategy. This need arrived from both feedback from our staff around MIT consciously focusing on our Māori and Pasifika employment proposition and our continued interest in supporting the communities we serve and the students we teach with the right level of diversity across MIT staff. Through the course of the last two years we worked on developing, consulting and measuring what that strategy could look like and to develop the pilot. In 2018 we arrived at the following objective and goals:

### Objective

- Attract, engage and grow Māori and Pasifika staff and leaders across MIT Goals
- Increase the proportion of Māori in leadership roles from 13% to 20%
- Increase the proportion of Pasifika in leadership roles from 11% to 20%
- Increase the proportion of Māori in Academic roles from 8% to 15%
- Increase the proportion of Pasifika in Academic roles from 10% to 20%.

With the development of these goals, in 2019 we have created a how we meet and measure these goals as we set ourselves to roll out the pilot which had to be delayed to late 2019. The project team with sign off from the sponsors decided this would be done through:

### How we meet

- Recruitment - Targeted recruitment strategies, using internal and community networks, candidate pools, Whanau interviews and specific onboarding with a buddy system.
- Engagement of Leaders - Pilot roll out with feedback, information sessions at Leadership Days, interview training for leaders, selective panel interviews.
- Retaining staff - Exit interview for staff leaving, kickstart surveys for new staff, buddy system, ongoing check in with new staff.
- Engaging our community - Through employment messaging and always ensuring that both the Runanga and the Pasifika community were updated on the strategy.

### How we measure

- Data and reporting from MIT's new HRIS system myMIT on a quarterly basis to the sponsor group.
- Communication and two way feedback - survey results from both exit and Kickstart.

Structure was also put in place in 2019 - A pilot was set up with MIT's TechPark, a project team put in place with representatives from our Marae and Pasifika Community Centre (PCC) and People and Culture reporting into a steerco that reported back to MIT's executive team.

### With the new HRIS system myMIT, early data (mid 2019) shows:

- An increase to 14% Pasifika staff employed
- An increase to 9% Māori staff and 11% Pasifika staff in Academic Roles, with the most being at MIT Otara Campus.

In addition we have for 2020 added a pay goal to the above set of goals. The first step towards this was achieved by MIT choosing to pay all their permanent and fixed term staff no less than the 2018 living wage of \$20.55 by 1 January 2020.

## Safety and Wellbeing

Safety and Wellbeing continues to be an area of strength and focus for MIT. In 2019 our incident rates and ACC claims continued to decline. During 2019 we continued to focus on reporting where we consistently see an increase in leaders and staff using MIT's reporting tools. In addition we had a strong focus on compliance as we prepared for our 2019 Audit. We continue to see high levels of engagement from staff and leaders. We have a high participation from our Council in safety visits and they continue to have a vested and visible interest in the wellbeing and safety at MIT.

We achieved at the end of 2019 the Accreditation System of Australia and New Zealand 4801 for the second year in a row and saw higher levels of engagement in our reporting tool being used. These results are a testament to our staffs' commitment to Health and Safety.

Every year we award the MIT Excellent in Health and Safety award. At the 2019 Celebration of Excellence Awards, this was won by School of Sport. A team that year on year have shown improvements in their Health and Safety Practices and culture. They are proactive in addressing issues immediately and ensuring they live up to great practices within Health and Safety.

A particular highlight every year for staff at MIT is our participation in Pink Shirt day in May. In 2018 we saw a large number of staff get involved in dressing up in pink. In 2019 this was taken to a new level with food being added to the celebrations and MIT saw more teams and people getting involved with a number of morning teas around the institute and photos emerging on Workspace - MIT's informal communication platform. We will run this day again in 2020 as MIT continues to focus on drawing its staff and students' awareness to bullying and harassment issues and how to stand up to these. In addition MIT developed a new Bullying, Harassment and Discrimination Policy for launch in early 2020 and new Domestic Violence and Vulnerable Children Policies taking its commitment to the wellbeing of its staff very seriously.

In 2019 we changed providers for MIT's Employee Assistance Programme (EAP). We moved to a provider that was more agile and offered better services. EAP continues to be free and confidential for all staff and a strong part of our wellbeing strategy.

MIT continues to focus on the wellbeing of its staff. 2019 saw an annual leave programme put in place to ensure that staff took their leave and got the rest to re-charge. MIT's Executive Team and Council have a vested interest in the safety and wellbeing on our staff and the Executive Team report on this at Council on a quarterly basis. Our Safety and Wellbeing Manager is trained on Mental Health Awareness and last year we rolled out a pilot training programme. 2020 will see a continued dedicated focus on this as well as our safety reporting and statistics.

# Statement of Service Performance



This Statement of Service Performance, when read in conjunction with the balance of this Annual Report, provides an assessment of our performance against our strategic goals for the 2019 financial year.

## The Operating Environment

Manukau Institute of Technology was established in 1970 as the first purpose-built polytechnic in New Zealand. We serve three generic client communities (students, business, and industry/professions) along with the wider community of Manukau and its surrounding areas. We are located in the Counties Manukau sub-region, within Tainui tribal boundaries. This area:

- Is characterised by a high concentration of the country's Māori and Pacific populations;
- Is the home of many new immigrant groups, especially from Asia;
- Has significantly lower engagement in vocational education than that nationally;
- Has an exceptionally high proportion of low decile schools within its boundaries coupled with a small group of high decile schools; and
- Has significant local concentrations of business and industry.

Manukau Institute of Technology's Kaupapa sets out its reason for being which guides our strategy and the measures that we assess our performance against.

## Tertiary Education Strategy 2014–19

"The Government's vision is for a world-leading education system that equips all New Zealanders with knowledge, skills and values to be successful citizens in the 21st century."<sup>1</sup>

The first steps to achieving these shifts are outlined in the following six priorities:

- **Priority 1:** Delivering skills for industry
- **Priority 2:** Getting at-risk young people into a career
- **Priority 3:** Boosting achievement of Māori and Pasifika
- **Priority 4:** Improving adult literacy and numeracy.
- **Priority 5:** Strengthening research-based institutions
- **Priority 6:** Growing international linkages.

The core roles of institutes of technology and polytechnics are:

- To deliver vocational education that provides skills for employment;
- To undertake applied research that supports vocational learning and technology transfer; and
- To assist progression to higher levels of learning or to work through foundation education.

We perform our role and deliver the key outcomes from the Tertiary Education Strategy 2014-19 by ensuring our strategy and performance measures aligned to the Tertiary Education Strategy.

## Our Investment Plan 2019-2020

Our Investment Plan 2019–20 confirms our strong commitment to the Tertiary Education Strategy through the measures used to assess our performance and our main areas of focus.

### Measures of Success

Our success will be measured by the following five goals:

1. Grow Enrolments
2. Boost Learning Outcomes
3. Maximise MIT's Relevance to Employers
4. Add Value Through Targeted Research
5. Excellent, Efficient and Effective Organisation

### Areas of Focus

We are focused on improved outcomes for Māori, Pasifika and under 25 year olds. In addition to this our future intent is to also focus on Literacy and Numeracy and emphasise refocus on Level 1-2 for progression.

## Our Performance

Domestic enrolments for 2019 are comparable to 2018 which for MIT ends a trend of year on year declines across the ITP sector. Some of the gains made in recent years in International EFTS have been lost due to legislation changes affecting International Students and causing uncertainty in the market with International EFTS dropping by 18%

Participation levels of our Māori, Pasifika and Under 25 priority groups remain high and are reflected in MIT's priorities and approach to education.

Course completion rates are 0.8% higher than 2018 despite the downturn in International EFTS which are historically high achievers. As graduate numbers lag enrolments and there has been a further decline in graduates due to the significant reduction in enrolments within the last three years.

<sup>1</sup> MIT 2017 Statement of Service Provision, pg1

# How Are We Doing?

The measures set for 2019 vary from some of those used in previous years, this is in accordance with changes in criteria set by TEC. Where a new measure is reported the comparative field will be designated “NM”<sup>8</sup>. Where an outcome is no longer measured the prior year result will be shown alongside the designation “NLM”<sup>9</sup> in the 2019 Target and Actual columns.

## 1. Increased Participation

### To increase participation

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Growing international linkages.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
To increase the number of domestic EFTS	1	5,433	5,279	5,277
To increase the number of base SAC EFTS	1,9	NLM	NLM	3,999

The decline in domestic EFTS over the last few years has been consistent across the ITP sector. It is encouraging to see this decline stop for MIT, in 2019 with the EFTS being equivalent to 2018. This has been achieved through strong growth in ITO Specialist Trade EFTS which offsets declines in SAC and YG funded EFTS.

### To increase participation rates for Māori, Pasifika and under 25 year olds

Relevant Tertiary Education Strategy 2014-19 outcome: Boosting Achievement of Māori and Pasifika students and Getting at risk young people into a career.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
<b>Non-Māori and non-Pasifika</b>				
SAC, level 1-3	1,8	38%	44%	NM
SAC, level 4-7 (non degree)	1,8	51%	55%	NM
SAC, level 7 degree	1,8	45%	45%	NM
<b>Māori</b>				
SAC levels 1 and 2	1,9	NLM	NLM	2%
SAC, level 1-3	1,8	20%	21%	NM
SAC levels 3 and above	1,9	NLM	NLM	16%
SAC levels 4 and above	1,9	NLM	NLM	12%
SAC, level 4-7 (non degree)	1,8	19%	14%	NM
SAC, level 7 degree	1,8	18%	17%	NM
<b>Pasifika</b>				
SAC levels 1 and 2	1,9	NLM	NLM	3%
SAC levels 3 and above	1,9	NLM	NLM	35%
SAC, level 1-3	1,8	44%	38%	NM
SAC levels 4 and above	1,9	NLM	NLM	27%
SAC, level 4-7 (non degree)	1,8	33%	33%	NM
SAC, level 7 degree	1,8	39%	41%	NM
<b>Under 25</b>				
SAC, level 1-3	1,8	51%	53%	NM
SAC levels 3 and above	1,9	NLM	NLM	45%
SAC, level 4-7 (non degree)	1,8	46%	49%	NM
SAC levels 4 and above	1,9	NLM	NLM	35%
SAC, level 7 degree	1,8	49%	48%	NM



# How Are We Doing? (continued)

MIT continues to be well represented by Māori and Pasifika students who between them represent over 50% of SAC funded EFTS. This compares to a 16% Māori and 21% Pasifika population in the Manukau area. This year there have been stronger enrolments by Pasifika students studying at degree level in Business and Nursing. Whilst Māori enrolments at degree level dropped slightly due to weaker enrolments in Counselling and Business.

At lower qualification levels there has been strong growth in non Māori and non Pasifika EFTS in Animal Care, which combined with a general decline for some areas previously with higher Māori and Pasifika numbers, like Security and Hospitality, has led to reduced Māori and Pasifika participation. Under 25 participation has seen growth at lower levels in foundation and language programmes and reducing numbers in Creative Arts at degree level.

