



Te Pūkenga

15 August 2025

Te Pūkenga - Proactive release of Regional ITP Viability reports

Purpose

This document provides background to the following proactively released Regional ITP¹ Viability report conducted for each Te Pūkenga ITP business division in 2024. It also provides context for the reader to understand the report and the environment in which it was developed and how it has informed subsequent work by each Te Pūkenga ITP business division.

Background

The Government via the Minister for Vocational Education announced on 7 December 2023 that the Government had begun its process to disestablish Te Pūkenga. [Disestablishment of Te Pūkenga begins | Beehive.govt.nz](https://www.beehive.govt.nz/disestablishment-of-te-pukenga-begins)

In a letter dated 20 May 2024 - *Progressing financial sustainability initiatives* – sent to Te Pūkenga Council Acting Chair, Minister Simmonds set out her expectations that Te Pūkenga take action to improve the financial performance and viability of our whole network. The letter is available publicly: www.tepukenga.ac.nz/assets/Publications/Letter-of-expectations-Dec-2023/Letter-to-Te-Pukenga-clarifying-aspects-of-Letter-of-Expectations.pdf.

In June 2024, Te Pūkenga was directed by the Tertiary Education Commission (TEC) to obtain specialist support to review and improve the financial viability of our 16 ITP business divisions to support their ability to become standalone entities in future. Calibre Partners, Volte, PricewaterhouseCoopers, and Deloitte (the Consultants) undertook this work as part of the Regional ITP Viability (RIV) programme. The TEC letters are available here:

- [2024.06.14-Notice-requiring-Te-Pukenga-to-obtain-specialist-help.pdf](https://www.tepukenga.ac.nz/assets/Publications/2024.06.14-Notice-requiring-Te-Pukenga-to-obtain-specialist-help.pdf)
- [2024.07.09-Letter-to-Sue-McCormack-Te-Pukenga-re-specialist-help.pdf](https://www.tepukenga.ac.nz/assets/Publications/2024.07.09-Letter-to-Sue-McCormack-Te-Pukenga-re-specialist-help.pdf)

In July 2024, the Consultants were engaged and began working with their allocated ITP business divisions to confirm the financial position of each ITP business division, including, understand the profitability of programmes and delivery sites, and assess the utilisation of assets.

Following this work, the Consultants were requested to develop reports with options and possible initiatives and activities that could improve the financial viability and financial positions of each business division. The Consultants submitted draft reports to Te Pūkenga in October 2024 on how each ITP division could become a viable, stand-alone entity, or how it might minimise financial losses and operate as part of a federation or merger.

¹ Institute of Technology and Polytechnic (ITP)

On 20 December 2024, the Government announced the high-level design of the vocational education and training sector, although these decisions did not outline which ITP business divisions would be established, federated or merged: [Vocational education and training decisions support return to regions | Beehive.govt.nz](#)

In January 2025, after waiting for the Government’s announcement, Te Pūkenga Council considered and approved the draft consultant reports for ITP Business Divisions to inform the development of divisional operational implementation plans.

While some business divisions began activities in 2024, this work continued and accelerated in 2025.

On 14 July 2025, the Government announced that ten ITP business divisions would be stood up as standalone entities, two of which would be federated with Open Polytechnic as the anchor ITP, and that four would remain within Te Pūkenga from 1 January 2026: [Regional governance will return to ten polytechnics | Beehive.govt.nz](#)

Important points to note when reading these reports

Assumptions

A significant number of assumptions had to be made by Te Pūkenga and the Consultants, informed by TEC, given the context in which this work was undertaken. Many of the assumptions made are included in the reports and relate to a range of matters. The context for the assumptions included:

- The Government was consulting with the public on proposals for the future structure of the vocational education and training system at the same time as the Consultants were undertaking this work;
- No decisions had been made by the Government on the business divisions that would standalone, and for which merger, federation or another collaborative model could be an option;
- Uncertainty of the funding model and levels of funding in 2026;
- A fiscally constrained environment with relation to government funding in the tertiary sector.

In most cases, the Consultants undertook scenario modelling of a “base case” and a “downside scenario” and the related assumptions are outlined in the reports.

Financial information and data

The financial, staffing and enrolment data and information (current and forecast) contained in these reports were provided to the Consultants at a point in time (during July-September 2024) for the purposes of their analysis. Therefore, this data and information may not align with other data and information within end of year regular reporting and forecasting processes at a business division and Te Pūkenga network level and is not a reflection of where divisions might be at the present time.

Financial viability metrics

While no specific criteria for viability was provided by the Government or agencies, Te Pūkenga instructed the Consultants to consider the Tertiary Education Commission's Financial Monitoring Framework (FMF) as a guide when assessing financial viability of each ITP business division. The FMF can be found here: [Financial monitoring of tertiary education institutions | Tertiary Education Commission](#). We provided the Consultants guiding metrics to use in their assessment to support this work.

Kaimahi (people/staffing)

Information related to kaimahi and forecasted financial modelling in the reports helped inform possible areas that could be reviewed at each business division. The information within the reports was a point in time and provided options and suggestions for the business divisions to consider as they looked at ways to improve their financial position. The reports were not definitive in their options, final decisions around what would be consulted on followed a sign off process and a set of principles.

In deciding on change, business divisions carefully considered a range of matters such as enrolments, ākonga to kaiako (teacher) ratios, programme and course viability, profitability, support functions and personnel costs among other variables to support improving their financial position. These matters then informed the rationale within the change proposals.

Formal change proposals were developed by each business division, which subsequently led to formal consultation processes with affected kaimahi. During consultation kaimahi are encouraged to provide feedback. This is then reviewed before any final decisions are made by business divisions.

Regional ITP Viability Programme Phase 2b – Financial Improvement Plan

Ara Institute of Canterbury

22 November 2024

Approved



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Report Restrictions

This report is not produced for general circulation outside of the Tertiary Education Commission and Ministers Office. The Financial Improvement Plan is issued pursuant to the terms and conditions set out in our Consultancy Services Order (dated 17 July 2024) and has been prepared solely for the purposes stated herein and within the terms of the CSO. This report should not be relied upon for any other purpose. This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any third party without our express written consent which is at Volte's sole discretion.

Volte has not independently verified the accuracy of all information provided during the course of the review. Accordingly, Volte expresses no opinion on the reliability, accuracy, or completeness of the information provided and upon which Volte has relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects and not misleading by reason of omission or otherwise. The statements and opinions expressed in this report are based on information available as at the date of the report.

Background and Scope

Background

On 5 December 2023 Te Pūkenga Council (“the Council”) received a letter of expectations from the Minister for Tertiary Education and Skills (“the Minister”) which confirmed the intention to disestablish Te Pūkenga and re-establish regional Institutes of Technology and Polytechnics (“ITPs”).

On 20 May 2024, the Minister sent a follow up letter to the Council stating that “it is important that Te Pūkenga takes whatever actions it considers necessary to improve the financial performance of the network as a whole, through ensuring each of the individual business divisions can become financially sustainable.”

In June 2024, TEC directed Te Pūkenga to obtain specialist help under section 332 of the Education and Training Act 2020. This specialist help, working in partnership with Te Pūkenga staff, is focused on considering what is required to support a pathway to viability for Te Pūkenga regional business divisions to support a sustainable operating model for Te Pūkenga network. Four phases of work are envisaged, these are:

1. Discovery and Information Gathering - Initial Findings Report
2. Financial Improvement Plan – this report
3. Implementation Plan Development
4. Implementation

Scope of this report

Over May and June 2024, Te Pūkenga undertook financial forecasting and modelling with the Tertiary Education Commission (TEC) to inform advice to the Minister about re-establishing existing Regional Business Divisions (the former ITP business divisions) as possible standalone viable and sustainable entities by 2026.

The financial forecasts showed that only two ITPs were expected to be operating as viable entities by 2026 (with changes to the current funding system). Ara was noted as being a viable entity – as such no formal output for Ara was initially requested.

Subsequently, Ara was requested to develop a Financial Improvement Plan, Volte has assisted Ara in developing this plan.

The Financial Improvement Plan is focused on the Ara Institute, excluding any group operations.

Executive Summary

Plan to achieve viability by 2026

The TEC and Te Pūkenga ITP Viability Programme (“Programme Governance”) have requested that each division develops financial viability plans that prioritise achieving a 2% net surplus and sight an 11% EBITDA to revenue margin as the target financial benchmark. Programme Governance have also requested a target of personnel cost to be less than 60% of operating revenue and Academic Student Staff Ratios to target 19.0:1. 2023

benchmarking shows that Ara has the 5th highest SSR in the network 14.7:1 compared to the average of 13.6:1. Ara’s SSR is forecast to increase to 16.2:1 in FY29 but falls well short of the Programme Governance target 19:1 ratio. Ara’s SSR is heavily influenced by the SSR of 14:1 in nursing (20% of EFTS) and Trades (16% of EFTS). As such, the target SSR of 19:1 is not achievable or an adopted target metric for Ara’s financial improvement plan.

This Financial Improvement Plan provides the framework for Ara to achieve financial viability by the beginning of FY26. It is structured into three sections; the sections are summarised in the table below.

Sections	Description
1. Priority Initiatives (implemented from FY25)	Focuses on the high priority initiatives to be implemented across FY25. Further savings also identified and to be implemented from FY26 and beyond. To achieve 2026 KPI of 4% Net Surplus and 11% EBITDA.
2. Further Cost saving initiatives – under a poor/downside international scenario	Longer term initiatives if there is downside on International EFTS growth assumptions.
3. Financial performance monitoring and objectives	Identifies the high-level approach to budget management and financial controls, risk management plan, contingency planning, governance, monitoring and reporting arrangements and key review dates for programmes and operating functions

Basis for a Financial Improvement Plan

The Financial Improvement Plan represents a transitional view of Ara as a division of Te Pūkenga and is expected to be updated and refined as financial projections are updated and the outcome from expected financial improvement initiatives are updated. The key objectives of the Financial Improvement Plans are to:

- Enable the wider strategic and specific objectives of Te Pūkenga to be achieved, including those outlined in the Letter of Expectation from the Minister of Education (20th May 2024).
- Establish financial KPIs and programme targets associated with improving the financial performance of the division and assign senior management to be responsible for these.
- Develop a timeline as to when Ara will aim to achieve the target financial objectives.
- Define how the strategic and financial plans will be measured, managed, reviewed, and reiterated. Noting that these financial plans capture a current point in time and regular review and update of these plans is required.
- Demonstrate how the division can be financially viable, by having detailed plans that support this delivery.

