



# Te Pūkenga

8 September 2025

## Te Pūkenga - Proactive release of Regional ITP Viability reports

### Purpose

This document provides background to the following proactively released Regional ITP<sup>1</sup> 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](https://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.

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<sup>1</sup> 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.

Approved

# NorthTec

Regional ITP Viability Programme  
Phase 2b Insights Report

22 November 2024

PROACTIVELY RELEASED



**NorthTec**  
TAI TOKERAU WĀNANGA

 calibre  
partners

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PROACTIVELY RELEASED

On 5 December 2023 Te Pūkenga Council (the Council) received a letter of expectations (LoE) 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.”

Over May and June 2024, Te Pūkenga has been undertaking 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.

TEC has also directed Te Pūkenga obtain Specialist Help under section 332 of the Education and Training Act 2020. This Specialist Help will focus on considering what is required to support a pathway to viability working in partnership with Te Pūkenga staff (requirements are further outlined later in this document).

Cabinet considered proposals on the future of regional business divisions (ITPs) and work-based learning divisions of Te Pūkenga presented by the Minister on 1 July 2024. These proposals are subject to a six-week consultation process which is proposed to begin in early August 2024.

Four phases of work are envisaged:

**Phase 1** Discovery and Information Gathering - Initial Findings Report

- Confirm Phase 2 requirements

**Phase 2** Operating Model and Financial Improvement Plan

- Decision / Government engagement

**Phase 3** Implementation Plan Development

**Phase 4** Implementation

This report is our Phase 2 report and reflects the following scope:

- Design and propose a preferred operating model, including academic and non-academic staffing requirements.
- Identify what capital assets would be required to deliver the chosen operating model and support the proposed delivery. This should consider the divestment opportunities of any surplus assets or identified additional working capital.

Phase 2 to cover the following requirements:

- Provide analysis and assessment of ITP viability, the scale and scope of change required to achieve this and identified key risks.
- Design and propose a preferred Operating Model (including academic and non-academic staffing requirements to meet regional vocational training needs) / Financial Improvement Plan / Merger Plan, including a Profit and Loss and Balance sheet to 2030 FY, and initiatives that underpin this
- Identify what property and capital assets would be required to deliver the chosen operating model and support the proposed delivery. This should consider the divestment opportunities of any surplus assets or identified additional working capital.
- Consider the key risks and provide financial analyses to support the proposed approach to making the entity viable, if possible.

Phase 2 also originally included undertaking engagement with key regional stakeholders to determine the impact of any proposed plans at a high level for regional vocational education and training. However, this section of the scope was withdrawn.

This report should be read in conjunction with the terms and conditions of the CSO dated 10 September 2024 and our Phase 1 report dated 4 September 2024.

Future state

The FIP detailed in this report (or alternatively, NorthTec's own operating plan) shows that there is no clear pathway to financial viability for NorthTec as a standalone institution. We consider there is a strong case for a merger, particularly as a more established ITP will be able to instil the required management discipline and accountability that has been lacking at NorthTec.

## NorthTec – future state

- NorthTec has been on a continual path of decline since its peak in 2018 / 2019. Since that time:
  - EFTS have decreased ~40%;
  - It has lost significant market share; and
  - Support costs have not been 'right-sized' to match the decline.
- There is limited awareness of the financial underperformance and the drivers of that performance, and a clear lack of accountability, discipline and capability throughout the organisation.
- We have serious concerns about NorthTec's ability to:
  - Execute its FY25 operating plan, particularly if declining trends continue; and
  - Implement the change programme.
- NorthTec's viability is dependent on it acting now to mitigate risks and improve performance.
- It is apparent from our engagement with stakeholders that maintaining face-to-face delivery in the region is of critical importance. NorthTec faces a structural issue in terms of its support costs. Specifically, to be a standalone organisation there is a base level of support structures required which the estimated contribution from programmes is insufficient to fund.
- Accordingly, we have considered alternative operating structures which could see delivery continuing in the region in a financially viable manner (refer opposite). We consider there is a strong case for a merger, particularly as a more established ITP will be able to instill discipline and accountability within NorthTec.
- NorthTec may also be a candidate for the Federation. However, we do not have information on the criteria required for entry into the Federation. s 9(2)(b)(ii), s 9(2)(g)(i)

01

### Merger / Takeover

- NorthTec to merge with a more established ITP.
- NorthTec would benefit from:
  - Economies of scale regarding support services;
  - Merge partner instilling the management and operating processes, disciplines and accountability that is currently lacking at NorthTec; and
  - Expertise in resetting and developing a sound international strategy.
- A merged institution could also be more competitive in the region, assisting in NorthTec gaining back some of its lost market share.

02

### Shared services

- NorthTec to partner with one (or more) ITP's which are in a similar financial position.
- Goal would be for all participants to benefit from economies of scale by sharing support services that do not need to be located on-campus.

Regardless of NorthTec's future state, the improvement initiatives set out in this report should be pursued immediately in order to ensure NorthTec is in a better financial position than it is currently.