## 2. Improved Success, Retention and Educational Performance

### To increase the successful course completion rate of students

*Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry, Boosting Achievement of Māori and Pasifika students and Getting at risk young people into a career.*

FUNDING TYPE AND LEVEL	NOTE	TARGET 2019	INTERIM 2019	INTERIM 2018
Non Māori and Non Pasifika level 1 -10	2,3,8	87%	85%	NM
<b>All Students</b>				
All Funding Types	2,3,9	NLM	NLM	79%
SAC levels 1 and 2	2,3,9	NLM	NLM	67%
SAC levels 3 and above	2,3,9	NLM	NLM	80%
SAC levels 4 and above	2,3,9	NLM	NLM	82%
Youth Guarantee level 1	2,3,9	NLM	NLM	39%
Youth Guarantee level 2	2,3,9	NLM	NLM	60%
Youth Guarantee level 3	2,3,9	NLM	NLM	69%
<b>Māori</b>				
Māori, level 1 - 10	2,3,8	75%	72%	NM
SAC levels 3 and above	2,3,9	NLM	NLM	75%
SAC levels 4 and above	2,3,9	NLM	NLM	79%
<b>Pasifika</b>				
Pasifika level 1 -10	2,3,8	78%	74%	NM
SAC levels 3 and above	2,3,9	NLM	NLM	76%
SAC levels 4 and above	2,3,9	NLM	NLM	78%
<b>Under 25</b>				
SAC levels 3 and above	2,3,9	NLM	NLM	76%
SAC levels 4 and above	2,3,9	NLM	NLM	79%

MIT's overall course completion rate for 2019 is 80% which is above the average course completion rates for ITPs in 2018. The rate for 2019 is expected to increase further as results are not finalised until April.

The 2019 result represents an improvement of 0.8% on the overall course completion rate for 2018 at the equivalent point in time. This was achieved despite a drop in enrolments for International EFTS which are historically the group with the highest course completion rates. In particular, good progress was made improving the outcomes for entry level construction programmes.

## To increase the number of successful qualification completions

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	INTERIM 2019	INTERIM 2018	ACTUAL 2018
To increase the number of graduates for qualifications at Level 4 and above	3	2,678	2,084	2,419	2,640
To increase the total number of graduates	3	3,956	3,188	3,594	3,923

The trend in graduates is affected by the enrolments pattern for previous years, as the period of study for many students is longer than 1 year. The number of 2019 graduates has been affected by a 10% drop in enrolments in 2017 many of whom will graduate in 2019, particularly for students studying higher level programmes or studying part time. The number of graduates can only be finalised after April once all graduation results are known and the interim results for 2019 should be compared to the interim results for 2018.

## To increase the qualification completion rate of SAC and Youth Guarantee students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry, Boosting Achievement of Māori and Pasifika students and Getting at-risk young people into a career. Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	INTERIM 2019	INTERIM 2018
<b>All Students</b>				
SAC levels 1 and 2	2,3,9	NLM	NLM	44%
SAC levels 3 and above	2,3,9	NLM	NLM	70%
SAC levels 4 and above	2,3,9	NLM	NLM	73%
Youth Guarantee levels 1 and 2	2,3,9	NLM	NLM	73%
Youth Guarantee level 3	2,3,9	NLM	NLM	64%
<b>Māori</b>				
SAC levels 3 and above	2,3,9	NLM	NLM	72%
SAC levels 4 and above	2,3,9	NLM	NLM	79%
<b>Pasifika</b>				
SAC levels 3 and above	2,3,9	NLM	NLM	62%
SAC levels 4 and above	2,3,9	NLM	NLM	64%
<b>Under 25</b>				
SAC levels 3 and above	2,3,9	NLM	NLM	59%
SAC levels 4 and above	2,3,9	NLM	NLM	61%

# How Are We Doing? (continued)

## To increase the retention rate of first year students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Boosting Achievement of Māori and Pasifika students.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
<b>Non-Māori and non-Pasifika</b>				
level 4-7 (non degree)	7,8	40%	53%	NM
level 7 degree	7,8	82%	80%	NM
<b>Māori</b>				
level 4-7 (non degree)	7,8	32%	48%	NM
level 7 degree	7,8	75%	65%	NM
<b>Pasifika</b>				
level 4-7 (non degree)	7,8	47%	39%	NM
level 7 degree	7,8	71%	73%	NM

Overall the retention rate at level 4-7 (non degree) has been maintained in a buoyant economy through more focus on Building and Engineering areas. The significant improvement at this level for Maori needs to be interpreted in the context of low learner numbers making these results volatile. For level 7 degree learners, retention rates declined slightly driven mainly by a more challenging environment in Health, Society and Culture and Education categories.

## To increase the retention rate of SAC and Youth Guarantee students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Boosting Achievement of Māori and Pasifika students.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
<b>All Students</b>				
SAC levels 1 and 2	2,3,9	NLM	NLM	53%
SAC levels 3 and above	2,3,9	NLM	NLM	71%
Youth Guarantee level 1	2,3,9	NLM	NLM	52%
Youth Guarantee level 2	2,3,9	NLM	NLM	74%
Youth Guarantee level 3	2,3,9	NLM	NLM	68%
<b>Māori</b>				
SAC levels 1 and 2	2,3,9	NLM	NLM	43%
SAC levels 3 and above	2,3,9	NLM	NLM	68%
<b>Pasifika</b>				
SAC levels 1 and 2	2,3,9	NLM	NLM	60%
SAC levels 3 and above	2,3,9	NLM	NLM	72%

Retention rates of First year students are now reported. This is consistent with changes to performance commitments.



### 3. Improved Employability and Progression

#### To improve the progression of students

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry and Boosting Achievement of Māori and Pasifika students.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
<b>All Students</b>				
Non-Māori, non-Pasifika students at level 1-3	4,8	50%	42%	NM
Māori students at level 1-3	4,8	47%	37%	NM
Pasifika students at level 1-3	4,8	45%	44%	NM
Under 25 students at level 1-3	4,8	47%	42%	NM
<b>SAC</b>				
All Students SAC levels 1 to 3 to a higher level	4,9	NLM	NLM	43%
Non-Māori, non-Pasifika students at level 1-3	4,8	47%	38%	NM
Māori students at level 1-3	4	49%	35%	44%
Pasifika students at level 1-3	4	45%	43%	45%
Under 25 students at level 1-3	4,8	45%	38%	NM
<b>Youth Guarantee</b>				
Youth Guarantee level 1 to a higher level	4,9	NLM	NLM	17%
Youth Guarantee level 2 to a higher level	4,9	NLM	NLM	60%
Youth Guarantee level 3 to a higher level	4,9	NLM	NLM	42%
Non-Māori, non-Pasifika students at level 1-3	4,8	45%	43%	NM
Māori students at level 1-3	4,8	41%	44%	NM
Pasifika students at level 1-3	4,8	44%	48%	NM
Under 25 students at level 1-3	4,8	44%	45%	NM

Changes in enrolment patterns and to the programmes offered at levels 1 to 3 have significantly contributed to changes in progression rates with increases in Business offset by declines in Engineering and Language programmes. Improvement in progression rates for Youth Guarantee is largely from certificates in foundation skills.

#### To increase the percentage of graduates moving into employment or higher education

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
To increase the proportion of graduates moving into employment or higher education - within six months of programme completion	5	75%	76%	72%

Over the past years the trend for more students to enter employment rather than higher study appears to be reversing with an increase in the number now advising a move to higher study with fewer moving to employment.

### 4. Enhanced Experience and Satisfaction

#### To increase student satisfaction

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
To maintain student satisfaction above 8.0	6	8.0	8.2	8.2

The overall performance level is consistent with 2018 and is a consequence of the focus MIT has on improving the student experience. The results are based on a voluntary course survey done at the end of each course. A score of 10 can only be achieved if all students strongly agree that the overall course is good.

# How Are We Doing? (continued)

## 5. Growing International Enrolments

### To increase the number of international EFTS enrolled

Relevant Tertiary Education Strategy 2014-19 outcome: Growing international linkages.

KEY PERFORMANCE INDICATORS	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
To increase the number of International EFTS	5	916	842	1,025

International EFTS in 2019 were 8% below target. Enrolments were adversely affected by the uncertainty caused in the international education industry due to the discussion about immigration policy settings, though the actual changes were not far reaching as anticipated. An increase in International EFTS from China was overshadowed by a decline in international EFTS from India, Kenya, Sri Lanka and Fiji.

## 6. Increased Non-Base Revenue

### To increase non-base revenue

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry.

KEY PERFORMANCE INDICATORS All in \$000s	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
To increase non-base revenue and recoveries	9	NLM	NLM	22,030

## Statement of the Costs of Outputs

### MIT's activities generate three broad classes of outputs. These outputs are Learning and Teaching, Research and Engagement with Communities.

Relevant Tertiary Education Strategy 2014-19 outcome: Delivering Skills for Industry, Boosting achievement of Māori, Boosting achievement of Pasifika, Strengthening research-based institutions

OUTPUTS All in \$000s	NOTE	TARGET 2019	ACTUAL 2019	ACTUAL 2018
Learning and Teaching	8	94,185	97,416	NM
Research	8	1,262	1,183	NM
Engagement with Communities	8	2,542	2,308	NM
<b>TOTAL COST OF OUTPUTS</b>		<b>97,989</b>	<b>100,907</b>	<b>NM</b>

MIT has made savings delivery costs to falling EFTS enrolments. Despite this MIT has continued to invest in research and improving our engagement with the local community.

MIT exists to transform the lives of our students, their families, and the communities of South Auckland. MIT engages with the local community and schools, this includes welcoming Māori and Pasifika community activities on campus and ensuring that MIT has a presence at local community events. These activities including working with over 8,000 students from 73 secondary schools (years 12 and 13) in Counties Manukau and the wider Auckland Region, with aim of getting youth into vocational education and employment. In addition, MIT had a presence at Polyfest and Big Boys Toys, as well as running the MIT Career fair attended by 30 employers and 495 prospective employees. Overall MIT ran over 100 community and industry event that ranged in attendee size from 10 to over 500 attendees. In addition, MIT participate or attends regular events organize by the Otara community like the Village Collective: Community Development Meeting.

#### Notes to the Statement of Service Performance:

1. SAC and Youth Guarantee EFTS are dependent on funding levels from TEC.
2. Investment Plan Indicator. Please also note that in some cases the historic results as published in the MIT Investment Plan 2019-20 differ slightly from the result published in this Annual Report and previous Annual Reports. This is because the historic results in the Investment Plan are drawn from the final April SDR in each year and the Annual Reports are based on the January SDR in each year.
3. Interim results are taken from SDRs submitted to TEC in January, final results for these measures are not available until the following April.
4. Progression results are sourced from TEC and are based on the SDRs submitted to TEC in January.
5. This result is based off the student graduate survey that is sent to MIT's 2018 graduates.
6. This result is based off the student satisfaction survey undertaken during the 2019 year.
7. First Year Retention Rates are sourced from TEC and are based on the SDRs submitted to TEC in January.
8. This is a new measure NM.
9. This measure is no longer used NLM.



# Financial Statements

## Statement of Responsibility

In terms of the Crown Entities Act 2004, we certify that:

- 1: We have been responsible for the preparation of these group financial statements, statement of service performance and the judgements used therein;  
and
- 2: We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and performance reporting;  
and
- 3: We are of the opinion that these financial statements and statement of service performance fairly reflect the financial position and operations of this Institution for the year ended 31 December 2019.

**Peter Winder**  
*Chairman of Council*

**Theresa Stratton**  
*Deputy Chair of Council*

**Gus Gilmore**  
*Chief Executive*

Date: 26 March 2020

# Independent Auditor's Report

To the readers of Manukau Institute of Technology's financial statements and statement of service performance for the year ended 31 December 2019

The Auditor-General is the auditor of Manukau Institute of Technology (the Institute). The Auditor General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Institute on his behalf.

## Opinion

We have audited:

- the financial statements of the Institute on pages 38 to 63, that comprise the statement of financial position as at 31 December 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Institute on pages 28 to 34.