Executive Summary (cont.)

Target Financial Metrics (Including Priority Cost-Out Initiatives)

Priority initiatives included within the forecast:

1. Consolidate and integrate SIT Delivery (FY25) – MAINZ and Trades
2. Faculty structures and Middle Management organisation design (FY25-26)
3. Support functions and operating cost saving targets (FY25-26)
4. Programme review – Ara Connect (FY25), other low margin programmes (FY25+)
5. s 9(2)(b)(ii) (FY25-26)

Key Assumptions:

- Return to SAC funding rates and equity funding from beginning of 2026.
- All priority initiatives included in the model are required to achieve the 4% Net Surplus and 11% EBITDA margin in 2026.
- Starting point was the budget submitted to Te Pūkenga for 2025 budgeting.
- Domestic EFTS – no growth (other than increase from MAINZ & SIT Trades transfers).
- International EFTS: FY25 (553 +15%), FY26 (663 + 24%), FY27 (763 +15%), FY28 (900 + 18%), representing moderate growth.
- Re-investment assumed for areas of necessity in achieving overall strategic plan and vision.

Ara Key Metrics	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-1%	1%	4%	5%	7%	7%
EBITDA Margin	9%	8%	11%	12%	14%	14%
Personnel to Revenue Ratio	68%	66%	64%	63%	62%	62%
Academic SSR	15.1	15.0	15.6	15.9	16.2	16.2
Allied (Non-Academic) to Academic Staff Ratio	1.02	1.02	1.03	1.03	1.03	1.03
Domestic Students (EFTS)	6,428	6,640	6,594	6,594	6,594	6,594
International Students (EFTS)	481	553	663	763	900	900
Total Students (EFTS)	6,909	7,193	7,258	7,357	7,495	7,495
Academic FTE	456	481	464	464	463	462
Non-Academic FTE	464	490	478	478	478	476
Total FTE	920	971	942	942	941	937
Total Programmes delivered	192	211	211	211	211	211
Programmes discontinued	0	3	0	0	0	0

Executive Summary (cont.)

Programmes MoP and Portfolio

s 9(2)(b)(ii)

The Financial Improvement Plan assumes a review of Ara Connect programmes from FY25

s 9(2)(b)(ii), s 9(2)(ba)(ii)

Aside from the Ara Connect Courses, no material change to the mix of provision is currently included within the forecast. Appendix A: outlines the Programme Viability and Strategic Analysis process that Ara undertakes with regards to reviewing its mix of provision.

There are opportunities for further investigation within the region for continued growth and development of programmes. However, under the current expectation of limited additional enrolment funding from the TEC this is more of a medium-term consideration for Ara.

People / Staffing

When benchmarked against sector averages, Ara is not only well within acceptable ranges but sets the standard for efficiency within the sector.

The establishment of Faculty structures at Ara in FY24, has resulted in a need to review existing leadership structures, s 9(2)(b)(ii), s 9(2)(ba)(ii)

Property / Capital Assets

s 9(2)(b)(ii)

Future Capital Works

Ara has a number of seismic strengthening issues to address. The forecasts include a placeholder provision for the N&S Block replacement (currently 17,974 sqm). The Financial Improvement Plan has a high-level placeholder based on a ~4,000 sqm total footprint replacement. This assumption requires further testing and validation.

Digital, Plant, and Equipment Investment has an annual forecast of ~\$4.7m, with an additional \$6.0m over three years (2% of revenue) to catch up on delays / address competitive pressures.

s 9(2)(b)(ii)

The Timaru campus has surplus land and buildings that could be deemed not-fit-for-purpose.

s 9(2)(b)(ii)

Further consideration needs to be given to the sale of these assets and required campus delivery, ensuring an alignment with Ara's intended future delivery in South Canterbury.

Executive Summary (cont.)

Key Objectives / Priority Initiatives

Long-Term Financial Planning

Vision 2030: Ara's 2030 vision document sets out Ara's key purpose as a standalone ITP. The document outlines Ara's commitment to drive regional development and make a significant impact on the world stage through education. Vision 2030 is Ara's commitment to making a real difference in the lives of our learners and the wider community.

To support its strategic goals, Ara will maintain a robust long-term financial plan that is both flexible and adaptable to changing economic and educational landscapes. The financial plan will be underpinned by the key detailed plans outlined in section three.

Priority Initiatives

1. Consolidate and Integrate SIT Delivery: Transfer of Trades Centre (Hornby) delivery from SIT at the beginning of FY25, with SIT responsible for the exit from Hornby campus.
 - a) Consolidation of SIT trades operations to Woolston Campus.
 - b) MAINZ operations moving from SIT at beginning of FY25.
2. Faculty structures and Middle Management organisation design: s 9(2)(ba)(ii)
3. s 9(2)(b)(ii)

Further Considerations

Governance and Reporting

The Financial Improvement Plan is to be governed by a Governance Board, as appointed by Te Pūkenga, until Advisory Boards are in place. The incoming Ara Chief Executive will have overall responsibility for the implementation and management of the Financial Improvement Plan with the Rohe 4 Executive Director taking responsibility as programme sponsor until the Chief Executive is appointed.

The Programme Sponsor (Darren Mitchell - Rohe 4 Executive Director) will be supported by Ara Te Kahui Manukura (the SLT) as a programme control board with Programme Leadership from s 9(2)(a), Director Strategy and Planning and s 9(2)(a), Regional Finance Director.

Project management will be provided by s 9(2)(a), senior project manager s 9(2)(a) and further support provided by Programme IR advisor: s 9(2)(a), Director of P&C and Programme Comms: s 9(2)(a). Other senior Ara staff will support the programme based on the requirements of each project initiative.

Risk Management

The plan identifies key risks and mitigation strategies, including:

- Disruptions to operations: Mitigated by detailed plans to maintain essential functions.
- Stakeholder resistance: Mitigated by open communication and stakeholder engagement.
- Financial uncertainties: Mitigated by robust financial models and regular updates.
- Quality of educational programmes: Mitigated by strong quality assurance mechanisms.

Executive Summary (cont.)

Internationalisation Strategy

The Internationalisation Strategy 2025-2026 document outlines Ara's plan to enhance its global presence and financial stability. This strategy is aligned with Ara's Vision 2030, aiming to elevate the institution's global reputation, diversify educational offerings, and foster research collaborations.

The plan is not only focused on attracting international students but also on preparing all students for global careers by promoting outbound education and increasing campus diversity via the focusing on the five key priorities:

Recruit: Increase international student enrolment to levels prior to the significant drop in EFTS due to the 2020 pandemic (realised in 2021) i.e. prior international EFTS 2019: 976 EFTS, 2020: 849 EFTS, 2021 372 EFTS.

Enrich: Establish five new strategic global partnerships s 9(2)(b)(ii).

Support: Achieve parity in outbound learner mobility.

Globalise: Develop globally relevant programs.

Connect: Survey exiting students and maintain alumni connections.

To support these priorities, the strategy identifies key enablers such as data-driven decision-making, leveraging technology, and fostering partnerships within the tertiary education sector. The plan also includes detailed quarterly KPIs to monitor progress and ensure accountability.

A summary of the key actions from the 2025-2026 plan are outlined on the right.

Key Actions From the Internationalisation Strategy

1. Target a 100% increase in student enrolment – success requires:
 - a) Implement targeted country plans with diversified products for better market fit.
 - b) Increase conversion from applications to enrolment.
 - c) Ara is attracting global scholars from diverse markets.
 - d) Streamlined agent relationships, with greater revenue from top agents.
2. Form five new global partnerships s 9(2)(b)(ii) – success requires:
 - a) Ara operates with best practice for global partnerships.
 - b) Increase institutions capability in Global Business Development.
3. Achieve parity in outbound learner mobility – success requires:
 - a) Increase prestige around outbound exchange and support study abroad initiatives.
 - b) 12 strong global relationships that benefit research and student numbers.
4. Improve Stakeholder Engagement – success requires:
 1. Regularly engage with faculty, admissions, and marketing teams to align goals and strategies.
 2. Conduct surveys and maintain connections with alumni to benchmark and improve student satisfaction.
5. Monitor and Report Progress:
 1. Establish quarterly KPIs and regular reporting mechanisms.
 2. Conduct progress reviews and adjust plans based on new research and market trends.

Section One: Priority Initiatives

PROACTIVELY RELEASED

Priority saving initiatives for Ara

Section One:
Priority Initiatives

Section Two:
Further Cost Saving Initiatives

Section Three:
Financial Performance Systems
& Objectives

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Area	Type	Description	Approx. Savings/Opportunity
1 MAINZ Transfer from SIT (FY25)	Delivery Consolidation	Transfer of MAINZ from SIT at beginning of FY25.	\$0.02m per annum in additional revenue from Q1 FY25.
2 Trades Transfer from SIT (FY25)	Delivery Consolidation	Transfer of Trades Centre (Hornby) delivery from SIT at beginning of FY25, with SIT responsible for the exit from Hornby campus. Consolidation of operations to Woolston Campus.	\$0.8m per annum in additional revenue from Q1 FY25.
3 Faculty structures and Middle Management organisation design (FY25)	FTE Reduction	s 9(2)(ba)(ii)	\$1.1-1.3m per annum in savings across the forecast period from Q2 FY25.
4 Support functions and operating cost savings targets (FY25-26).	FTE Reduction	s 9(2)(ba)(ii)	\$0.7m-\$0.9m per annum in savings across the forecast period from Q1 FY25.
5 Programme review		s 9(2)(b)(ii), s 9(2)(ba)(ii)	\$0.13m per annum in savings across the forecast period from Q1 FY26.
6		s 9(2)(b)(ii)	s 9(2)(b)(ii) across the forecast period from Q1 FY26.
7		s 9(2)(b)(ii)	s 9(2)(b)(ii) across the forecast period from Q1 FY26.
Longer term initiatives			
International growth strategy	Strategic planning	Strategy outlining Ara operations into foreign markets, including market selection, entry strategies, and risk management to achieve international growth and diversify revenue streams.	International revenue is forecast to be approximately 9% of FY26 revenue. The international growth strategy is a key document for Ara.
Domestic Delivery (academic portfolio)	Strategic planning	Strategy outlining Ara's plans to increase their market share and revenue domestically. Including identifying new market opportunities, enhancing product offerings, improving customer engagement, and optimising operational efficiency to drive growth locally.	Given current and forecast constraints on TEC funding. Initial focus should be ensuring the programmes are of sufficient scale and scope and delivering against regional needs.
Property strategy	Strategic planning	Property Strategy defining the approach for managing and optimising Ara's real estate assets. This includes decisions on property acquisition, development, maintenance, and divestment.	Property strategy to be refined particularly with regards regional delivery and Christchurch campus seismic requirements.
Digital strategy	Strategic planning	Strategy outlining the plan for leveraging digital technologies to enhance business operations, customer engagement, and revenue growth.	Key focus to ensure Ara maintains efficient delivery and student experience.