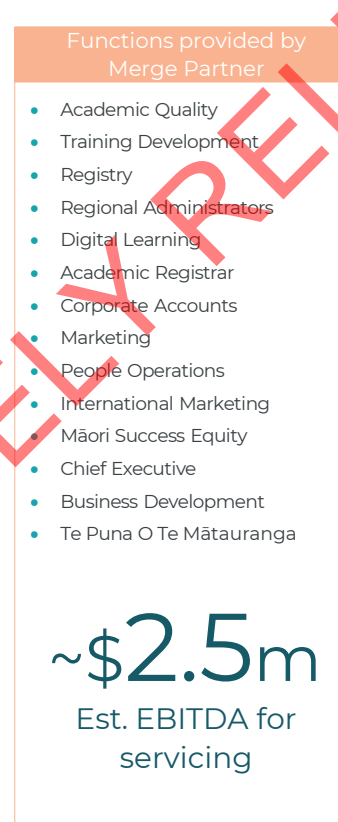
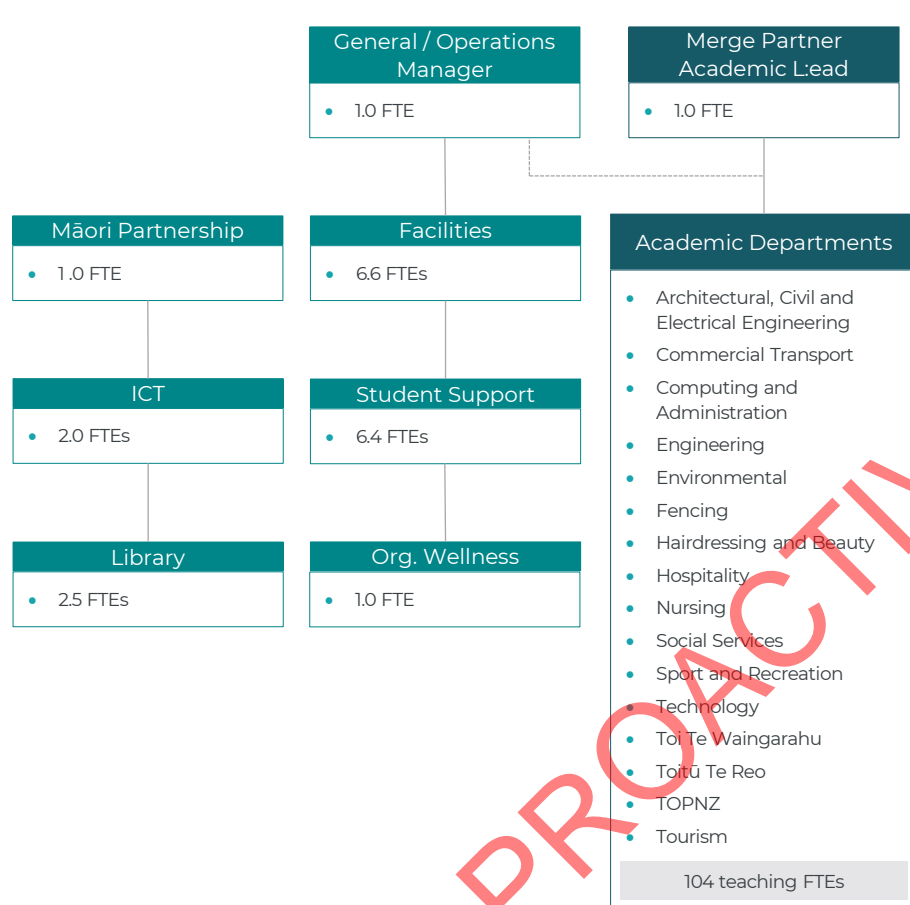
# Future state

## Merger / takeover

Approved

We consider leadership, discipline and accountability are the critical benefits that would flow to NorthTec from a proposed merger (in addition to the likely financial benefits). Our preliminary analysis shows that a

could provide the support services NorthTec would need within the estimated available funding of \$2.5 million, avoiding losses. We consider that would also be the position if NorthTec were to merge



- We have undertaken high-level analysis to assess the surplus contribution that may be available in a merger scenario if NorthTec itself is only to provide teaching and core on-site services.
- This would see NorthTec continuing to provide the following services and incur the associated costs
  - Face to face delivery continues in the region per the FIP.
  - Property / facility related costs continue to be incurred specific to a rationalised property footprint.
  - Senior Leadership – 1 x FTE as the regional lead, supported by a strategic partnerships and Māori success lead. We consider this critical to facilitate engagement within the region given NorthTec's declining market position and its wider objectives.
  - IT operating costs are maintained, with rationalisation of personnel. There may be further savings in this area in the future.
  - Student Support and Library.
- After allowing for the above, our analysis shows residual EBITDA of circa \$2 million to \$2.5 million would be available to a merge partner.
- Initial analysis indicates the additional workload taken on by a merge partner could be funded with the residual available funding. Further work is required to firm up assumptions to determine achievability.