In our opinion:

- the financial statements of the Institute on pages 38 to 63, which have been prepared on a disestablishment basis:
  - present fairly, in all material respects:
    - the financial position as at 31 December 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the statement of service performance on pages 28 to 34:
  - presents fairly, in all material respects, the Institute's service performance achievements as compared with the forecast outcomes included in the investment plan for the year ended 31 December 2019; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 26 March 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the financial statements being appropriately prepared on a disestablishment basis and the impact of the COVID-19 pandemic. In addition, we outline the responsibilities of the Council and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

## The financial statements have been appropriately prepared on a disestablishment basis

Without modifying our opinion, we draw your attention to the note 29 on page 63, about the financial statements being prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate because the Institute will cease as an entity and transfer its assets and liabilities to Manukau Institute of Technology Limited on 1 April 2020 as a result of the reform of the institutes of technology and polytechnics sector.

## Emphasis of Matter – COVID-19

Without modifying our opinion, we draw attention to the disclosures in note 29 on page 63 which outline the possible effects to the Institute as a result of the COVID-19 pandemic. It is difficult to determine the full effect of it on the Institute at this time.

## Basis of our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Council for the financial statements and the statement of service performance

The Council is responsible on behalf of the Institute for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Council is also responsible on behalf of the Institute for preparing a statement of service performance that is fairly presented and that complies with generally accepted accounting practice in New Zealand.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Council is responsible on behalf of the Institute for assessing the Institute's ability to continue as a going concern.

The Council's responsibilities arise from the Crown Entities Act 2004 and the Education Act 1989.

## Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of service performance.



For the budget information reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the Institute's investment plan.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We conclude on the appropriateness of the non-going concern basis of accounting by the Council.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Council is responsible for the other information. The other information comprises the information included on pages 2 to 27 and 64 to 66, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Institute in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Institute.

David Walker

Audit New Zealand

On behalf of the Auditor-General  
Auckland, New Zealand

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

# Statement of Comprehensive Revenue and Expense

for the year ended 31 December 2019

All in \$000s	NOTE	ACTUAL 2019	BUDGET 2019	ACTUAL 2018
<b>REVENUE</b>				
Government Funding	2	41,535	42,934	44,630
Student Fees and Department Revenue	3	53,253	53,883	56,474
Other Revenue		277	0	601
Gain on disposal of property, plant and equipment		346	0	0
Unrealised Gains on Derivatives	10	418	0	461
Interest Revenue		28	0	52
Total Revenue		95,857	96,817	102,218
<b>EXPENDITURE</b>				
Employee Benefit Expenses	4	61,043	59,267	64,376
Depreciation and Amortisation Expense	11,12	11,323	11,405	12,028
Interest Expense		1,139	1,366	1,265
Other Expenses	4	25,629	25,951	25,344
Total Expenditure		99,134	97,989	103,013
Surplus/(Deficit) before separately disclosed expense items		(3,277)	(1,172)	(795)
Separately disclosed expense items	4	1,772	0	3,729
Total Expenditure after separately disclosed expense items		100,906	97,989	106,742
<b>Surplus/(Deficit)</b>		<b>(5,049)</b>	<b>(1,172)</b>	<b>(4,524)</b>
<b>Other Comprehensive Revenue and Expense</b>				
<i>Items that will not be reclassified to surplus/(deficit)</i>				
Property revaluation reserve transfer on reclassification	18	0	0	(41,440)
Revaluation of land and buildings	18	0	0	41,981
Total Other Comprehensive Revenue and Expenses		0	0	541
Total Comprehensive Revenue and Expenditure		(5,049)	(1,172)	(3,983)

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 December 2019

All in \$000s	NOTE	ACTUAL 2019	BUDGET 2019	ACTUAL 2018
Balance at 1 January		236,793	234,812	240,776
<b>Other Comprehensive Revenue and Expense</b>				
Surplus/(Deficit) before one off expenditure items	18	(3,277)	(1,172)	(795)
Separately disclosed expenditure		(1,772)	0	(3,729)
Other Comprehensive Revenue	18	0	0	541
Total Comprehensive Revenue and Expenses		(5,049)	(1,172)	(3,983)
<b>Non Comprehensive Revenue and Expense items</b>				
Other Contributions from the Crown <sup>1</sup>		1,587	0	0
Distribution to the Crown <sup>2</sup>	18	(6,131)	0	0
Total Non-comprehensive Revenue and Expenditure		(4,544)	0	0
<b>Balance at 31 December</b>		<b>227,200</b>	<b>233,640</b>	<b>236,793</b>

Explanations of major variances against budget are provided in Note 21.

<sup>1</sup>Contribution from the Crown is the temporary pepper corn lease provided subsequent to the settlement of assets held for sale.

<sup>2</sup>Distribution to the Crown is the encumbrance on Assets held for sale paid to the Crown on settlement.

The accompanying notes form part of these financial statements.


# Statement of Financial Position

as at 31 December 2019

All in \$000s	NOTE	ACTUAL 2019	BUDGET 2019	ACTUAL 2018
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	6	14,060	2,189	1,304
Student Fees, Prepayments and Other Receivables	7	5,449	3,714	5,664
Inventory	8	1,058	762	810
Assets Held For Sale	9	-	0	42,989
Total Current Assets		20,567	6,665	50,767
<b>Non Current Assets</b>				
Property, Plant and Equipment	11	229,513	279,699	233,897
Intangible Assets	12	6,358	3,862	4,685
Total Non Current Assets		235,871	283,561	238,582
Total Assets		256,437	290,226	289,349
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and Other Payables	13	12,182	11,152	9,717
Employee Entitlements	14	4,745	3,837	4,587
Revenue Received in Advance	16	10,679	9,495	10,325
Trust Funds	17	619	633	612
Borrowings	19	0	0	25,787
Derivative Financial Instruments	10	180	0	34
Total Current Liabilities		28,405	25,117	51,062
<b>Non Current Liabilities</b>				
Employee Entitlements	14	329	179	427
Borrowings	19	0	30,058	0
Derivative Financial Instruments	10	503	1,234	1,067
Total Non Current Liabilities		832	31,470	1,494
Total Liabilities		29,237	56,586	52,556
Net Assets		227,200	233,640	236,793
<b>EQUITY</b>				
General Funds	18	127,397	101,684	104,296
Property Revaluation Reserve	18	99,803	131,956	132,497
Total Equity		227,200	233,640	236,793

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.



**Peter Winder**  
Chairman of Council



**Theresa Stratton**  
Deputy Chair of Council



**Gus Gilmore**  
Chief Executive

Date: 26 March 2020

# Statement of Cash Flows

for the year ended 31 December 2019

All in \$000s	NOTE	ACTUAL 2019	BUDGET 2019	ACTUAL 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Government Funding		41,535	42,934	44,630
Receipts from Student Fees and Other Revenue		51,305	52,989	55,808
Interest Revenue Received		28	0	52
Goods and Services Tax (Net)		293	0	56
Payments to Employees		(61,488)	(58,915)	(62,369)
Payments to Suppliers		(28,101)	(25,854)	(32,006)
Interest Paid		(1,139)	(1,526)	(1,265)
Net Cash Inflow from Operating Activities		2,433	9,628	4,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Property, Plant and Equipment		43,335	0	4,600
Purchase of Property, Plant and Equipment		(5,857)	(11,900)	(7,368)
Purchase of Intangible Assets		(1,367)	0	(1,705)
Net Cash Outflow used in Investing Activities		36,110	(11,900)	(4,473)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from Borrowings		5,000	5,185	21,787
Repayment of Borrowings		(30,787)	(3,784)	(23,000)
Net Cash Flows from Financing Activities		(25,787)	1,401	(1,213)
Net (Decrease)/Increase in Cash and Cash Equivalents		12,754	(871)	(780)
Cash and Cash Equivalents at Beginning of the Year		1,304	3,060	2,084
Cash and Cash Equivalents at End of the Year	6	14,060	2,189	1,304

Explanations of major variances against budget are provided in Note 22.

The accompanying notes form part of these financial statements.

## RECONCILIATION FROM NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

All in \$000s	ACTUAL 2019	ACTUAL 2018
Net Surplus/(Deficit) for the Year	(3,277)	(795)
before separately disclosed expenditure	(1,772)	(3,729)
Distribution to the Crown	(6,131)	0
<b>Add/(Less) Non Cash Items:</b>		
Depreciation and Amortisation Expense	11,323	12,028
Bad Debt Provision Movement	(144)	224
Other Losses/(Gains)	(220)	(461)
<b>Add/(Less) Items Classified as Investing or Financing Activities:</b>		
Net Loss/(Gain) on Disposal of Property, Plant and Equipment	(346)	2,930
<b>Add/(Less) Movements in Working Capital:</b>		
(Increase)/Decrease in Accounts Receivable and Other Receivables	360	(1,068)
(Increase)/Decrease in Inventories	(248)	(141)
Increase/(Decrease) in Trade and Other Payables	2,467	(6,937)
Increase/(Decrease) in Provisions	60	1,187
Increase/(Decrease) in Fees in Advance	354	1,660
Increase/(Decrease) in Trust Funds	6	8
Net Cash from Operating Activities	2,433	4,906

Explanations of major variances against budget are provided in Note 21.

The accompanying notes form part of these financial statements.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

Note	Page
1. Statement of accounting policies	42-43
2. Government funding	44
3. Student fees and department revenue	44-45
4. Expenditure	45
5. Analysis of department costs	46
6. Cash and cash equivalents	46
7. Student fees and other receivables	47
8. Inventory	48
9. Assets held for sale	48
10. Derivative financial instruments	49
11. Property, plant and equipment	49-51
12. Intangible assets	52
13. Trade and other payables	53
14. Employee benefit liabilities	53-54
15. Severance and redundancy payments	54
16. Revenue received in advance	54
17. Trust funds	54
18. Equity	54-55
19. Borrowings	55
20. Financial instruments	56-59
21. Major budget variations	59
22. Capital expenditure project performance to budget	60
23. Capital management	60
24. Operating leases	61
25. Commitments and contingencies	61
26. Related party transactions and key management personnel	62
27. Early childhood education centre	63
28. Income tax	63
29. Events after balance date	63

# 1: Statement of Accounting Policies

## REPORTING ENTITY

Manukau Institute of Technology is a TEI that is domiciled and operates in New Zealand. The relevant legislation governing the Institute's operations includes the Crown Entities Act 2004 and the Education Act 1989.

The Institute had contributed assets to the jointly controlled venture of Ko Awatea Education Facility; MIT has exited the joint venture as at 31 December 2019. All assets contributed by MIT have been redeployed to operations within MIT.

The primary objective of the Institute is to provide tertiary education services for the benefit of the community. It does not operate to make a financial return. Accordingly, the Institute has designated itself as public benefit entities (PBEs) for the purposes of complying with general accepted accounting practice.

## BASIS OF PREPARATION

The Minister of Education announced the Government's decisions on the Reform of Vocational Education proposals on 1 August 2019. The Education (Vocational Education and Training and Reform) Amendment Bill (the Bill) includes proposals to create a new entity, the New Zealand Institute of Skills and Technology, and to convert all existing ITPs into crown entity subsidiary companies on 1 April 2020. The Bill has passed its final reading.

Due to the Government's intention to convert all existing ITPs into companies, the Institute has prepared its financial statements on a disestablishment basis. However, there have been no changes to the measurement or classification of assets and liabilities in the financial statements due to the disestablishment basis of preparation. This is because all assets and liabilities of ITPs are expected to transfer across to, and be relevant to, the receiving Crown entity subsidiary. Decisions about the future of these assets and liabilities will be the responsibility of the new entities.

## Statement of compliance

The financial statements of the Institute have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with Tier 1 PBE Standards.

These financial statements comply with PBE Standards.

## Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Institute is New Zealand dollars (NZ\$).

## Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective that have not been early adopted and which are relevant to the Institute are:

(a) **Financial Instruments** - PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2022.