Workstreams

Section One:
Priority Initiatives

Section Two:
Further Cost Saving Initiatives

Section Three:
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& Objectives

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Workstream	Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
MAINZ and Trades delivery - SIT	1. MAINZ Transfer from SIT (FY25)	Transfer of the MAINZ and Trades SIT delivery into the Ara Delivery model and campus.	FY25-FY27	Medium	Low	Low	Medium	Low	Low	Change Management \$50k
	2. Trades Transfer from SIT (FY25)	<ul style="list-style-type: none"> - Consultation – October 2024 - Operations transferred to Ara – January 2025 								
Management and Support Function Structures	3. Faculty structures and Middle Management organisation design	s 9(2)(b)(ii), s 9(2)(ba)(ii)	FY25-FY26	Medium	Low	Low	Medium	Low	Medium	Change Management \$300k
	4. Support functions and operating cost savings targets									
Programme	5. Ara connect programme review	Programme review - s 9(2)(b)(ii), s 9(2)(ba)(ii)	FY25-FY26	Medium	Low	Low	Medium	Low	Medium	Change Management \$100k

Workstreams

Workstream	Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
s 9(2)(b)(ii)			FY26-FY29	Medium	Medium	Medium	Medium	High	Medium	Change Management \$50k

s 9(2)(b)(ii)

Key performance indicators

Section One:
Priority Initiatives

Section Two:
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The Financial Improvement Plan is bolstered by a set of key performance indicators (KPIs) designed to measure the overall success and progress of the plan and its initiatives. These plan-level KPIs are crucial for assessing the collective impact of all workstreams and ensuring alignment with the overarching financial goals. While the immediate timeframe targets improvements by the beginning of FY26 (Q1), continued measurement and assessment of these KPI's after the initial timeframe is recommended to ensure progress and forecast savings are achieved. *The savings indicated below are a per year target, off the 2025 baseline budget, they are not additional to the savings from the prior year.*

Initiative	Responsible	Measure	Savings/Additional Revenue per Quarter (Q4 FY24 – Q4 FY26)*					FY25	Q1 2026	Q2 2026	Q3 2026	Q4 2026	FY26
			Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025						
MAINZ Transfer from SIT (FY25)	Dean of Faculty of Applied Technology	Additional net surplus against existing base budget	-	\$6k	\$6k	\$6k	\$6k	\$25k	\$38k	\$38k	\$38k	\$38k	\$150k
Trades Transfer from SIT (FY25)	Dean of Faculty of Applied Technology	Additional net surplus against existing base budget	-	\$197k	\$197k	\$197k	\$197k	\$789k	\$268k	\$268k	\$268k	\$268k	\$1,072k
Faculty structures and Middle Management organisation design (FY25-26)	Faculty Deans and Director Strategy, Director Ako Excellence	Reduction in costs against existing budgets	-	-	\$365k	\$365k	\$365k	\$1,095k	\$321k	\$321k	\$321k	\$321k	\$1,287k
Support functions and operating cost savings targets (FY25-26)	Director Strategy, Regional Finance Director	Reduction in costs against existing budgets	-	-	\$224k	\$224k	\$224k	\$691k	\$231k	\$231k	\$231k	\$231k	\$924k
Programme review – § 9(2)(b)(i), § 9(2)(ba)(i)	Faculty Deans and Director People & Capability	Reduction in costs against existing budgets	-	-	-	-	-	-	\$33k	\$33k	\$33k	\$33k	\$131k
§ 9(2)(b)(ii)	Regional Executive Director	Reduction in costs against existing budgets	-	-	-	-	-	-	§ 9(2)(b)(ii)				
§ 9(2)(b)(ii)	Regional Executive Director	Reduction in costs against existing budgets	-	-	-	-	-	-	§ 9(2)(b)(ii)				

*Note: Below the line savings (i.e. Depreciation & Amortisation, net interest income) not considered in the table above.

Key performance indicators

Section One:
Priority Initiatives

Section Two:
Further Cost Saving Initiatives

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& Objectives

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To ensure the sustained success and growth of Ara, a set of longer-term KPIs have been set through to FY29 based on the financial model including the priority cost out initiatives and base assumptions outline on page 10.

As such, the KPI's assume successful implementation of the Financial Improvement Plan initiatives, 0% domestic growth, and achieving international growth to 663 EFTS by FY26.

The forecast financial statements are outlined from page 15.

An increase in FTE from FY25 is due to resources being established back in the Divisions, plus the integration of SIT Hornby campuses.

Ara Key Metrics	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin*	-1%	1%	4%	5%	7%	7%
EBITDA Margin	9%	8%	11%	12%	14%	14%
Personnel to Revenue Ratio	68%	66%	64%	63%	62%	62%
Academic SSR	15.1	15.0	15.6	15.9	16.2	16.2
Allied (Non-Academic) to Academic Staff Ratio	1.02	1.02	1.03	1.03	1.03	1.03
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International Students (EFTS)	481	553	663	763	900	900
Total Students (EFTS)	6,909	7,193	7,258	7,357	7,495	7,495
Academic FTE	456	481	464	464	463	462
Non-Academic FTE	464	490	478	478	478	476
Total FTE	920	971	942	942	941	937
Total Programmes delivered	192	211	211	211	211	211
Programmes discontinued	0	3	0	0	0	0

*Net Operating Surplus Margin is measured before unusualls and change costs

Forecast financials - Profit & Loss

All Units in \$m

Section One:
Priority Initiatives

Section Two:
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	FY24	FY25	FY26	FY27	FY28	FY29
Revenue						
Government Funding	\$66.5	\$77.0	\$80.7	\$82.3	\$83.9	\$85.5
Tuition Fees - Domestic Students	\$32.4	\$35.3	\$36.0	\$36.8	\$37.5	\$38.3
Tuition Fees - International Students	\$9.3	\$9.8	\$12.0	\$14.1	\$17.0	\$17.3
Other Teaching Income	\$5.2	\$3.8	\$3.5	\$3.6	\$3.7	\$3.8
Research Revenue	\$0.1	-	-	-	-	-
Trading Income	\$2.9	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Other Income	\$3.1	\$7.7	\$7.9	\$8.0	\$8.2	\$8.3
Total Revenue	\$119.4	\$134.1	\$140.5	\$145.2	\$150.7	\$153.6
Operating Expenses						
Wages and Salaries	(\$81.7)	(\$89.0)	(\$89.7)	(\$91.7)	(\$93.4)	(\$94.9)
Other Personnel Costs	-	-	-	-	-	-
Teaching Delivery	(\$8.5)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)
Research Costs	-	-	-	-	-	-
Infrastructure	(\$9.4)	(\$12.7)	(\$12.9)	(\$13.2)	(\$13.5)	(\$13.8)
Administration	(\$9.6)	(\$20.8)	(\$21.2)	(\$21.7)	(\$22.3)	(\$22.8)
Other Costs	-	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)
Total Operating Expenses	(\$109.2)	(\$123.3)	(\$124.7)	(\$127.5)	(\$130.1)	(\$132.4)
EBITDA	\$10.2	\$10.8	\$15.8	\$17.7	\$20.5	\$21.3
Depreciation and Amortisation	\$13.5	\$13.1	\$13.5	\$13.6	\$13.9	\$14.0
EBIT	(\$3.3)	(\$2.3)	\$2.4	\$4.1	\$6.6	\$7.2
Net Interest Income	\$2.6	\$4.1	\$3.8	\$3.8	\$3.3	\$3.4
Net Surplus Before Unusual Items	(\$0.7)	\$1.8	\$6.2	\$7.8	\$10.0	\$10.6
Unusual Items						
Gain / Loss on disposal of PPE	-	-	(\$3.1)	-	-	-
Other Unusual or Non-Recurring items	(\$0.4)	-	-	-	-	-
One-off Redundancy Costs	-	(\$1.2)	(\$0.5)	-	-	-
Teachout Costs	-	-	-	-	-	-
Change Costs	-	(\$0.3)	(\$0.3)	-	-	-
Total Unusual Items	(\$0.4)	(\$1.5)	(\$3.8)	-	-	-
Net Surplus/(Deficit)	(\$1.1)	\$0.3	\$2.4	\$7.8	\$10.0	\$10.6

FY25 Forecast EBITDA is comparable with FY24 EBITDA due to a number of central costs retuning to Ara from Te Pūkenga.

FY26 EBITDA has the benefit of additional SAC Funding – assumed to be \$2.1m, along with a number of the financial improvement initiatives, and further forecast increases in international tuition revenue.