(b) **Interests in Other Entities** - PBE IPSAS 34-38: These new standards replace the existing standards for interest in other entities (PBE IPSAS 6-8). They are effective for annual periods beginning on or after 1 January 2019.

(c) **Service Performance Reporting** - PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for annual periods beginning on or after 1 January 2021.

(d) **Amendments to PBE IPSAS 2** - The amendment requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021.

## COMPARATIVES

Where additional disclosures are provided that were not in the previous Annual Report, then previous year comparatives have been realigned to ensure consistency.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

### Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### Goods and services tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### Income tax

The Institute is exempt from income tax. Accordingly, no provision has been made for income tax.

### Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

## Budget figures

The budget figures for the Institute are those approved by the Council at the start of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

## Cost allocation

The cost of service for each significant activity of the Institute has been derived using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be attributed to a specific significant activity in an economically feasible manner. Direct costs are charged directly to significant activities. Indirect costs are allocated to academic departments only based on the floor space used for teaching purposes and administration costs based on the proportion of the salary costs expensed to the academic departments.

## Critical accounting estimates and assumptions

In preparing these financial statements, the Institute has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

### (a) Property Revaluations

Note 11 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings.

### (b) Long Service Leave

Note 14 provides information about the estimates and assumptions exercised in the measurement of long service leave.

## Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 31 December 2019:

(a) Crown-owned land and buildings - refer to Note 11.

(b) Distinction between revenue and capital contributions - refer to Note 2.

(c) Research leave - refer to Note 14.

d) Accounting for Concessionary/Peppercorn leases Refer to Note 12

## REVENUE

Revenue is measured at the fair value.

The specific accounting policies for significant revenue items are explained below:

(a) Government grants - refer to Note 2

(b) Performance-Based Research Fund (PBRF) - refer to Note 2

(c) Research revenue - refer to Note 2

(d) Student tuition fees - refer to Note 3

### (e) Donations, bequests, and pledges

Donations and bequests are recognised as revenue when the right to receive the fund or asset has been established, unless there is an obligation in substance to return the funds if conditions of the donation or bequest are not met. If there is such an obligation, they are initially recorded as revenue in advance and then recognised as revenue when the conditions are satisfied. Pledges are not recognised as assets or revenue until the pledged item is received.

### (f) Other Revenue

Other Revenue is recognised when earned. For the sale of materials this is when the significant risks and rewards of ownership have passed to the customer and can be measured reliably.

### (g) Interest

Interest revenue is recognised using the effective interest method.

## 2: Government Funding

### Accounting policy

#### Government grants

Student Achievement Component (SAC) funding is the Institute's main source of operational funding from the Tertiary Education Commission (TEC). The Institute considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course.

#### Performance-Based Research Fund (PBRF)

The Institute considers PBRF funding to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The Institute recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the Institute's financial year. PBRF revenue is measured based on the Institute's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

### Research revenue

For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to complete research to the satisfaction of the funder to retain funding or return unspent funds. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions needs to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and past practice of the funder.

### Critical judgements in applying accounting policies

#### Distinction between revenue and capital contributions

Most Crown funding received is operational in nature and is provided by the Crown under the authority of an expense appropriation and is recognised as revenue. Where funding is received from the Crown under the authority of a capital appropriation, the Institute accounts for the funding as a capital contribution directly in equity. Information about capital contributions recognised in equity is disclosed in note 18.

All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
<b>Government funding classified as non-exchange transactions</b>			
Student Disability Grant		121	180
Literacy Funding		1,540	1,459
Youth Guarantee		2,367	3,916
Other Government Grants		94	124
Māori and Pacific Islands Grant		304	292
Student Achievement Component (SAC) Funding		36,708	38,260
Performance Based Research Fund		401	399
<b>Total Government Funding Excluding Department Funding</b>		<b>41,535</b>	<b>44,630</b>

The Student Achievement Component (SAC) operational bulk grant is based on equivalent full time student (EFTS) levels and the funding category levels for those EFTS and specific service grants. There are no unfulfilled contingencies for Government funding recognised as revenue.

Other Government funding is included as department income as the funding has been subject to a competitive tender process for training contracts. The funding is provided by the Tertiary Education Commission and Industry Training Organisations.

## 3: Student Fees and Department Revenue

### Accounting policy

#### Student tuition fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course.

The Institute considers fees-free revenue is non-exchange and recognises revenue when the course withdrawal date has been passed by an eligible student. The Institute has presented funding received for fees-free as part of student fees. This is on the basis that receipts from TEC are for payment on behalf of the student as specified by the relevant funding mechanism.

International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.



All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
<b>Student fees and department revenue classified as exchange transactions</b>			
Student Fees – International Students		14,821	17,410
Departmental Revenue (Non-Base Revenue and Recoveries)		14,040	14,269
Total Student Fees and Department Revenue classified as Exchange Transactions		28,861	31,679
<b>Student fees and department revenue classified as non-exchange transactions</b>			
Student Fees – Domestic Students and Other Departmental Revenue		20,436	21,815
Revenue from Fees-Free		3,955	2,980
Total Student Fees and Department Revenue classified as Non-Exchange Transactions		24,392	24,795
Total Student Fees and Department Revenue		53,253	56,474

## 4: Expenditure

### Accounting policy

#### Superannuation schemes

##### Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

#### Borrowing costs

Borrowing costs are expensed in the financial year in which they are incurred.

All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
<b>Employee Benefits Expense</b>			
Salaries and Wages		59,380	61,538
Defined Contribution Plan Employer Contributions		1,421	1,467
Councillors and Board Fees	26	182	184
Increase/(Decrease) in Employee Benefit Liabilities	14	60	1,187
Total Employee Benefits Expense		61,043	64,376
<b>Other Expenditure</b>			
<b>Auditors' Remuneration</b>			
Fees to Principal Auditor for Financial Statement Audit		199	193
Additional fee paid relating to 2018		49	
Total Auditors' Remuneration		248	193
<b>General Costs</b>			
Operating Lease Payments	24	2,330	1,959
Bad and Doubtful Debts - Written Off	7	0	0
Net Increase/(Decrease) Bad and Doubtful Debts Provision	7	(144)	224
Course Delivery Contracts		2,740	1,696
Donations		5	3
Loss on Disposal of Property, Plant and Equipment		0	28
Administrative, Materials and Consumables Expenses		20,450	21,241
Total General Costs		25,381	25,151
Total Other Expenditure		25,629	25,344
<b>Separately disclosed expense items</b>			
Write Down of Assets Held for Sale to Reflect Fair Value	9	0	155
Loss on Sale of Property, Plant and Equipment			2,746
Redundancies and Severance Payments		1,772	828
<b>Total Separately Disclosed Expense Items</b>		<b>1,772</b>	<b>3,729</b>

Employer contributions to defined contribution plans include contributions to KiwiSaver and the Government Superannuation Fund.

## 5: Analysis of Department Costs

All in \$000s				2019	2018
	ACTUAL REVENUE	ACTUAL EXPENDITURE	ACTUAL NET COST	BUDGET NET COST	ACTUAL NET COST
Manukau Campus	29,904	26,397	(3,507)	(4,300)	(3,872)
Otara Campus	29,033	40,110	11,077	9,035	10,580
Technology Park Campus	26,207	34,278	8,071	7,120	7,575
Total Department Costs	85,144	100,785	15,641	11,855	14,283
<b>Included in the department net cost are the following overheads:</b>					
Property			15,315	15,438	12,920
Administration			40,377	39,258	43,380
Total Overheads Allocated			55,692	54,695	56,300

Overheads are allocated in accordance with notes to the financial statements, summary of significant accounting policies, allocation of overheads. Department recoveries for services provided during 2019 have been netted off against overhead expenditure allocation. Total recoveries of \$295,070 (2018: \$402,743).

## 6: Cash and Cash Equivalents

### Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
Cash at Bank and on Hand		7,441	460
Call Deposits		619	844
Term Deposits with Maturities less than 3 Months at Acquisition		6,000	0
Total Cash and Cash Equivalents		14,060	1,304
Weighted Average Effective Interest Rate		1%	1.3%

The carrying value approximates fair value. None designated at fair value. Assets recognised in a non-exchange transaction that are subject to restrictions. The Institute holds \$619k (2018: \$612k) included in cash and cash equivalents of trust funds which are subject to restrictions. The restrictions generally specify how the trust fund is to be used in providing awards to students.

Cash at bank includes funds on call deposit that earn interest at floating rates based on the daily bank deposit rates. Short term deposits are made for short varying periods up to three months and earn interest at the respective term deposit rates. The carrying value of cash at bank and on hand, and call deposits approximate their fair value.

## 7: Student Fees, Prepayments and Other Receivables

### Accounting policy

#### Debtors and other receivables

Short-term debtors and other short-term receivables are recorded at their face value, less any provision for impairment.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Receivables classified as exchange transactions</b>		
Student Fees and Sundry Receivables	1,866	1,901
Prepayments	1,583	1,782
Other Receivables	32	99
Total Receivables classified as exchange transactions	3,481	3,782
<b>Receivables classified as non-exchange transactions</b>		
Student Fees and Sundry Receivables	2,607	2,665
Total Receivables classified as non-exchange transactions	2,607	2,665
Total Student Fees and Other Receivables (excluding Impairment)	6,088	6,447
Less Provision of Impairment for Receivables	(639)	(783)
Total Student Fees and Other Receivables	5,449	5,664

Student fees receivables are non-interest bearing and generally should be paid on enrolment and no later than at graduation. The carrying value of Student Fees and Other Receivables approximates their fair value.

All in \$000s	2019			2018		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
<b>Impairment</b>						
Ageing profile for student fees receivable at year end.						
Not Past Due	0	0	0	0	0	0
Past Due 1 – 30 Days	566	0	566	176	0	176
Past Due 31 – 60 Days	1,275	0	1,275	2,051	0	2,051
Past Due 61 – 90 Days	311	0	311	489	0	489
Past Due over 90 Days	2,319	(639)	1,680	1,850	(783)	1,067
Total Impairment	4,473	(639)	3,834	4,566	(783)	3,783

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Movements in the provision for impairment of student receivables</b>		
At 1 January	783	525
Additional Provisions made during the Year	0	224
Provision adjustments during the year	800	34
Receivables Written-off during the Year	(944)	0
At 31 December	639	783

All receivables greater than 30 days in age are considered to be past due. The impairment assessment is performed on an individual basis, based on analysis of past collection history and debt write-offs.

## 8: Inventory

### Accounting policy

Inventories held for distribution or consumption in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first. Any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the year of the write-down.

All in \$000s	ACTUAL 2019	ACTUAL 2018
Building Stock	960	696
Hospitality Stock	50	63
Staff Services Stock	30	31
Cafeteria Stock	18	20
Total Inventory	1,058	810

Inventories are valued at the lower of cost or net realisable value. There was no write down of inventories held for distribution (2018: \$nil). No inventories are pledged as security.

## 9: Assets Held for Sale

### Accounting policy

#### Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. The asset is measured at the lower of its carrying amount and fair value less costs to sell.

Write-downs of the asset are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised.

A non-current asset is not depreciated or amortised while classified as held for sale.

All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
Property Held For Sale		0	42,989
Total Assets Held For Sale		0	42,989
Consists of:			
Land - Crown		0	309
Land - Institute		0	26,646
Land Improvements		0	1,319
Buildings - Crown		0	124
Buildings - Institute		0	14,591
Total Assets Held For Sale		0	42,989

As part of a review of building assets in 2018, property had been identified as being surplus to future requirements. The authority to dispose of property is required under s192 of the Education Act, having been sought and received, means the property was marketed for sale and presented as held for sale within current assets in the 2018 Financial Statements. The total assets held for sale in 2018 were sold in 2019.