Change cost and assumed redundancy costs are accounted for below the line resulting in a small forecast net surplus in FY25. s 9(2)(b)(ii)

Forecast EBITDA - \$ million



Forecast financials – Cash Flow

All Units in \$m

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	FY25	FY26	FY27	FY28	FY29
Operating Cash Flows					
Operating Inflows	\$133.8	\$140.4	\$145.1	\$150.6	\$153.6
Operating Outflows	(\$123.3)	(\$124.7)	(\$127.5)	(\$130.1)	(\$132.4)
Unusual & Non-recurring Items	(\$1.5)	(\$0.8)	-	-	-
Net Interest Income	\$4.1	\$3.9	\$3.9	\$3.5	\$3.5
Net Operating Cash Flow (CFO)	\$13.1	\$18.9	\$21.5	\$23.9	\$24.7
Investment Cash Flows					
Purchase of Assets	(\$19.4)	(\$10.2)	(\$31.4)	(\$31.8)	(\$12.3)
Sale of Surplus Assets	-	\$1.5	-	-	-
Other Investment Cash Flows	-	-	-	-	-
Net Investment Cash Flow (CFI)	(\$19.4)	(\$8.7)	(\$31.4)	(\$31.8)	(\$12.3)
Financing Cash Flows					
Commercial Debt	-	-	-	-	-
Crown Debt	-	-	-	-	-
Finance Leases	-	-	-	-	-
Other Financing Cash Flows	-	-	-	-	-
Net Financing Cash Flow (CFF)	-	-	-	-	-
Net Increase / (decrease) in Cash Held	(\$6.3)	\$10.2	(\$9.9)	(\$7.9)	\$12.5
Opening Cash Balance	\$88.8	\$82.5	\$92.7	\$82.8	\$74.9
Closing Cash Balance	\$82.5	\$92.7	\$82.8	\$74.9	\$87.4

Over the forecast period FY25 to FY29 net investment in capital expenditure (\$100.3m) is forecast to largely match forecast Net Operating Cash Flow (\$103.6m). As such, Ara is forecast to maintain its current level of cash holding over the forecast period.

s 9(2)(b)(iii)

Forecast financials - Balance sheet

All Units in \$m

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	FY24	FY25	FY26	FY27	FY28	FY29
Assets						
Current Assets						
Cash and Cash Equivalents	\$88.8	\$82.5	\$92.7	\$82.8	\$74.9	\$87.4
Trade & Other Receivables	\$2.2	\$2.5	\$2.6	\$2.7	\$2.8	\$2.9
Other Current Assets	-	-	-	-	-	-
Total Current Assets	\$94.0	\$88.0	\$98.3	\$88.5	\$80.7	\$93.2
Non-Current Assets						
Property, Plant and Equipment	\$393.2	\$388.1	\$392.2	\$384.9	\$427.9	\$426.2
Assets Under Construction	\$0.5	\$12.0	-	\$25.1	-	-
Other Non-Current Assets	\$6.2	\$6.2	\$6.2	\$6.2	\$6.2	\$6.2
Total Non-Current Assets	\$399.9	\$406.2	\$398.4	\$416.2	\$434.1	\$432.3
Total Assets	\$493.9	\$494.2	\$496.6	\$504.6	\$514.8	\$525.5
Liabilities						
Current Liabilities						
Trade & Other Payables	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8
Employee Entitlements	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7
Revenues in Advance	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8	\$10.8
Other Current Liabilities	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)
Other Financial Liabilities	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
Total Current Liabilities	\$22.3	\$22.3	\$22.3	\$22.3	\$22.3	\$22.3
Non-Current Liabilities						
External Debt	-	-	-	-	-	-
Intercompany Debt	-	-	-	-	-	-
Finance Leases	\$24.8	\$24.8	\$24.8	\$24.8	\$24.8	\$24.8
Employee Entitlements	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Total Non-Current Liabilities	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0
Total Liabilities	\$47.3	\$47.3	\$47.3	\$47.3	\$47.3	\$47.3
Net Assets	\$446.6	\$446.9	\$449.3	\$457.3	\$467.4	\$478.2
Equity						
General Funds	\$446.6	\$446.9	\$449.3	\$457.3	\$467.4	\$478.2
Crown Capitalisation / (Establishment Dividend)	-	-	-	-	-	-
Total Equity	\$446.6	\$446.9	\$449.3	\$457.3	\$467.4	\$478.2

Ara forecast closing cash holding of \$82.5m in FY25 provides a liquid funds ratio of 66% of annual forecast operating cash outflow in FY25.

\$53.6m of Ara's cash balance is currently accounted for as a restricted fund at Te Pūkenga, this is split between regional ring-fenced funds, historical earthquake proceeds and bequests – all known as ringfenced funds. s 9(2)(b)(ii)

With the removal of the ringfenced funds the Ara forecast FY25 closing cash balance is \$29.5m and forecast liquid funds ratio of ~25%. This would still be low risk rating for Ara under the TEC FMF Framework (refer to Appendix C).

Key assumptions & risks

Key Financial Assumptions

General Assumptions:

- Full SAC rates and equity funding to resume from January 2026. SAC Funding Plan Growth to not exceed 2% per annum.
- Annual Maximum Fee Movement of 6% in 2025, returning to 2% for remaining out-years.
- Salary Inflation increase by budgeted rate in 2025 and remains at 2% for remaining out-years.
- Inflation has been assumed to be 2% per annum as per Budget Economic and Fiscal Update 2024 Treasury Estimates.
- Programme Governance have requested that all divisions develop the Financial improvement plan based on the 0% domestic growth scenario, with moderate international growth.

Scenario Analysis:

Downside scenario focuses on slower international growth at Ara but maintains 0% domestic growth as this is lower than Ara's FY25 budget and anticipated growth projected by the MoE.

- Domestic EFTS Growth per annum (as outlined overpage):
 - Base Case: 0% across FY25-FY29
 - Upside: 0% in FY25, 1.6% across FY26-FY29
- International EFTS Growth per annum:
 - Downside: 10% in FY25 and FY26, 25% in FY27, 20% in FY28, and 3% in FY29
 - Base Case: 15% in FY25, 20% in FY26, 15% in FY27, 18% in FY28, and 0% in FY29
 - Upside: 19.6% in FY25, 18% in FY26, 15% in FY27, 15.3% in FY28, and 0% in FY29

Assumptions - continued

- EFTS to Academic FTE ratio:
 - Base Case: Moderate improvement on the current ratio of 15.2, reaching 16.0 from FY29 onwards.
- Non-Academic FTE to Academic ratios:
 - Base Case: Negligible improvement on the current ratio of 1.05, holding flat across the forecast period (FY25-FY29).
 - Upside: Increased improvement on the base case, reaching 0.99 from FY28 onwards.

Risks/Issues identified

General Risks/Issues:

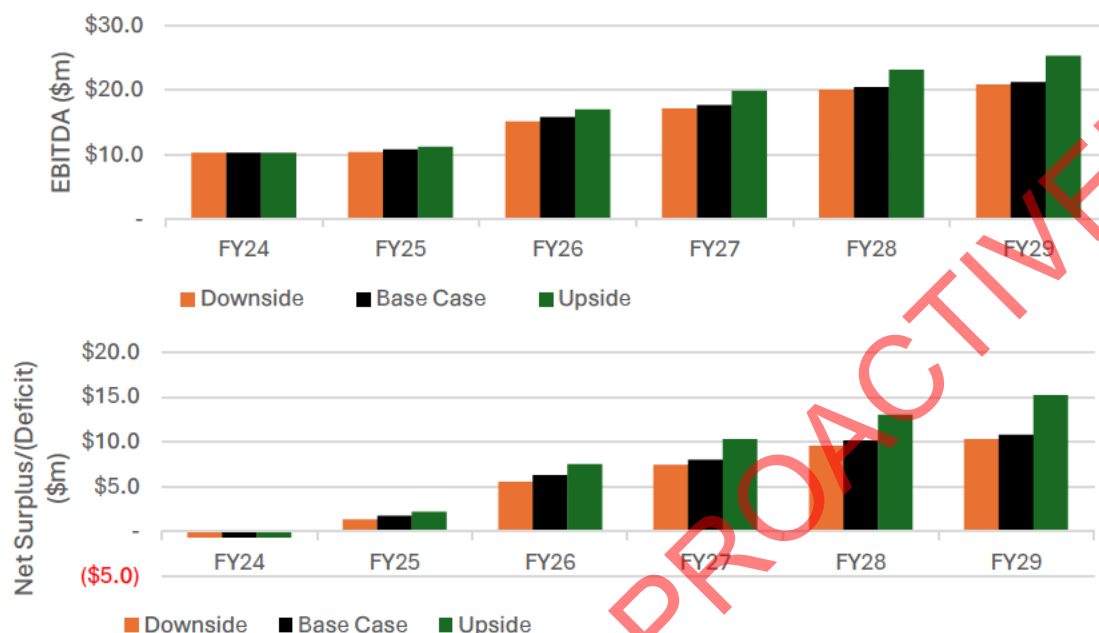
- Analysis and recommendations made are based on current information. Further data revisions, reforecasts and environmental changes within and from these entities that would materially change the recommendations provided have not been captured.
- Opening capitalisation for standalone entities in 2026 is currently unknown. It is assumed to have an opening cash balance of \$82.5m on 1 January 2026 as per the financial modelling.
- Readers should be weary when assessing SSR or Personnel to Revenue ratios considering the wide range of accounting conventions across the network and disparity between "healthy" SSR's across programmes, modes of delivery, and associated industries.

Scenario analysis and key sensitivities

Scenario Analysis

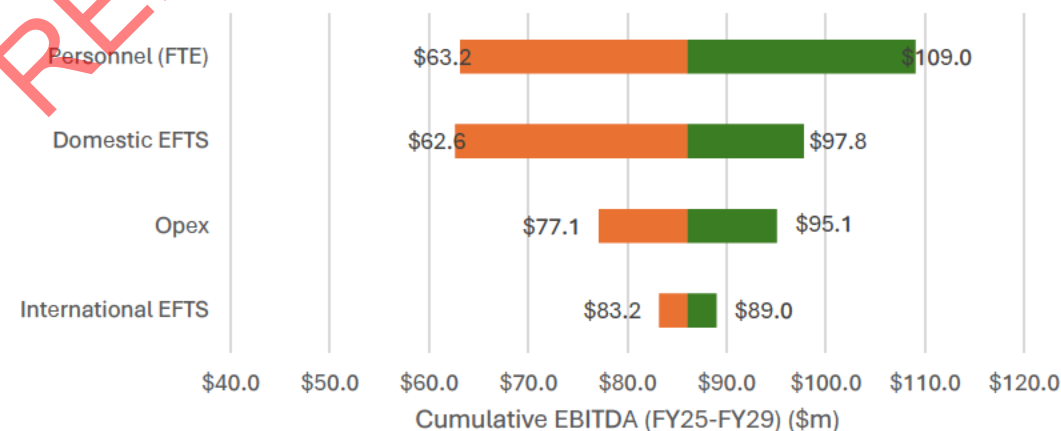
A scenario analysis was undertaken to evaluate how Ara's performance would under both a downside and upside scenario, comparative to the current base case. As the base case assumes 0% domestic growth, the downside primary focuses on lower international growth.