These properties are South Campus, part of North Campus (Ex-Clydemore Primary School and Horticultural Department), Student Village (Alexander Crescent), Campus Security (V Block) and residential property (3 Ashton Avenue) which met all the requirements to be disclosed as land held for sale as at 31 May 2018.



## 10: Derivative Financial Instruments

### Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from the Institute's financing activities. In accordance with its treasury policy, the Institute does not hold or issue derivative financial instruments for trading purposes. The Institute has elected not to apply hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of forward foreign exchange derivatives is classified as non-current. The portion of the fair value of an interest rate derivative that is expected to be realised or settled within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Interest Rate Swaps</b>		
Total Current Liability Portion	180	34
Total Non-Current Liability Portion	503	1,067
Total Derivative Financial Instruments	683	1,101

The fair value of interest rates swaps has been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices. The changes in the fair value of interest rate swaps are recognised in the Statement of Comprehensive Revenue and Expense.

The notational principal amounts of the outstanding interest rate swap contracts totalled \$19 million (2018: \$24 million). The fixed rate of interest rate swaps vary from 4.74% to 4.94%.

## 11: Property, Plant and Equipment

### Accounting policy

Property, plant, and equipment consists of the following asset classes: land, buildings, land improvements, plant and equipment, computer hardware, furniture and fittings, motor vehicles, library collection. Land is measured at fair value and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

### Revaluation

Land and buildings and land improvements are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. The most recent valuation of land and buildings was performed by P Todd (BPA MRICS SPINZ), independent registered property, plant and machinery valuer, of Darroch Limited. The effective date of the revaluation was 31 December 2018. The next revaluation is due 31 December 2021. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Revaluation movements are accounted for on a class-of asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

### Additions

The cost of an item of property, plant, and equipment is recognised as an asset, only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired, through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Cost incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds within equity.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of Asset	Rate
Buildings	
Structure	11 - 100 years (1% - 9.1%)
Fit out	6 - 29 years (3.5% - 16.7%)
Services	9 - 33 years (3% - 11.1%)
Land Improvements	7 - 40 years (3 - 14%)
Plant and Equipment	3 - 20 Years (5% - 33.3%)
Furniture and Fittings	5 - 12 Years (8.3% - 20%)
Motor Vehicles	4 - 10 Years (10% - 25%)
Computer Hardware	4 - 7 Years (14.3% - 25%)
Library Collection	3 -10 Years (10% - 33%)
Office Equipment	10 Years (10%)

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

### Library collection

The library collection that had been revalued to fair value prior to 31 December 2006, the date of the transition to NZ IFRS, is measured on the basis of deemed cost, being the revalued amount at the date of the revaluation. All purchases after this date are recorded at cost.

### Impairment of property, plant, and equipment

Property, plant, and equipment held at cost that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the assets is considered to be impaired and the carrying amount is written-down to the recoverable amount. The impairment loss is recognised in the surplus or deficit.

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows.

### Critical judgements in applying accounting policies

#### Crown-owned land and buildings

Property assets owned by the crown and occupied by MIT under lease arrangements have been disclosed under Intangible assets. Apart from these disclosures all property assets are owned by MIT.

All in \$000s	1 JAN 2019			2019					31 DEC 2019		
	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE	ADDITIONS	RECLASSIFICATIONS	REVALUATION	NET BOOK VALUE OF DISPOSALS	DEPRECIATION	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE
Land – Crown	0	0	0	0	0	0	0	0	0	0	0
Land – Institute	19,577	0	19,577	0	0	0	0	0	19,577	0	19,577
Land Improvements	6,108	0	6,108	70	0	0	0	(311)	6,177	(311)	5,867
Buildings – Crown	0	0	0	0	0	0	0	0	0	0	0
Buildings – Institute	192,087	0	192,087	3,534	0	0	0	(5,269)	195,621	(5,269)	190,352
Library Collection	3,976	(2,491)	1,485	208	0	0	0	(314)	4,183	(2,805)	1,379
Computer Hardware	24,567	(17,947)	6,620	1,106	0	0	0	(2,672)	25,674	(20,619)	5,055
Plant and Equipment	13,797	(8,823)	4,974	855	0	0	0	(1,049)	14,652	(9,872)	4,780
Motor Vehicles	1,412	(905)	507	38	0	0	0	(109)	1,450	(1,014)	436
Furniture and Fittings	5,817	(3,278)	2,539	46	0	0	0	(517)	5,862	(3,795)	2,068
Total Property, Plant & Equipment	267,341	(33,444)	233,897	5,857	0	0	0	(10,240)	273,197	(43,684)	229,513

All in \$000s	1 JAN 2018			2018					31 DEC 2018		
	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE	ADDITIONS	RECLASSIFICATIONS	REVALUATION	NET BOOK VALUE OF DISPOSALS	DEPRECIATION	COST OR FAIR VALUE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE
Land – Crown	31,250	0	31,250	0	(31,250)	0	0	0	0	0	0
Land – Institute	9,193	0	9,193	0	4,295	6,089	0	0	19,577	0	19,577
Land Improvements	8,310	(823)	7,487	0	(1,320)	277	0	(337)	6,108	0	6,108
Buildings – Crown	48,241	(4,015)	44,226	0	(7,714)	(35,448)	0	(1,065)	0	0	0
Buildings – Institute	178,561	(9,485)	169,075	4,813	(7,000)	29,468	(21)	(4,246)	192,087	0	192,087
Library Collection	5,921	(4,416)	1,505	308	0	0	0	(328)	3,976	(2,491)	1,485
Computer Hardware	27,140	(19,029)	8,112	1,788	0	0	(2)	(3,277)	24,567	(17,947)	6,620
Plant and Equipment	20,615	(14,730)	5,885	316	0	0	(54)	(1,174)	13,797	(8,823)	4,974
Motor Vehicles	1,991	(1,327)	664	40	0	0	(27)	(170)	1,412	(905)	507
Furniture and Fittings	6,976	(3,991)	2,985	102	0	0	0	(548)	5,817	(3,278)	2,539
Total Property, Plant & Equipment	338,198	(57,816)	280,382	7,367	(42,989)	386	(104)	(11,145)	267,341	(33,444)	233,897

At 31 December 2018, all land and buildings disclosed above except for 3 Ashton Ave are owned by the Institute.

### Revaluations

An independent valuation was obtained to determine the fair value of land and buildings. Fair value is determined by reference to an open market basis, being the amount for which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's - length transaction at the valuation date for land and buildings of a non-education specific nature. Where buildings have been designed specifically for educational purposes they are valued at optimised depreciated replacement cost which is considered to reflect fair value for such assets. The most recent valuation of land and buildings was performed by P Todd (BPA SPINZ MRICS), independent registered property and plant and machinery valuer, of Darroch Limited at a fair value of \$216.8m. The effective date of the revaluation was 31 December 2018. The next revaluation is due 31 December 2021.

### Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Restrictions on the Institute's ability to sell land would normally not impair the value of the land because the Institute has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

### Buildings

Specialised buildings (e.g. buildings on campuses) are valued at fair value using optimised depreciated replacement cost because no reliable market data is available for buildings designed for education delivery purposes.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- For the Institute's earthquake prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake prone buildings and the associated lost rental during the time to undertake the strengthening work.

Excluded assets include:

- Loose plant and equipment and similar assets such as furniture, workbenches, computers and workshop tools.
- Underground services
- Carvings and all artwork including wall linings

Refer to Note 18 for revaluation reserves and explanations of revaluation movements.

### Work in progress

At the end of the period the total amount classified as work in progress under the buildings asset category is \$3620K (2018: \$190k), plant and equipment is \$399K (2018: \$271k), computer hardware is \$735K (2018: \$654k) and furniture and fittings is \$4k (2018: \$3k)

### Restrictions on title

Under the Education Act 1989, the Institute is required to obtain the consent from the Ministry of Education to dispose of land and buildings. For plant and equipment there is an asset disposal limit formula which provides a limit up to which a TEI may dispose of plant and equipment without seeking the approval from the Ministry of Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website.

There are also various restrictions in the form of historic designations, reserve, and endowment encumbrances attached to land. The Institute does not consider it practical to disclose in detail the value of land subject to these restrictions.

### Ko Awatea

The Institute has a 31% share of Ko Awatea as jointly controlled assets. The details of the assets by categories are as below:

Furniture and Fittings	\$	\$152k (2018: \$152k)
Plant and Equipment	\$	\$214k (2018: \$214k)
Computer Hardware	\$	\$411k (2018: \$411k)
Computer Software	\$	\$9k (2018: \$9k)
Total Property, Plant and Equipment	\$	\$786k (2018: \$786k)

The accumulated depreciation for 2019 is \$746k (2018: \$721k), which brings the asset book value to \$39k (2018: \$64k). \$385k was incurred as the MIT share of the operating costs of the joint venture (2018: \$383k). MIT has exited the joint venture as at 31 December 2019. All assets contributed by MIT have been redeployed to operations within MIT.

## 12: Intangible Assets

### Accounting policy

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use, are recognised as an intangible asset. Direct costs include the software development employee related costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Course development costs

Costs that are directly associated with the development of new educational courses are recognised as an intangible asset to the extent that such costs are expected to be recovered. The development costs primarily consist of employee costs..

#### Intellectual property development

Research costs are expensed as incurred in the surplus or deficit.

Development costs that are directly attributable to the design, construction, and testing of preproduction or pre-use prototypes and models associated with intellectual property development are recognised as an intangible asset if all the following can be demonstrated:

- It is technically feasible to complete the product so that it will be available for use or sale;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenses that do not meet these criteria are recognised as an expense as incurred in the surplus or deficit. Development costs previously recognised as an expense cannot be subsequently recognised as an asset.

#### License to occupy land

Where the Institute has a license to occupy land at a nominal rent, the Institute recognises the intangible asset based on an independent valuation of the estimated market ground rent over the license term. Land with a license to occupy is amortised over the unexpired period of the license.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de recognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class of Asset	Rate
Computer	2-10 years
Software	(10% - 50%)

Capitalised intellectual property development costs are still work in progress. The useful life of completed projects will be established at project completion.

#### Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. For further details refer to the policy for impairment of property, plant and equipment in Note 11. The same approach applies to the impairment of intangible assets.

All in \$000s	1 JAN 2019			2019					31 DEC 2019		
	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE	ADDITIONS/ RECLASSIFICATIONS	REVALUATION	COST OF DISPOSAL	DEPRECIATION ON DISPOSAL	AMORTISATION	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE
Computer Software	7,637	(3,825)	3,812	1,367	0	0	0	(1,035)	9,004	(4,860)	4,144
Other Intangible Assets	1,250	(377)	873	0	0	0	0	(48)	1,250	(425)	825
Lease Assets	0	0	0	1,587	0	0	0	(198)	1,587	(198)	1,388
Total Intangible Assets	8,887	(4,202)	4,685	2,954	0	0	0	(1,281)	11,841	(5,483)	6,358

All in \$000s	1 JAN 2018			2018					31 DEC 2018		
	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE	ADDITIONS/ RECLASSIFICATIONS	REVALUATION	COST OF DISPOSAL	DEPRECIATION ON DISPOSAL	AMORTISATION	COST OR FAIR VALUE	ACCUMULATED AMORTISATION	NET CARRYING VALUE
Computer Software	6,280	(3,337)	2,943	1,705	0	(348)	348	(836)	7,637	(3,825)	3,812
Other Intangible Assets	1,250	(330)	920	0	0	0	0	(47)	1,250	(377)	873
Total Intangible Assets	7,530	(3,667)	3,863	1,705	0	(348)	348	(883)	8,887	(4,202)	4,685

There is \$348k accumulated depreciation writeback included in the net book value of disposals 2018.

### Work in Progress

At the end of the period the total amount of intangible assets work in progress is \$765K (2018: \$1,547,252).

### Other Intangible Assets

Other intangible assets include the license to occupy land at 52 Otaru Road from the Ministry of Education for a period of 30 years at a nominal rent. The amount recognised as an intangible asset is based on an independent valuation. The valuation methodology adopted by the independent valuer, Darroch Ltd, is based on an estimated land value of \$2m and an adopted ground rental percentage of 5.5%. The resultant estimated market ground rent has a land value growth of 2% per annum applied and a discount rate of 10% to determine the present value of the rental benefit, over the license term.

### Intangible Lease

There is a new intangible leased asset for the temporary occupation of South Campus which is now in Crown ownership. It is a peppercorn lease valued at a fair market rate amounting to \$1,587k and accounted for as a contribution from the Crown. \$198k lease expenditure has been amortised.

MIT's existing accounting policy is to recognise an asset (intangible) at fair value, which is consistent with the general principles of PBE IPSAS 23. MIT considers the granting of the concessionary lease as a contribution from owners (the Crown) and therefore has accounted for it through equity rather than revenue. Other decisions include:

- 1) The lease is classified as operating primarily as ownership is not transferred at the end of the lease.
- 2) It is not a factor in the sale of surplus land to the Crown and is therefore not part of the sale agreement

## 13: Trade and other Payables

### Accounting policy

Short-term creditors and other short-term payables are recorded at the amount payable.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Payables under exchange transactions</b>		
Trade Payables	2,337	2,345
Accrued Expenses	1,934	3,473
Other Payables	247	91
Total Payables under Exchange Transactions	4,518	5,909
<b>Payables under non-exchange transactions</b>		
Other Payables	6,868	3,305
Net GST Payable/ (Receivable)	796	503
Total Payables under Non-Exchange Transactions	7,664	3,808
Total Trade and Other Payables	12,182	9,717

Total Trade and Other Payables are non-interest bearing and are normally settled on 30 day terms. Therefore, the carrying value approximates fair value. Included in Trade Payables above are retentions of \$13k (2018: \$62k) related to the relocation of the Faculty of Nursing and Health Studies to MIT Manukau (MITM) building project.

## 14: Employee Benefit Liabilities

### Accounting policy

#### Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

#### Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and

- the present value of the estimated future cash flows.

#### Presentation of employee entitlements

Sick leave, annual leave, vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

#### Critical judgements in applying accounting policies

##### Research leave

Teaching staff are entitled to research leave in certain circumstances. The substance of this leave is that it is leave from teaching duties to undertake research activity with staff continuing to earn their salary and other employee entitlements. The Institute is of the view that research leave is not the type of leave contemplated in PBE IPSAS 25 Employee Benefits. Accordingly, a liability has not been recognised for such leave.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Employee Entitlements</b>		
Accrued Pay	55	18
Annual Leave	3,615	3,910
Sick Leave	253	229
Long Service Leave	140	173
Retirement Leave	254	254
Restructuring Provision	757	430
Total Employee Benefit Liabilities	5,074	5,014
Current Portion	4,745	4,587
Non-Current Portion	329	427
Total Employee Benefit Liabilities	5,074	5,014

The present value of the long service obligations depends on factors that are determined on an actuarial basis using a number of assumptions.

Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rate used match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns.



If the salary inflation factor were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the long service leave liability would be an estimated \$3,728 higher / lower (2018: \$11,005).

If the discount rates used were to increase or decrease by 1% from that used, with all other factors held constant, the carrying amount of the long service liability would be an estimated \$3,654 higher / lower (2018: \$9,749)

## 15: Severances and Redundancy Payments

The total value of compensation paid in respect of redundancies and severance to employees during the financial year was \$1.77m (2018: \$0.8m). This includes \$0.76m payable in the 2020 year.

## 16: Revenue Received in Advance

All in \$000s	ACTUAL 2019	ACTUAL 2018
Student Fees	10,349	10,059
Other Revenue Received in Advance	330	266
Total	10,679	10,325
Current Portion	10,679	10,325
Total	10,679	10,325

## 17: Trust Funds

### Accounting policy

Manukau Institute of Technology receives bequests plus other funding to be held in trusts, which are required to be used for specific activities such as scholarships and awards. As the Institute administers these funds which have restricted use, they are treated as current liabilities and are not included in the Statement of Comprehensive Revenue and Expense.

All in \$000s	ACTUAL 2019	ACTUAL 2018
Opening Balance	612	605
Interest Received	7	7
Less Grants Awarded	0	0
Total Trust Funds	619	612
Represented by:		
G F Dawson Memorial Fund	11	11
J M Grant Memorial Fund	9	9
MIT Students' Trust Fund	498	493
Young Memorial Fund	100	99
Total Trust Funds	619	612

### Restrictions on use

Manukau Institute of Technology holds these funds in trust for the purpose of providing out of the revenue derived an award for students.

## 18: Equity

### Accounting policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- General funds; and
- Property revaluation reserve.

### Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>General Funds</b>		
At 1 January	104,296	108,820
Opening Balance Adjustment	0	0
Transfer from Revaluation Reserves on sale of assets held for sale	32,694	(0)
Distribution to the Crown	(6,131)	0
Surplus/(Deficit) for the year before separately disclosed expenditure	(3,277)	(795)
Separately disclosed expenditure	(1,772)	(3,729)
Capital Contributions from the Crown	1,587	0
Balance as at 31 December	127,397	104,296
<b>Property Revaluation Reserves</b>		
Balance as at 1 January	132,497	131,956
Property revaluation reserve transfer on reclassification	0	(41,440)
Transfer to Equity on sale of assets held for sale	(32,694)	0
Land Net Revaluations Gain	0	6,878
Land Improvement Revaluation Gain	0	251
Buildings Net Revaluations Gain	0	34,852
Balance as at 31 December	99,803	132,497
<b>Total Equity</b>	<b>227,200</b>	<b>236,793</b>
<b>Property Revaluation Reserves</b>		
Property Revaluation Reserves consist of:		
Land	18,788	45,377
Land improvements	255	251
Buildings	80,760	86,869
Total Property Revaluation Reserves	99,803	132,497

#### Capital Contributions

Capital Contributions - Capital contributions received in 2019 were \$1.587m (2018: nil). Contribution from the Crown is the temporary pepper corn lease provided subsequent to the settlement of assets held for sale. Distribution to the Crown is the encumbrance on assets held for sale paid to the Crown on settlement.

## 19: Borrowings

#### Accounting policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

Borrowings are classified as current liabilities unless the Institute has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

All in \$000s	ACTUAL 2019	ACTUAL 2018
Current Portion	0	25,787
Non-Current Portion	0	0
Total	0	25,787
Weighted Average Effective Interest Rate	5.5%	5.77%

#### Borrowings

The Institute had a revolving cash facility of \$30m (2018: \$35m), a liquidity facility of nil (2018: nil) and a working capital overdraft facility of \$10m (2018: \$10m) with ANZ Bank providing funding for capital projects and liquidity. Certain covenants are required to be met in relation to the facilities. The maturity date of the existing facility was 31 December 2019. Under Ministry of Education consent to borrow dated 18 June 2014 MIT is required to stepdown the maximum aggregate borrowing limits.

Borrowings were paid down as at 31 December 2019. The budget for 2020 forecasts debt to be \$9m at 31 December 2020 and appropriate debt facilities are in place to accommodate this.

#### Bank Covenants

	ACTUAL	REQUIRED	HEADROOM
Maximum Total Debt to Total Debt plus Equity Ratio	0%	<25%	25%
Minimum Interest Cover Ratio	6.5	>2x	4.5
Minimum Guaranteeing Group Cover	100%	>90%	10%

## 20: Financial Instruments

### Accounting policy

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Institute commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purposes of measurement:

- fair value through surplus or deficit;
- loans and receivables; and
- fair value through other comprehensive revenue and expenses.

Classification of the financial asset depends on the purpose for which the instruments were acquired.

### Financial assets at fair value through surplus or deficit

Currently the Institute does not hold any financial assets in this category.

### Loans and receivables (including cash and cash equivalents and debtors and other receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. After initial recognition, loans and receivables are

measured at amortised cost using the effective interest method less any provision for impairment. Gains and losses when the asset is impaired or de recognised are recognised in the surplus or deficit.

### Financial assets at fair value through other comprehensive revenue and expenses

Currently the Institute does not hold any financial assets in this category.

### Impairment of financial assets

At each balance date, the Institute assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

### Loans and receivables (including cash and cash equivalents and debtors and other receivables)

Impairment of a loan or a receivable is established when there is objective evidence that the Institute will not be able to collect amounts due according to the original terms of the loan or receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation, and default in payments are considered indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). For other financial assets, impairment losses are recognised directly against the instrument's carrying amount.

All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
<b>Financial Instrument Categories</b>			
The accounting policies for financial instruments have been applied to the line items below:			
<b>Financial Assets</b>			
<b>Loans and Receivables</b>			
Cash and Cash Equivalents		14,060	1,304
Student Fees and Other Receivables		4,473	4,566
Total Loans and Receivables		18,533	5,870
<b>Financial Liabilities</b>			
<b>Financial Liabilities Measured at Amortised Costs</b>			
Creditors and other payables		12,182	9,717
Borrowings		0	25,787
Total Financial Liabilities Measured at Amortised Cost		12,182	35,504
<b>Financial Liabilities Measured at Fair Value</b>			
Derivative financial instruments		683	1,101
Total Financial Liabilities Measured at Fair Value		683	1,101

### Financial Instruments Risks

Manukau Institute of Technology's activities expose it to a variety of financial risks including market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Institute manages its financial instruments risk in accordance with relevant legislation and is risk adverse and seeks to minimise exposure from its treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

### Contractual Maturity Analysis of Financial Liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are contractual undiscounted cash flows:

All in \$000s	CARRYING AMOUNT	CONTRACTUAL CASH FLOW	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	MORE THAN 3 YEARS
<b>2019</b>							
Trade and other payables	12,182	12,182	12,182	0	0	0	0
Borrowings	0	0	0	0	0	0	0
Total Financial Liabilities at Amortised Cost	12,182	12,182	12,182	0	0	0	0
Derivative financial instruments	683	683	180	0	503	(0)	0
Total Financial Liabilities at Fair Value	683	683	180	0	503	(0)	0
<b>2018</b>							
Trade and other payables	9,717	9,717	9,717	0	0	0	0
Borrowings	25,787	24,696	348	24,348	0	0	0
Total Financial Liabilities at Amortised Cost	35,504	34,413	10,065	24,348	0	0	0
Derivative financial instruments	1,101	1,101	34	0	418	649	0
Total Financial Liabilities at Fair Value	1,101	1,101	34	0	418	649	0

### Market Risk

#### Currency and Interest Rate Risk

The Institute is exposed to changes in interest rates on short term investments, bank deposits and term lending facilities. There is no significant exposure to currency and interest rate risk on the Institute's financial assets.

The interest rate on the Institute's investments is disclosed in Note 10. The Institute is exposed to interest rate risk on borrowings as disclosed in Note 19.

#### Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates create exposure to cash flow interest rate risk. Borrowings at variable interest rates create exposure to cash flow interest rate risk.

#### Credit Risk

Credit risk is the risk a third party will default on its obligation to the Institute, thereby causing the Institute to incur a loss. Due to the timing of its cashinflows and outflows, surplus cash is invested into the term deposits which give rise to credit risk. The Institute places its investments with institutions which have a high credit rating such as registered banks that have a Standard and Poor's credit rating of at least A-.