As such, Ara should plan for EBITDA scenarios between \$15.1m - \$17.0m in FY26 and should ensure that capital plans are developed and prioritised to have a number of stage gates should forecast free cash flow be lower than the base case projection. As previously noted, a key piece of planning are the seismic works required on Ara's City Campus.



Variable Sensitivities for EBITDA over FY25 – FY29

The chart below gives the indicative impact of variations across key variables that would impact cumulative EBITDA levels across the forecasted period (FY25-FY29). Fluctuations in Total FTE across the forecast period FY25-FY29 have the greatest effect on EBITDA, followed by fluctuations in Domestic EFTS. We also have assumed limited upside in SAC funding with a maximum TEC plan growth of 2% over the period. As such, there is more downside risk to Ara in Domestic EFTS.



Key Assumption	Sensitivity Range
Higher/Lower Total FTE	Sensitivity range for + / - 5% in Total FTE
Higher/Lower Domestic EFTS	Sensitivity range for + / - 5% in Domestic EFTS
Higher/Lower International EFTS	Sensitivity range for + / - 5% in International EFTS
Higher/Lower Opex	Sensitivity range for + / - 5% in Opex

Section Two: Further Cost Saving Initiatives

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Te Pūkenga

Further saving initiatives for Ara

Ara’s longer-term strategic view is based on continuing to grow the breadth and scope of their services to meet the vocational needs of the Canterbury region. Under scenarios where Ara’s international growth is slower than anticipated over the forecast period, lower domestic student numbers or higher personnel cost further financial improvement initiatives may have to be considered by Ara to meet the target financial objectives.

Area	Type	Description	Approx. Savings/Opportunity
1	s 9(2)(b)(ii)		
2	s 9(2)(b)(ii)		

Workstreams

Section One:
Priority Initiatives

Section Two:
Further Cost Saving Initiatives

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Workstream	Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
s 9(2)(b)(ii)			FY27	Low	Low	Low	Low	Low	Low	None
s 9(2)(b)(ii)			FY26-FY29	Medium	Medium	Medium	Medium	Medium/ High depending on outcome	Medium	TBC

Section Three: Financial Performance, Systems & Objectives

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Te Pūkenga

Governance & reporting

Section One:
Priority Initiatives

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Governance

A financial management group will be established internally for a period of three years, with the Chief Executive (CE) as the Sponsor and Te Kāhui Manukura (TKM) members assigned as workstream owners. The membership of the financial management group will be reviewed every six months to ensure that the outcomes of the financial improvement plan are being met.

This group will report to the Governance Group, as designated by Te Pūkenga until the Advisory Boards are established. The work of the financial management group will be supported by finance, internal communications and people and capability teams.

Management Group

The primary function of the management group is to provide comprehensive oversight, strategic guidance, and operational coordination to achieve the objectives of the financial improvement plan.

Key responsibilities include:

- Monitoring and evaluating the progress of the financial plan
- Identifying and addressing any challenges or risks that may impact the plan's success
- Ensuring alignment with organisational goals and strategic priorities
- Facilitating communication and collaboration among various stakeholders
- Making informed decisions to adjust the plan as necessary to meet its objectives
- Reporting regularly to the Governance Group on the group's activities and progress.

Reporting structure

A structured reporting framework approach is suggested to provide regular updates to the Governance Group, ensuring transparency and accountability in the implementation of various workstreams and initiatives.

The reporting framework will be quarterly (tracking will occur monthly), allowing for timely assessments and adjustments. The report will include detailed sections on the status updates of each workstream and initiative, highlighting progress, challenges, and any necessary actions. It will also track how these initiatives are performing against the annual savings targets, providing a clear picture of their financial impact. Additionally, the report will incorporate comprehensive financial information, such as budget allocations, expenditures, and any variances.

Existing reporting structures currently in place will be used to monitor the financial improvement plans and achievement of savings, using PowerBI reporting and Adaptive. Regular updates will also be included in Ara's monthly internal management reporting,

Formal Closure of the Financial Improvement Plan

The Financial Improvement Plan can only be closed with the owner (Chief Executive) seeking closure from the Governance Group following submission of a final report provided assessing Ara's achievement against the targets and closure of the initiatives.

Risk assessment & mitigation

Below outlines the risks associated with the plan as a whole, along with the corresponding mitigation strategies designed to minimise their impact. By acknowledging and addressing these risks, we can ensure the plan's objectives are achieved while maintaining stability and resilience throughout the implementation process.

Risk	Impact	Likelihood	Mitigation
1 Disruptions to the day-to-day operations of the entity, impacting its ability to deliver services and programmes effectively.	High	Low	<ul style="list-style-type: none"> Create detailed plans for maintaining essential operations during periods of change or disruption. This includes identifying critical functions, backup processes, and key personnel. Establish clear communication channels and coordination mechanisms to ensure quick response to any disruptions. Implement a structured change management process to manage the impact of changes on daily operations, ensuring minimal disruption to services and programmes.
2 Resistance from staff, students, or other stakeholders to changes implemented as part of the financial recovery plan.	High	Medium	<ul style="list-style-type: none"> Engage in open and transparent communication with all stakeholders to explain the necessity and benefits of the changes. Involve stakeholders in the decision-making process through consultations and feedback mechanisms to build trust and ownership. Provide support and flexibility to staff and students, and address concerns promptly.
3 Uncertainty in financial projections and funding, which can impact the sustainability of the recovery plan.	High	Low	<ul style="list-style-type: none"> Develop robust financial models and scenarios to anticipate and prepare for different financial outcomes. Regularly review and update financial plans based on actual performance and changing circumstances.
4 Changes implemented during the financial improvement plan could compromise the quality of educational programmes.	High	Low	<ul style="list-style-type: none"> Ensure that any changes to programmes are carefully assessed for their impact on quality and student outcomes. Implement and maintain strong quality assurance mechanisms. Consider, if necessary, alternative teaching delivery methods that can maintain or enhance programme quality, such as online or blended learning options.
5 Difficulties in divesting underutilised properties, which could delay financial benefits.	Medium	Low	<ul style="list-style-type: none"> Conduct thorough market analyses to determine the best timing and strategies for property divestment. Engage with real estate experts and market the properties effectively to attract potential buyers. Consider leasing options as an interim measure if immediate sale is not feasible.
6 Regulatory risks arises from changes in laws, regulations, or policies. Including new or amended legislation or regulatory requirements.	High	Medium	<ul style="list-style-type: none"> Monitor and analyse changes in relevant laws, regulations, and policies. Develop and maintain robust compliance frameworks that integrate new or changed regulatory obligations into the entities policies, procedures, and processes.
7 Negative impact on the division's reputation due to changes or disruptions.	Medium	Low	<ul style="list-style-type: none"> Maintain transparent and open communication with stakeholders to manage expectations and build trust. Develop a crisis management plan to address any reputational issues quickly and effectively.
8 Changes in market demand or enrolment patterns that could affect the division's financial plans.	Medium	Low	<ul style="list-style-type: none"> Conduct market research to stay informed about changing demand and trends. Implement flexible admission and enrolment processes to adapt to changing circumstances.
9 Challenges in implementing the financial improvement plan, including delays, cost overruns, or failure to achieve intended outcomes.	Medium	Low	<ul style="list-style-type: none"> Develop a detailed action plans per workstream with clear milestones and timelines. Regularly monitor progress, identify potential issues early, and make necessary adjustments to stay on track.

Financial Performance Systems

Section One:
Priority Initiatives

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Overview of Performance Systems and Objectives

Ara, a leading polytechnic in New Zealand, is committed to maintaining a balanced approach to financial management. In the short term, the division focuses on achieving cost savings and stringent cost control to ensure immediate financial stability. Ara remains dedicated to both its long-term aspirations by investing in strategic initiatives that foster sustainability, and delivery of its key education performance objectives. Regular updates to the financial plan, coupled with annual and semiannual reviews of key functions and programs, ensure that the institution adapts to changing conditions and meets its financial targets. This proactive approach aims to ensure that Ara retains financial viability, while continuously improving its educational offerings and operational efficiency.

Short-Term Focus:

- Achieve cost savings and cost control to stabilise finances.
- Implement strict budget management and expenditure monitoring.
- Prioritize essential services and eliminate non-essential expenses.

Long-Term Aspirations:

- Invest in strategic initiatives that align with future growth and sustainability.
- Reestablish PMO and lead change associated with new ways of working.
- Foster innovation and development in key vocational programmes.
- Maintain a balance between immediate financial health and long-term goals.

Financial Plan Updates:

- Regularly update the financial plan to reflect current conditions and projections.
- Ensure flexibility to adapt to changing economic and educational landscapes.
- Use data-driven insights to inform financial decisions and adjustments.

Targets and Viability:

- Set clear, achievable financial targets to guide performance.
- Monitor progress closely to ensure timely return to financial viability.
- Engage stakeholders in the financial planning process to foster transparency and accountability.

Review and Action:

- Conduct larger annual and semiannual reviews of key functions and programs alongside smaller monthly reports.
- Take decisive actions based on review outcomes to ensure continuous improvement.
- Implement a no-regrets policy, ensuring actions taken are beneficial regardless of future uncertainties.

How will the short-term focus be achieved?

Regular reviews and a structured approach to financial management will help ensure that the division remains on track to achieve its financial targets and return to financial viability.

Regular Monthly Financial Reporting:

- Conduct detailed monthly financial reports to track expenditures and revenues.
- Ensure transparency and accountability by sharing these reports with all relevant stakeholders.
- Foster a culture of continuous improvement and accountability across the organisation.

Monthly Reviews with CFO and Chief Executive:

- Hold monthly review meetings with the CFO and Chief Executive for all budget holders.
- Discuss financial performance, identify variances, and develop corrective actions.
- Emphasise the importance of budget holders taking responsibility for resolving their own budget issues, with additional funding considered only as a last resort.
- Finance Team to sense check run rate forecast and to ensure that budget holders are providing leadership with the best estimate for year end position, and there are no held contingencies for unlikely events or any surprises regarding cost not included within the forecast.
- Ara needs to foster a culture of accurate forecasting and budgeting – once enrolments are confirmed expectation should be the budget holders hit targets.

Budget Holder Accountability:

- Set clear expectations for budget holders to manage their budgets effectively. Ensure that this is set out in the Delegated Financial Authority Policy, and that there are sufficient measures for corrective action.
- Finance Team provides training and support to enhance their financial management skills.
- Encourage proactive problem-solving and innovation to address budget challenges.

People and Capability Support:

- Maintain a rigorous business case process for approving new positions. Ensure that any new hires align with strategic priorities and budget constraints.
- Collaborate with People & Capability (P&C) to support the Senior Leadership Team (SLT) in reviewing resourcing requirements and ensuring that the organisation is shifting resources before requesting new roles.
- P&C to work closely with SLT to monitor and enhance staff performance, ensuring the workload allocation for teaching and tribal benchmarking supports any required roles.

Focus on Improvement Initiatives:

- Utilise the reporting template to highlight and track improvement initiatives as per the report framework of the Financial Improvement Plan.

Long-Term Planning

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Long-Term Aspirations

To ensure that Ara not only survives but thrives, it must focus on its long-term aspirations and adapt to shifts in the mode of delivery and changes to programmes. By balancing short-term financial stability with long-term aspirations, Ara can create a resilient and thriving division that meets the needs of its students, staff, and stakeholders.

Strict financial management will enable the financial headroom for investment in strategic initiatives:

- Allocate resources to initiatives that align with future growth and sustainability.
- Focus on areas such as digital transformation, and industry partnerships.
- Ensure a fit for purpose framework is developed for business cases and pilots are developed to ensure that investment decisions are based on sound information.

Adapting to shifts in mode of delivery:

- Embrace innovative teaching methods, including online and hybrid learning models.
- Invest in technology and infrastructure to support flexible and accessible education.
- Continuously update curricula to reflect industry trends and future workforce needs.

Programme changes and development:

- Regularly review and update academic and vocational programs to ensure relevance and quality.
- Introduce new programs that cater to emerging fields and market demands.
- Foster a culture of continuous improvement and innovation in program delivery.

Focus on sustainability and growth:

- Implement initiatives that promote environmental sustainability and social responsibility.
- Strengthen community and industry engagement to enhance the division's reputation and impact.
- Pursue opportunities for growth, such as expanding international collaborations and student recruitment.

Continuous improvement and accountability:

- Conduct regular reviews of key functions and programs to identify areas for improvement.
- Monitor progress closely and adjust strategies as needed to stay on track with long-term goals.

Long-Term Planning Underpinned by Key Detailed Planning

To support its strategic goals, Ara will develop a robust long-term financial plan that is both flexible and adaptable to changing economic and educational landscapes. The financial planning will draw on the following key subsets of plans that require to be developed and updated to ensure that Ara can priorities its resources.

Key Areas of Focus in Long-Term Planning

	Plan	Key Content	Considerations for long / short-term planning
1	Domestic Delivery (academic portfolio)	Ensuring the programmes are of sufficient scale and scope and delivering against regional needs.	Updated programme profitability and ensure that enrolments trends are inline with market expectations. Testing market share for key areas of delivery.
2	International Growth and Sustainability	Strategy for reaching targets growth and ensuring Ara keeps ahead of market trends.	Annual targets for enrolments by programme, new products and channels to provide diversification. Defined investment requirements.
3	Academic Workforce Plan	Enables the short and long-term management of academic workforce.	Academic workloads are benchmarked and allocated based on demand requirements and linked to programme profitability.
4	Organisational Efficiency / Academic Support	Plan for academic support roles and efficiently projects that will enable improvements in workforce productivity.	Targeted academic support structure, and team size. Defined investment requirements to improve organisational efficiency.
5	Property Plan	Strategic document outline the vision and then detailed analysis for the for physical space requirements.	Outline key projects as per capital plan, with time and sequencing for delivery. Recommended that condition assessments undertaken on key facilities to establish BAU requirements and how this can be linked to strategic property development.
6	Digital Strategy	Provides the direction for key software platforms decisions and learner experience at Ara.	Total investment requirements, phasing and delivery consideration along with investment decisions existing infrastructure.

Bringing it all together

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Priority Initiatives

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Target Setting and Performance Management

To link all these elements together and ensure effective review and updating of KPIs, Ara can follow a structured process to embed a performance evaluation cycle. The purpose of this is to enable the key strategic plans to be developed and incorporated as part of the planning and budget rounds, then included within the enterprise reporting. This provides management and governance a single view of how the ITP is performing against the key objectives.

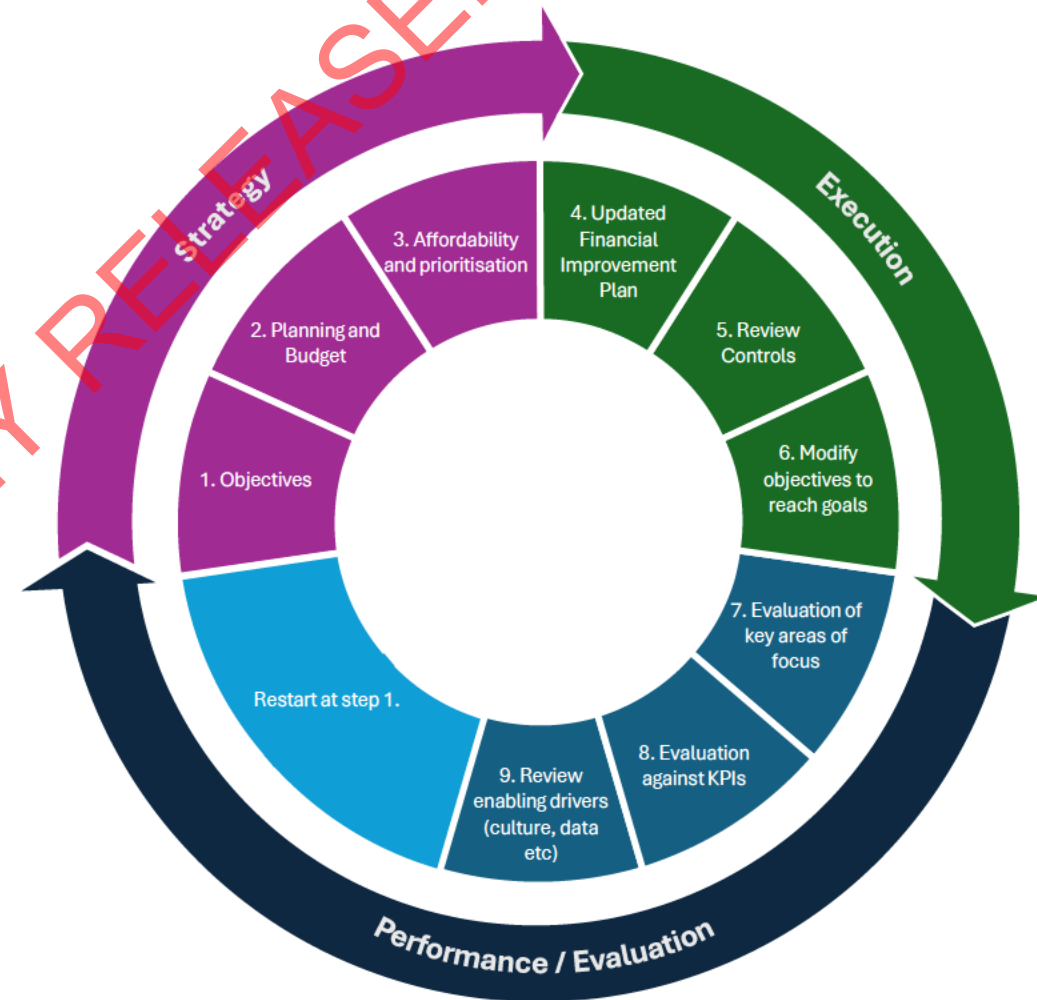
Performance reporting and KPI assessment are key functions of this framework to ensure that objectives are met, and Ara is investing in the key enabling drives such as organisational culture, data availability and stakeholder involvement.

As previously mentioned, a key challenge for Ara is to create the financial headroom to implement strategic plans hence the Financial Improvement Plans initial focus on improving the financial performance of Ara.

As such, it makes sense that Ara focuses on creating the financial headroom in FY25 and then works alongside the appointed governance and leadership to develop the key strategic direction for Ara following the anticipated 2026 spin out from Te Pūkenga.

It also makes sense to align as many KPI's with the required TEC reporting framework to ensure that reporting is efficient and there is clear communication between management, governance and the TEC.

Performance Evaluation Cycle



Appendices

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Te Pūkenga

Appendix A: Programmes Review Process Summary

Introduction:

The Programme Viability and Strategic Analysis (PVSA) addresses the need for balancing educational excellence with financial sustainability in the face of evolving market demands and technological changes. It introduces the PVSA approach, aimed at assessing programme performance, identifying unsustainable practices, and securing financial stability.

Objectives:

Three main objectives frame the PVSA:

1. **Assess and Address Underperformance:** Evaluate programme performance at both broad and granular levels to identify and address issues related to enrolment, financial performance, academic outcomes, and market relevance.
2. **Mitigate Unsustainable Practices:** Identify and eliminate practices that are financially, environmentally, or operationally unsustainable, proposing more efficient and adaptable models.
3. **Ensure Financial Stability:** Conduct thorough financial analyses to make informed decisions about programme continuation, modification, or cessation based on their financial and strategic value.

Methodology:

The overall PVSA process involves three key aspects.