The Institute has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

All in \$000s	NOTE	ACTUAL 2019	ACTUAL 2018
The maximum credit exposure for each class of financial instrument is as follows:			
Cash and Cash Equivalents		14,060	1,304
Trade and Other Receivables		4,473	4,566
Total Credit Risk On Loans and Receivables		18,533	5,870
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counter party default rates:			
<b>Counter parties with Credit Ratings</b>			
<b>Cash and Cash Equivalents:</b>			
AA-		14,060	1,304
<b>Short Term Deposits:</b>			
AA-		0	0
<b>Counter parties without Credit Ratings</b>			
<b>Loans to subsidiary</b>			
Existing counter party with no defaults in the past		0	0
Existing counter party with defaults in the past		0	0
Total Loans to Related Parties		0	0
<b>Debtors and other receivables</b>			
Existing counter party with no defaults in the past		4,473	4,566
Existing counter party with defaults in the past		0	0
Total debtors and other receivables		4,473	4,566
Trade and Other Receivables		4,473	4,566

**Trade and Other Receivables**

Trade and receivables mainly arise from the Institute's operation functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. The Institute is not exposed to any material concentrations of credit risk. Trade and other receivables balances are monitored on an ongoing basis to ensure that the exposure to bad debts is not significant.

**Liquidity Risk****Management of Liquidity Risk**

Liquidity risk is the risk Manukau Institute of Technology will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Institute aims to maintain flexibility in funding by keeping committed credit lines open. In meeting its liquidity requirements, Manukau Institute of Technology maintains investments that must mature within the next 12 months.

The Institute manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the maturity profiles of financial assets and liabilities.

The maturity profiles of Manukau Institute of Technology's interest bearing investments are disclosed in Note 10.

**Sensitivity Analysis**

The tables below illustrate the potential profit and loss and equity (excluding retained surplus) impact for possible market movements in interest rates, with all other variables held constant, based on the Institute's financial instrument exposures at balance date.

	NOTE	PROFIT/(LOSS) OTHER EQUITY	
All in \$000s		+100BPS	-100BPS
<b>Interest Rate Risk 2019</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalents		141	(141)
Short Term Deposits		0	0
<b>Financial Liabilities</b>			
Derivative Financial Instruments		(7)	7
Borrowings		0	0
Total Sensitivity to Interest Rate Risk		134	(134)
<b>Interest Rate Risk 2018</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalents		13	(13)
Short Term Deposits		0	0
<b>Financial Liabilities</b>			
Derivative Financial Instruments		(11)	11
Borrowings		(240)	240
Total Sensitivity to Interest Rate Risk		(238)	238

**Explanation of Interest Rate Risk Sensitivity**

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example a decrease in 100 bps is equivalent to a decrease in interest rates of 1.0%.

**Fair Value Estimation and Fair Value Hierarchy**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. The fair values of all financial instruments equate to carrying values.

**Fair Value Hierarchy Disclosures**

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- \* Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.
- \* Valuation techniques using observable inputs - Financial instruments with quoted process for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where significant inputs are observable.
- \* Valuation techniques with significant non-observable inputs - Financial instruments valued using models where one or more significant inputs are not observable.



All in \$000s	VALUATION TECHNIQUE			
	TOTAL	QUOTED MARKET PRICE	OBSERVABLE INPUTS	SIGNIFICANT NON- OBSERVABLE INPUTS
<b>31 December 2019 Institute</b>				
<b>Financial Liabilities</b>				
Derivative Financial Instruments	683	0	683	0
<b>31 December 2018 Institute</b>				
<b>Financial Liabilities</b>				
Derivative Financial Instruments	1,101	0	1,101	0

## 21: Major budget Variations

All in \$000s	ACTUAL 2019
<b>Explanations for major variations from the 2018 Institute budget are as follows:</b>	
<b>Statement of Comprehensive Revenue and Expense</b>	
Budget Surplus/(Deficit)	(1,172)
<b>Revenue Variances</b>	
Government Funding	(1,399)
Student Fees and Departmental Revenue	(630)
Other Revenue and Interest Revenue	305
Gain on asset sales	346
Other Gains/(Losses)	418
<b>Expenditure Variances</b>	
Employee Benefit Expenses	(1,776)
Depreciation and Amortisation	82
Interest Expense	227
Other Operating Expenditure	322
Surplus/(Deficit) before separately disclosed expense items	(3,277)

The Government funding revenue decline was mainly due to the 20% reduction in Sac L1-2 student numbers.

Students fees and Departmental Revenue was unfavourable due to a reduction in International student numbers influenced by Government policy and a decline in domestic student numbers. In expenditure the main variances are in Employee Benefit restructuring expenses of 1.77m required to address falling student numbers. The deferral of capital expenditure resulted in depreciation and interest savings. Other gains were mainly from Mark to market revaluation of swaps and asset sale gains. Other expenditure is underspend in Administrative, Materials and Consumables Expenses particularly in Over Seas Agent Commissions.

### Statement of Financial Position

#### Cash and Cash Equivalents and Other Financial Assets

Cash and Cash Equivalents higher then anticipated due to the deferral of Capital Spend and the cashflow from the sale of Assets held for sale.

#### Student fees prepayments and other receivables

Receivables are higher than budget mainly in student debtors but overall not too dissimilar from last years actual.

#### Property, Plant and Equipment and Intangible Assets

PPE lower then budget due to the deferral of some projects in the Capital Projects Budget.

#### Trade and Other Payables

Trade and Other Payables is higher due to the increase in employment provisions as well as an increase in the TEC Funding Provision

#### Employee Entitlements

Employee benefits are greater than budget due to a revised estimation of employee remediation for Long Service Leave and Retirement Leave.

#### Revenue Received in Advance

The 2019 amount is similar to prior years.

#### Borrowings

Long Term Debt cleared to nil due to our favourable cash position at year end.

## 22: Capital Expenditure Project Performance to Budget

All in \$000s	ACTUAL 2019	BUDGET 2019
<b>Annual Allocations (Renewals)</b>		
Facilities Annual Replacements	1,036	1,116
Furniture Annual Allocation	324	400
Information Technology Allocation	1,325	1,700
Vehicle Replacement	371	505
Library Annual Allocation	703	764
Academic Departments	355	349
Total Annual Allocation	4,114	4,835
<b>Investment Committee Projects</b>		
Alumni 2019	130	130
Hokule'a 2019	140	140
Bachelor of Nursing Māori	96	97
Pasifika Cultural Competency 2019	4	25
Ask Me! One Stop Shop enrolment model	103	107
Fleximode	365	871
Total Investment Committee Projects	837	1,369
<b>Major Projects</b>		
Otara Upgrade (ND)	551	2,634
Quad Upgrade Phase 3	1,599	2,062
Technology Park Fit out	313	1,350
NA,NP,NB Upgrade and Contingency	305	1,053
Wayfinding	32	81
Total Major Projects	2,799	7,180
Total Capital Expenditure	7,750	13,384

### Major Capital Variances

Major Projects in 2019 have all been deferred for completion in 2020. TechPark set for completion in July 2020, North Campus projects, ND, Quad, NA, NP, NB set for completion first half of 2020.

## 23: Capital Management

The Institute's capital is its equity, which comprises general funds, and property valuation and fair value through comprehensive revenue reserves. Equity is represented by net assets.

The Institute is subject to the financial management and accountability provisions of the Education Act 1989, which assets and liabilities, includes restrictions in relation to: disposing of assets or interests in assets, ability to mortgage or otherwise charge assets or interests in assets, granting leases of land or buildings or parts of buildings, and borrowing.

The Institute manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently, and in a manner that promotes the current and future interests of the community. The Institute's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. The objective of managing the Institute's equity is to ensure the institute effectively achieves the goals and objectives for which it has been established, while remaining a going concern.

## 24: Operating Leases

### Accounting policy

#### Operating leases (Lessor or Lessee)

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

#### Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Institute will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Leases as Lessee</b>		
Non-cancellable operating lease rentals are payable as follows:		
Not later than one year	1,162	1,811
Later than one year and not later than five years	240	2,556
Later than five years	0	0
Total Leases as Lessee	1,402	4,367

The Institute leases a number of premises for teaching purposes. The leases run for periods ranging from one to ten years with an option to renew the lease after that date. The institute also leases office equipment where it is not in the best interests of the Institute to purchase these assets.

Lease payments are renegotiated at the time of renewal. The leased properties have not been sublet.

During the year \$2,330,481 (2018: \$1,959,273) was recognised as an expense in the Statement of Comprehensive Revenue and Expense in respect of operating leases.

During the year \$1,743,143 (2018: \$1,847,378) was recognised as revenue in the Statement of Comprehensive Revenue and Expense in respect of operating leases.

No contingent rents have been recognised in the Statement of Comprehensive Revenue and Expense during the year.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Leases as Lessor</b>		
The Institute leases its property purchased for strategic purpose pending future use by the Institute under operating leases.		
The future minimum lease payments under non-cancellable leases are as follows:		
Not later than one year	1,349	1,385
Later than one year and not later than five years	2,730	3,881
Later than five years	148	346
Total Leases as Lessor	4,227	5,612

## 25: Commitments and Contingencies

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Capital Commitments</b>		
Capital commitments denote approved capital expenditure contracted for at year-end but not yet incurred.		
<b>Approved and Committed</b>		
Buildings Institute	943	425
Other Plant, Property and Equipment	796	548
Intangible assets	226	754
Total Capital Commitments	1,965	1,727

Commitments relate to annual capital projects. There are contingent liabilities of zero as at balance date (2018: \$40k). The Institute has a peppercorn lease with Auckland Council for the use of the Hayman Park land on Station Road Manukau. The intangible asset has not been recognized in MIT's accounts as the lease commencement date is yet to be determined and is subject to a new separate stratum leasehold title to be issued for the site by Auckland Council. The Institutes interest in the land was valued at \$13.0 million (Valuation date 31 December 2018)

MIT has entered into a contract with the intention to lease the TechPark building to be constructed by Haydn & Rollett, for a period of 30 years with two rights of renewal for ten years each. The value of the commitment is yet to be finalised but is likely to be \$3.5m per year.

MIT has building leases for the Maritime School which expire on 31 December 2020, with a right to renew. The leases include a make good requirement. The make good involves a number of complexities, uncertainties and options, and therefore a make good provision has not been able to be determined. MIT are currently assessing their options in respect of these leases.

## 26: Related Party Transactions and Key Management Personnel

The Institute is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier of client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with Government agencies (for example Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Key Management Personnel Compensation</b>		
<i>Council members</i>		
Full-time equivalent members	1.8	1.2
Remuneration	185	184
<i>Directors and Chief Executive</i>		
Full-time equivalent members	8.0	8.7
Remuneration	2,292	2,289
Total Full-time equivalent members	9.8	9.9
Total Key Management Personnel Remuneration	2,477	2,473

The full time equivalent for Council members has been determined based on the frequency and length of Council meetings and the estimated time for members to prepare for meetings.

All in \$000s	ACTUAL 2019	ACTUAL 2018
<b>Councillor Fees</b>		
Peter Winder (Chair)	40	40
Brian Monk (Deputy Chair). Term Expired 30/04/2018	0	8
Theresa Stratton (Deputy Chair). Appointed 01/05/2018	25	17
John Hannan	20	20
Kira Schaffler	20	20
Jill Tattersall	20	20
Rachael Tuwhangai	20	20
Peter Parussini. Appointed 01/05/2017	20	20
Uluomatootua S. Aiono. Appointed 12/06/2017	20	19
Total Council Members' Remuneration	185	184

No Councillors received compensation or other benefits in relation to cessation (2018: nil).