1. **Data Collection and Analysis:** Using a comprehensive data pack covering programme performance from 2021 to 2023, excluding Trades Academy data.
2. **Team Collaboration:** Engaging internal teams such as Finance, Performance and Business Insights, and Marketing to validate findings and enhance analysis.
3. **Evaluation Criteria:** Assessing programmes based on enrolment thresholds, financial viability, strategic alignment, community and Treaty partner engagement, employment outcomes, and educational pathways.

Actions:

Implementation of this framework and associated processes can be identified in three adjacent steps.

1. Evaluate Data:

- Assemble a team with a comprehensive understanding of the programmes, Ara's strategic goals and operational aspects of the department.
- Organise the data in a structure that makes analysis easy, seeking support and guidance where necessary.
- Identify programmes that are underperforming based on predefined criteria such as enrolment numbers (EFTS). Seek further insights into financial viability, completion rates, relevance to Treaty partners, and market needs/aspirations.

2. Provide Evidence-based response for Underperforming programmes

- Scrutinise each programme's effectiveness and alignment with Ara's strategic and organisational priorities. Identify potential risks, benefits and strategic advantages associated with each programme.

s 9(2)(b)(ii)

- To remain on offer, an underperforming programme must provide evidence that it can:
 - Sustain itself financially despite its financial underperformance
 - Demonstrate alignment with Ara's broader strategic goals
 - Meet the specific needs of Iwi/hapu and local communities, including adherence to Treaty obligations
 - Contribute towards employment opportunities for graduates in industry
 - Contribute towards student advancement or fills a unique niche in the educational landscape.
 - For each underperforming programme prepare a detailed response that articulates the evidence and rationale for the programme continuation or cessation, clearly outlining how the programme meets the established criteria and proposed strategies for either addressing current challenges that would inform management on a decision of whether or not to exit the provision.
- ### 3. Ongoing Programme Review/Management
- Establish a framework for regularly monitoring the performance and impact of programmes that are continued, introduced or modified. This should involve setting benchmarks for success and timelines for re-evaluation to ensure objectives are being met.

Appendix B: Governance Structure / Terms of Reference

Purpose

The Transformation Programme Governance (TPG) group is established to oversee the Financial Improvement Programme at Ara.

It ensures alignment with Ara's Strategic Focus Areas and reports to Te Kāhui Manukura (TKM).

For clarity, the TPG group will take responsibility to the delivery of Ara's Financial Improvement Plan.

Membership

The TPSG includes:

- Darren Mitchell - Rohe 4 Executive Director
- s 9(2)(a), Director Strategy and Planning
- s 9(2)(a), Regional Finance Director
- s 9(2)(a), Senior Project Manager s 9(2)(a)
- Programme IR advisor: s 9(2)(a), Director of P&C
- Programme Comms: s 9(2)(a), Internal Communications Manager
- Others may be invited as needed.

Operations

- Chaired by the Rohe 4 Executive Director.
- Administrative support by the Senior Project Manager.
- Monthly meetings with agendas and papers distributed one week prior.
- Quarterly reports to TKM.

Functions

- **Governance and Support:** Provides governance, support, and direction to the Financial Improvement Programme.
- **Project Oversight:** Oversees project pipelines, assigns Project Control Groups (PCGs), and ensures projects are within budget, time, and scope.
- **Standards and Processes:** Approves project delivery standards and processes.
- **Resource Management:** Resolves resource and directional issues, assigns tolerances, and handles escalations.
- **Risk Management:** Maintains an overview of key risks and ensures appropriate mitigation processes.

Guiding Principles

Projects should:

- Document and understand costs and benefits.
- Integrate with current strategies and platforms.
- Avoid creating duplicate data or services.
- Optimise use of Ara resources.
- Improve organisational efficiencies.
- Maintain a sustainable rate of change.
- Be understood and accepted by affected areas.
- Meet technical and architectural standards.
- Fit within Ara's risk profile.

Structural Context

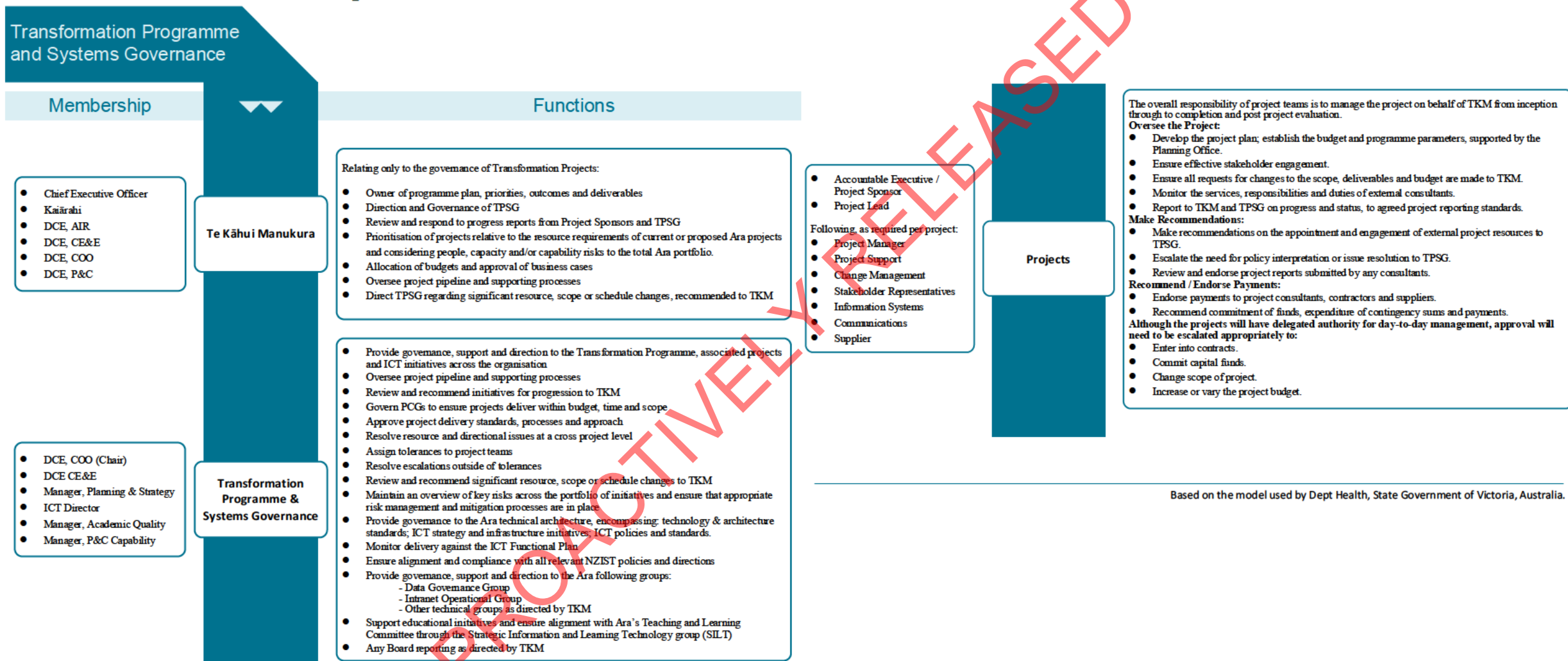
TPG operates within the broader governance structure of Ara, ensuring alignment with strategic priorities and effective resource allocation.

This summary provides an overview of the key elements and responsibilities of the TPG as that will be outlined in an updated Terms of Reference document, with a summary visual on the next page.

Appendix B: Governance Structure – An example of previous roles and responsibilities model utilised at Ara

Approved

A3



C: Reporting template – Financial Improvement Plan template

Ara Financial Improvement Plan Status Report

Programme Status Report as at: [date]

Approved by: [Programme Owner]

Current programme status: [RAG rating]

Programme Description:

The Financial Improvement Plan has been established to achieve a 2.0% net surplus and sight an 11% EBITDA to revenue margin as the target financial benchmark by FY26.

Progress commentary:

[insert commentary on progress against the plan]

Workstream	Initiative		Status (RAG)	Commentary	Savings achieved- relative to plan
Personnel	1				
	2				
Expenditure	3				
	4				

Status	Key	%
R – Red		Unlikely to achieve 85% of target
A – Amber		Within 15% of all targets achieved
G – Green		100%+ of target achieved.

C: Reporting template – Initiative template

Workstream	Initiative	RAG Status for FIP	Actions & Millstones	Commentary	Identified risk commentary	Planned Annual Savings / Uplift	Forecast Annual Savings / Uplift
	1						
	2						
	3						
	4						
	5						

C: Reporting template – Change Request

Workstream	Initiative		Planned Annual Savings / Uplift	Forecast Annual Savings / Uplift	Change Log	Description	Approved / Rejected
[Name]	[#]	[Initiative Name]			[Unique Change Number]	[Description]	[Outcome]

Area of focus	Description	Further Comment
Describe the nature of the change request	[What has been done, what is the proposed change]	
What are the implications on cost and budget	[Describe the level of impact on the forecast annual savings uplift]	
What is the impact to the scope for the Financial Improvement Plan	[Outline any impact on scope, proposed solutions]	
What is the impact to timing	[How are the benefits timing impacted]	
Change process	[Outline the change process – ie under what delegated authority will be change be approved – ie Management or Governance Approval]	[Subject to confirmation with governance, expectation is any changes outside the agreed tolerance.]

Status	Key	%
R – Red		Unlikely to achieve 85% of target
A – Amber		Within 15% of all targets achieved
G – Green		100%+ of target achieved.

C: Reporting template – Change Log

Change Log #	Description	Approved / Rejected – Chief Executive	Approved / Rejected – Governance (if required)
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]

C: Reporting template – Financial Improvement Plan template

Ara Financial Reporting Status

[Insert commentary from management report on budget tracking]

Current Year Financial Summary:

[Set out current financial performance against budget]

Implications for FIP Targets:

[insert commentary on progress against the plan. This should outline any key issues with regards to cost over runs in capital projects, higher personnel cost or lower enrolments that are going to require mitigation against the P&L]

Status	Key	%
R – Red		Unlikely to achieve 85% of target
A – Amber		Within 15% of all targets achieved
G – Green		100%+ of target achieved.

Ara Key Metrics	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-1%	1%	4%	5%	7%	7%
EBITDA Margin	9%	8%	11%	12%	14%	14%
Personnel to Revenue Ratio	68%	66%	64%	63%	62%	62%
Academic SSR	15.1	15.0	15.6	15.9	16.2	16.2
Allied (Non-Academic) to Academic Staff Ratio	1.02	1.02	1.03	1.03	1.03	1.03
Domestic Students (EFTS)	6,428	6,640	6,594	6,594	6,594	6,594
International Students (EFTS)	481	553	663	763	900	900
Total Students (EFTS)	6,909	7,193	7,258	7,357	7,495	7,495
Academic FTE	456	481	464	464	463	462
Non-Academic FTE	464	490	478	478	478	476
Total FTE	920	971	942	942	941	937
Total Programmes delivered	192	211	211	211	211	211
Programmes discontinued	0	3	0	0	0	0

C: Reporting template – Detailed Target Reporting

Current Actual / Forecast Metrics

Ara	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-1%	1%	4%	5%	7%	7%
EBITDA Margin	9%	8%	11%	12%	14%	14%
Personnel to Revenue Ratio	68%	66%	64%	63%	62%	62%
Academic SSR	15.1	15.0	15.6	15.9	16.2	16.2
Allied (Non-Academic) to Academic Staff Ratio	1.02	1.02	1.03	1.03	1.03	1.03
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Non-Academic FTE	464	490	478	478	478	476
Total FTE	920	971	942	942	941	937
Total Programmes delivered	192	211	211	211	211	211
Programmes discontinued	0	3	0	0	0	0

Target Metrics

Ara	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-1%	1%	4%	5%	7%	7%
EBITDA Margin	9%	8%	11%	12%	14%	14%
Personnel to Revenue Ratio	68%	66%	64%	63%	62%	62%
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Domestic Students (EFTS)	6,428	6,640	6,594	6,594	6,594	6,594
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Non-Academic FTE	464	490	478	478	478	476
Total FTE	920	971	942	942	941	937
Total Programmes delivered	192	211	211	211	211	211
Programmes discontinued	0	3	0	0	0	0

Actual / Forecast less Target

Ara	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-%	-%	-%	-%	-%	-%
EBITDA Margin	-%	-%	-%	-%	-%	-%
Personnel to Revenue Ratio	-%	-%	-%	-%	-%	-%
Academic SSR	-	-	-	-	-	-
Allied (Non-Academic) to Academic Staff Ratio	-	-	-	-	-	-
Domestic Students (EFTS)	-	-	-	-	-	-
International Students (EFTS)	-	-	-	-	-	-
Total Students (EFTS)	-	-	-	-	-	-
Academic FTE	-	-	-	-	-	-
Non-Academic FTE	-	-	-	-	-	-
Total FTE	-	-	-	-	-	-
Total Programmes delivered	-	-	-	-	-	-
Programmes discontinued	-	-	-	-	-	-

C: Financial Monitoring via the FMF

Adopting FMF Framework for the Division

One of the Tertiary Education Commission's (TEC) core functions is to monitor tertiary education institutions (TEIs) and report to the Minister responsible for Tertiary Education on the financial performance of the tertiary sector. There are two primary sections within the Education and Training Act 2020 (the Act) that set the foundation of the TEC's monitoring of TEIs' operations and viability. These are:

- Section 281(1)(e) of the Act requires that a TEI Council must “ensure that the institution operates in a financially responsible manner that ensures efficient use of resources and maintains the institution's long-term viability”.
- Section 405(1)(a) of the Act states that the Chief Executive of the TEC “must, on an ongoing basis, monitor institutions that receive funding in order to assess whether the operation or long-term viability of any of those institutions is at risk”.

The Financial Monitoring Framework (FMF) is a tool used to monitor TEIs' financial performance. The FMF itself has primarily been designed for larger universities and Te Pūkenga as a consolidated building division. However, the ratios it includes do make sense to apply to Ara to provide guidance on any high-risk metrics and can still be used as a tool for management and governance to assess the financial viability of each institution. This should be updated alongside the reporting template on a regular basis. Set out in the adjacent table are the FMF metrics for the Profitability, Liquidity and Debt Affordability Ratios.

[Source: Risk assessment process for tertiary education institutions - and the Tertiary Education Commission's financial monitoring framework](#)

Key Ratios

Measures	Ratio	Definition / calculation	Scoring table performance bands:					
			<ul style="list-style-type: none">A score of three and above is considered low riskA score of three to two is considered moderate riskA score of two and below is considered high risk					
Scores			0	1	2	3	4	5
Profitability	Operating Surplus/Deficit	Operating Surplus/Deficit before/after trust and abnormal items, to total income.	< -4%	-4% to 0%	0% to 2%	2% to 4%	4% to 6%	6% +
Profitability	Core Earnings	EBITDA to total income.	< 5%	5% to 9%	9% to 11%	11% to 13%	13% to 15%	15% +
Liquidity	Liquid Funds Ratio	Liquid assets less short-term overdrafts to cash outflow (payments) from operations.	< 5%	5% to 10%	10% to 15%	15% to 20%	20% to 25%	25% +
Liquidity	Net Cashflow from Operations	Cash inflow (receipts) from operations to Cash outflow (payments) from operations.	< 104%	104% to 108%	108% to 111%	111% to 113%	113% to 115%	115% +
Debt Affordability	Debt Affordability	Total Debt to EBITDA.	> 4.0x	3.0x to 4.0x	2.0x to 3.0x	1.5x to 2.0x	0x to 1.5x	0
Debt Affordability	Interest Strain	Interest Paid (within year) to Revenue	> 3%	2.25% to 3%	1.5% to 2.25%	0.75% to 1.5%	0% to 0.75%	< 0%
Debt Affordability	Debt Equity Ratio	Total Debt to Total Debt plus Equity.	25% +	15% to 25%	7.5% to 15%	> 0% to 7.5%	0% & Core Earning <12%	0% & Core Earning >12%

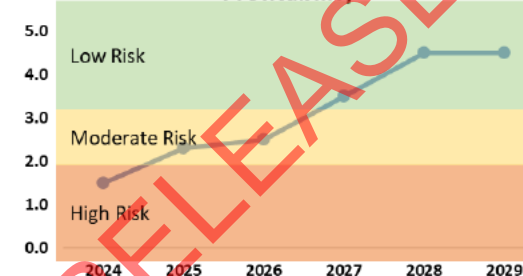
C: Assessment against the Financial Monitoring Framework

Ratios & Scores

	Weighting	FY24	FY25	FY26	FY27	FY28	FY29
Profitability							
Profitability measures:							
Operating Surplus/Deficit - Before Trust and Abnormal Items (5 year rolling average)		0.7%	2.1%	3.8%	5.3%	6.3%	6.7%
Operating Surplus/Deficit - Including Trust and Abnormal Items (5 year rolling average)		0.0%	1.4%	3.4%	5.1%	6.2%	6.7%
Core Earnings (5 year rolling average)		8.8%	9.3%	10.8%	12.0%	13.1%	13.5%
Resulting in profitability scores of:							
Operating Surplus/Deficit - Before Trust and Abnormal Items (5 year rolling average)	30%	2.0	3.0	3.0	4.0	5.0	5.0
Operating Surplus/Deficit - Including Trust and Abnormal Items (5 year rolling average)	20%	2.0	2.0	3.0	4.0	5.0	5.0
Core Earnings (5 year rolling average)	50%	1.0	2.0	2.0	3.0	4.0	4.0
Average Profitability Score		1.5	2.3	2.5	3.5	4.5	4.5
Liquidity							
Liquidity measures:							
Liquid Funds ratio (5 year rolling average)		73.5%	71.2%	70.0%	67.9%	64.7%	65.4%
Net Cashflow From Operations (5 year rolling average)		106.6%	108.7%	112.1%	114.3%	115.3%	115.9%
Resulting in liquidity scores of:							
Liquid Funds ratio (5 year rolling average)	50%	5.0	5.0	5.0	5.0	5.0	5.0
Net Cashflow From Operations (5 year rolling average)	50%	1.0	2.0	3.0	4.0	5.0	5.0
Average Liquidity Score		3.0	3.5	4.0	4.5	5.0	5.0
Debt Affordability							
Debt Affordability measures:							
Debt Affordability (5 year rolling average)		-	-	-	-	-	-
Interest Strain (5 year rolling average)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Equity Ratio (5 year rolling average)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Resulting in debt affordability scores of:							
Debt Affordability (5 year rolling average)	50%	5.0	5.0	5.0	5.0	5.0	5.0
Interest Strain (5 year rolling average)	25%	5.0	5.0	5.0	5.0	5.0	5.0
Debt Equity Ratio (5 year rolling average)	25%	4.0	4.0	4.0	5.0	5.0	5.0
Average Debt Affordability Score		4.8	4.8	4.8	5.0	5.0	5.0

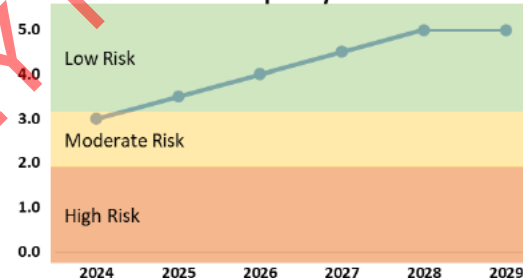
Commentary

Profitability



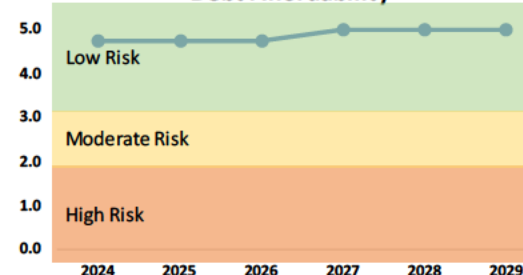
Under the FMF, Ara is projected to have moderate profitability over the short term (FY24-FY26). Through the combined efforts of rationalisation of Ara's cost-base and seizure of additional revenue opportunities Ara reaches a low-risk position before the end of the forecasted period (FY27).

Liquidity



Under the FMF, Ara is forecasted to maintain/improve its liquidity position over the forecasted period (FY25-FY29).

Debt Affordability



Under the FMF, Ara is forecasted to maintain/improve its debt affordability position over the forecasted period (FY25-FY29).