## 27: Early Childhood Education Centre

All in \$000s	ACTUAL 2019	BUDGET 2019	ACTUAL 2018
<b>Statement of Comprehensive Revenue and Expense</b>			
<b>Revenue</b>			
Government Funding	590	763	713
Equity Funding	39	0	47
Payment Fees (including WINZ)	266	446	354
Other Income	0	0	0
Total Revenue	895	1,209	1,114
<b>Expenses</b>			
Employee Benefit Expenses	814	919	948
Other Expenses	81	290	166
Total Expenses	895	1,209	1,114
Total Comprehensive Income	0	0	0
<b>Equity Funding Statement</b>			
<b>Revenue</b>			
Equity Funding	39	0	47
<b>Expenditure</b>			
Centre Resources	17		27
Text Books	4		2
Staff Training	12		3
Contract Staff	5		15
Total Expenditure	39	0	47

Centre Resources are general resource products for staff training. Contract staff costs are to enable centre staff to attend courses and have non contact time.

## 28: Income Tax

As at balance date the Institute had been granted charitable status and as a result are exempt from company tax.

## 29: Events After Balance Date

The Minister of Education announced the Government's decisions on the Reform of Vocational Education proposals on 1 August 2019. The Education (Vocational Education and Training and Reform) Amendment Bill gained royal assent on 24 February 2020 and will come into effect on 1 April 2020.

The Education (Vocational Education and Training and Reform) Amendment Act 2020 (the Act) creates a new Crown entity, the New Zealand Institute of Skills and Technology (NZIST), converting all existing institutes of technology and polytechnics into crown entity companies, and taking on the operational activities of existing institutes of technology and polytechnics.

The Act states that the Manukau Institute of Technology will transfer its assets and liabilities to a new company Manukau Institute of Technology Limited on 1 April 2020.

Because of these changes, the Manukau Institute of Technology has prepared its financial statements on a disestablishment basis.

However, because it is expected that vocational education will continue to be provided through the Manukau Institute of Technology Limited, no change needs to be made to the measurement or classification of assets and liabilities. Decisions about the future of these assets and liabilities will be the responsibility of the new entity.

### Covid 19

On Wednesday, 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. On Monday, 23 March 2020, the Prime Minister announced that New Zealand had increased its COVID-19 alert level to 3 with immediate effect and that within 48 hours (Wednesday, 25 March 2020 at 11.59pm), New Zealand would increase its COVID-19 alert level to 4 which required a nationwide lockdown for a period of at least four weeks for non-essential businesses. Education providers are considered to be essential services only at alert Level 3.

On Tuesday, 24 March 2020, the Prime Minister also issued an Epidemic Notice under section 5 of the Epidemic Preparedness Act 2006. In issuing this notice, the Prime Minister declared that she is satisfied that the effects of the outbreak of COVID-19 are likely to disrupt or continue to disrupt essential governmental and business activity in New Zealand significantly. The notice came into force on Wednesday, 25 March 2020. On Wednesday, 25 March 2020 at 12.21pm, the Minister of Civil Defence declared a State of National Emergency under section 66 of the Civil Defence Emergency Management Act 2002, which gives officials broad powers.

MIT has responded to this by closing its Campuses effective 23 March 2020 at 8.00pm for teaching and bringing forward the semester break both of which will enable staff to prepare for delivery of courses remotely after this time. MIT will resume teaching using distance methods from 8.00am, Monday 6 April 2020.

At this time it is difficult to determine the full impact of the COVID-19 pandemic. MIT will continue to monitor the event and respond in line with the Government's directives.





# GENERAL

## Compulsory Student Service Fees

for the year ended 31 December 2019

The Compulsory Student Services Fee (CSSF) was set at \$300 (GST inclusive) per full-time student in 2019 (\$176 in 2018). The Fee funds key services for students to assist their success, retention and overall wellbeing while studying at MIT. All students, except distance and exchange students, must pay the Fee and can borrow the amount against their student loan, alternatively, if eligible, this fee is covered under the fees free policy.

2019		Advocacy and legal advice	Careers information, advice and guidance	Employment Information	Pastoral care	Financial Support and advice	Health and Counselling Services	Clubs and societies	Sports, recreation and cultural activities
All in \$000s	Total								
Revenue									
Compulsory Student Fees	1,116	181	103	103	517	3	120	3	86
<b>Total Revenue</b>	1,116	181	103	103	517	3	120	3	86
Expenditure	1,316	213	121	121	610	3	142	4	102
<b>Surplus/(Deficit)</b>	(200)	(32)	(18)	(18)	(93)	(0)	(21)	(1)	(16)

2018		Advocacy and legal advice	Careers information, advice and guidance	Employment Information	Pastoral care	Financial Support and advice	Health and Counselling Services	Clubs and societies	Sports, recreation and cultural activities
All in \$000s	Total								
Revenue									
Compulsory Student Fees	667	44	39	39	325	6	171	15	28
Other									
<b>Total Revenue</b>	667	44	39	39	325	6	171	15	28
Expenditure	1,325	88	78	78	645	12	339	30	55
<b>Surplus/(Deficit)</b>	(658)	(44)	(39)	(39)	(320)	(6)	(168)	(15)	(27)

The administration of Compulsory Student Services Fees is integrated within MIT's normal operations. All income and expenditure associated with the provision of student services is separately accounted for in the Institute's accounting system.

### Advocacy and Legal Advice

Advocacy support is provided to students who need help to resolve student issues. These can range from difficulties with their courses or attendance to misunderstandings with lecturers.

This extends to legal advice and providing support and advocacy for meetings where students go through a misconduct hearing.

### Careers Information, Advice and Guidance

Careers information, individual CV support and workshops, interview practice, internship preparation and careers counselling are all provided to the students. This includes the provision of psychometric testing.

### Employment Information

We have links with employers and are a central point for industry vacancies. The careers and employment team also prepare the students for interviews by offering advice on speaking, clothing and deportment.

### Pastoral Care

Pastoral care is provided for students and involves support with WINZ and Studylink, accommodation, facilitating meetings with external providers, absenteeism, family and relationship issues and bullying. The chaplaincy team also provide some pastoral care.

### Financial Support and Advice

A student financial assistance fund is available to assist students in overcoming financial barriers that are directly related to and adversely affect their current course of study.

### Health and Counselling Services

The Health and Counselling Centre is available for students to access as needed. Doctors, nurses and counsellors offer a variety of services from medical assistance to guidance.

### Clubs and Societies, Sports, Recreation and Cultural Activities

We support students to organise clubs, find venues and organise events. We also organise training facilities and coordinate teams to participate in competitions and events.



# Statement of Resources

as at 31 December 2019

CAMPUS	ADDRESS	ACTIVITY
<b>Institute Property</b>		
Otara South	Newbury Street and Ōtara Road Ōtara, Manukau	Automotive Technologies; Civil Engineering; Electrical Engineering; Mechanical Engineering; Building, Construction and Carpentry; Construction Management; Electrical Trades; Mechanical Engineering Trades; Refrigeration and Air Conditioning
Otara North	Alexander Crescent and Ōtara Road, Ōtara, Manukau	Early Childhood; Tertiary Teaching; English; Literacy and Numeracy; Pacific Languages; Te Reo Māori; Logistics; Social Work; Applied Sport and Recreation; Hairdressing; Arboriculture; Floristry; Landscaping, Nursery Production and Parks and Gardens; Baking and Patisserie; Culinary; Hospitality and Café, Barista and Restaurant; International Diplomas in Cookery and Baking; Employment Preparation; Police Studies and Security; Supported Learning (Inclusive Education); Animal Care; foundation and Bridging Studies
MIT Manukau	Corner Manukau Station Road and Davies Avenue, Manukau	Business; Digital Technologies; Nursing; Counselling; Health Support; Mental Health; Public Health and Health Promotion; First Aid – Short Courses
SSTS	Ōtara Road	School of Secondary-Tertiary Studies
School of Sport	Ōtara Road	Sport and Exercise Science

## Other Premises

Auckland City	Union House, 2 Commerce Street and 132 Quay Street	Domestic Maritime; Marine Engineering; Nautical Foreign-Going
Mangere	Unit 9B Mahunga Drive	Plumbing, Gasfitting and Drainlaying
Ōtara	Otara Recreational Centre, Newbury Street	High Performance Lab
Otahuhu	Middlemore Hospital, Hospital Road	Nursing (moved out in December 2019 to Manukau)
Papatoetoe	Sutton Crescent	Sport (moved out of Kolmar December 2019)
Warkworth	11 Glenmore Drive, Warkworth	New Zealand Maritime

## Library Collection

Number of Titles in the Library Collection:	2019	2018	2017	2016	2015	2014
Books	33,097	37,724	47,855	52,424	56,397	59,344
Serials	930	1,448	1,765	2,117	2,373	2,240
Videos	1,001	1,367	1,489	1,770	2,290	3,057
<b>Total Number of Titles</b>	<b>35,028</b>	<b>40,539</b>	<b>51,109</b>	<b>56,311</b>	<b>61,060</b>	<b>64,641</b>

## Staffing

Staff Employed for year:	2019	2018	2017	2016	2015	2014
Teaching Staff	282	300	272	327	322	342
Administration (Support Functions and Academic Admin)	351	364	414	406	411	411
<b>Total Equivalent Full-time Staff (as at 31 December)</b>	<b>633</b>	<b>664</b>	<b>686</b>	<b>733</b>	<b>733</b>	<b>753</b>

Note these are FTE. Headcount is 663



## Glossary of Terms

**Course** A self-contained block of study which may comprise one or more units of learning

**EFTS** Equivalent full-time student

- SAC Funded: student component funded (Ministry funded)

- Non-SAC Funded: Non-Ministry funded, including overseas, TOPs, STAR and self-funded students

**Ethnic Students** Students who identify on enrolment forms that they are of another ethnic group

**ITO** Industry Training Organisation

**ITP** Institutes of Technology and Polytechnics

**ITPNZ** Institutes of Technology and Polytechnics of New Zealand

**Māori Students** Students who identify on enrolment forms that they are Māori

**NZIST** New Zealand Institute of Skills and Technology

**NZQA** New Zealand Qualifications Authority

**PCC** Pasifika Community Centre

**Pasifika Students** Students who identify on enrolment forms that they are Pacific Islanders

**PBRF** Performance Based Research Fund

**Programme** The combination of courses or units of learning with which a student is required to be credited in order to be awarded a specified qualification by the Institute, school or department. This includes courses that stand alone.

**Research Outputs** Research outputs include books and sections in books, journal articles both referred and non-referred, consultancies, conference publications, art exhibitions and catalogues. Other scholarly activities, conference presentations (unless in proceedings) and material produced primarily for teaching purposes are not included.

**SAC** Student Achievement Component

**SDR** Single Data Return

**Teaching Area** Net area of all teaching space including laboratories, workshops, workrooms and classrooms

**TEC** Tertiary Education Commission

**TEI** Tertiary Education Institute

**THS** Tertiary High School

**WINZ** Work and Income New Zealand

## Contact us

### Manukau Institute of Technology

Private Bag 94006,  
Manukau 2241,  
Auckland, New Zealand

 0800 62 62 52

 [enquiries@manukau.ac.nz](mailto:enquiries@manukau.ac.nz)

### Connect with us:

 [facebook.com/manukau.institute](https://facebook.com/manukau.institute)

 [instagram.com/manukau.institute](https://instagram.com/manukau.institute)

**0800 62 62 52**  
**manukau.ac.nz**



**MANUKAU  
INSTITUTE OF  
TECHNOLOGY**

*Te Whare Takiura o Manukau*