# Future state

## Shared services

Approved

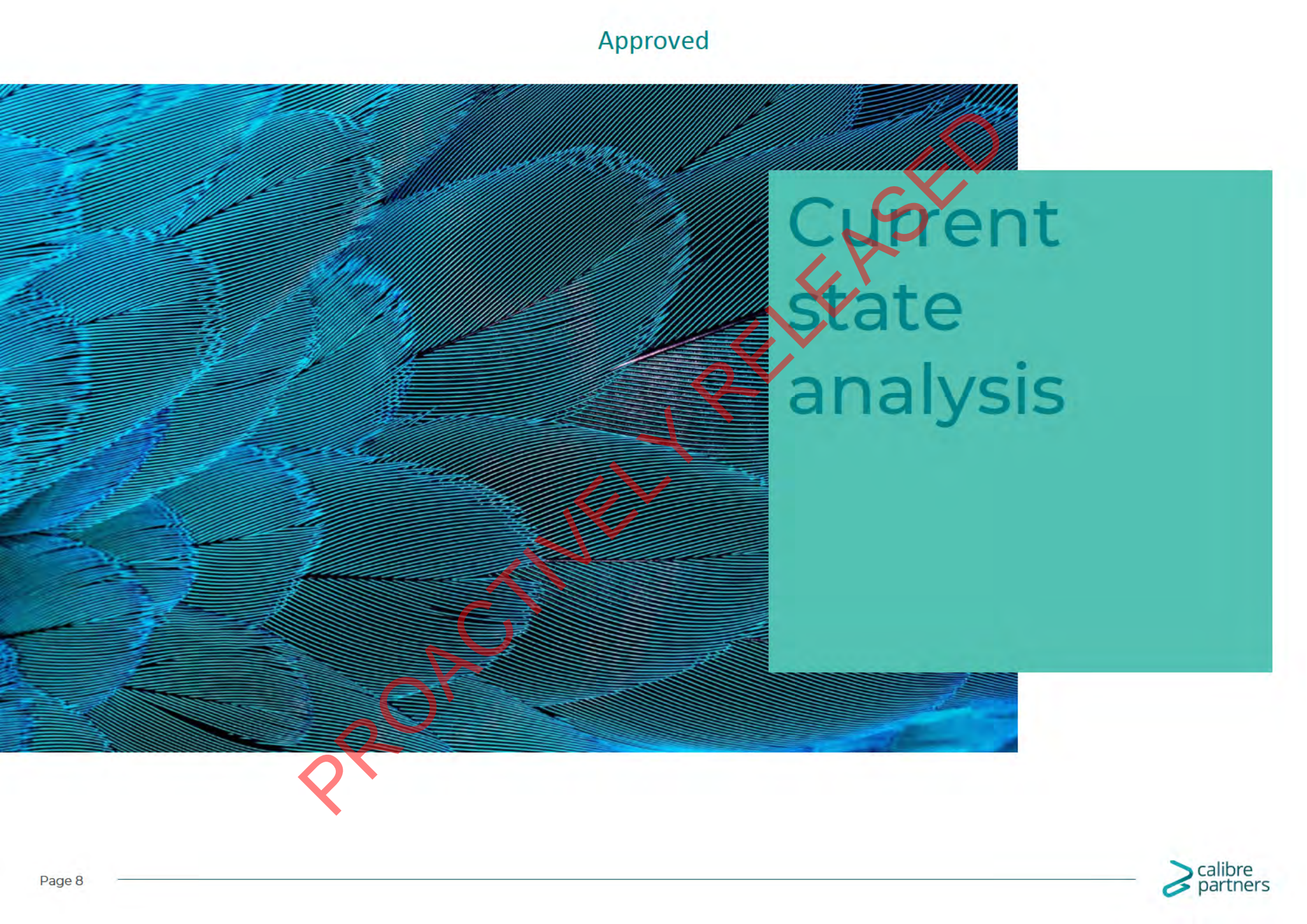
Under a shared services arrangement the costs associated with maintaining a governance structure and ELT would mean there would be limited contribution available to fund the outsourced functions. In addition, NorthTec would not benefit from the organisational disciplines which would result from a merger.



- Consistent with the merger analysis, we consider the same set of functions could be 'outsourced' from NorthTec into a shared services model.

s 9(2)(b)(ii)

- We do not consider that a shared services model would provide the same benefits that a proposed merger could deliver. Specifically:
  - Financial benefits:** A full ELT would be required to stay in place at significant cost. In addition, once Te Pūkenga is ultimately disestablished, NorthTec would be required to implement a governance structure. Again, this would come at a cost
  - Organisational discipline:** NorthTec would not benefit from the leadership and disciplines which would be instilled by a merger partner. This will make a turnaround more difficult and likely lengthen the timeframe to capture financial benefits.



# Current state analysis

# Current state analysis

NorthTec Overview

Approved



## 7 campuses

(2 main campuses in Whangārei plus regional campuses)



## 22 Departments



**FY24 EFTS 1,728**

*FY23 EFTS 1,726*



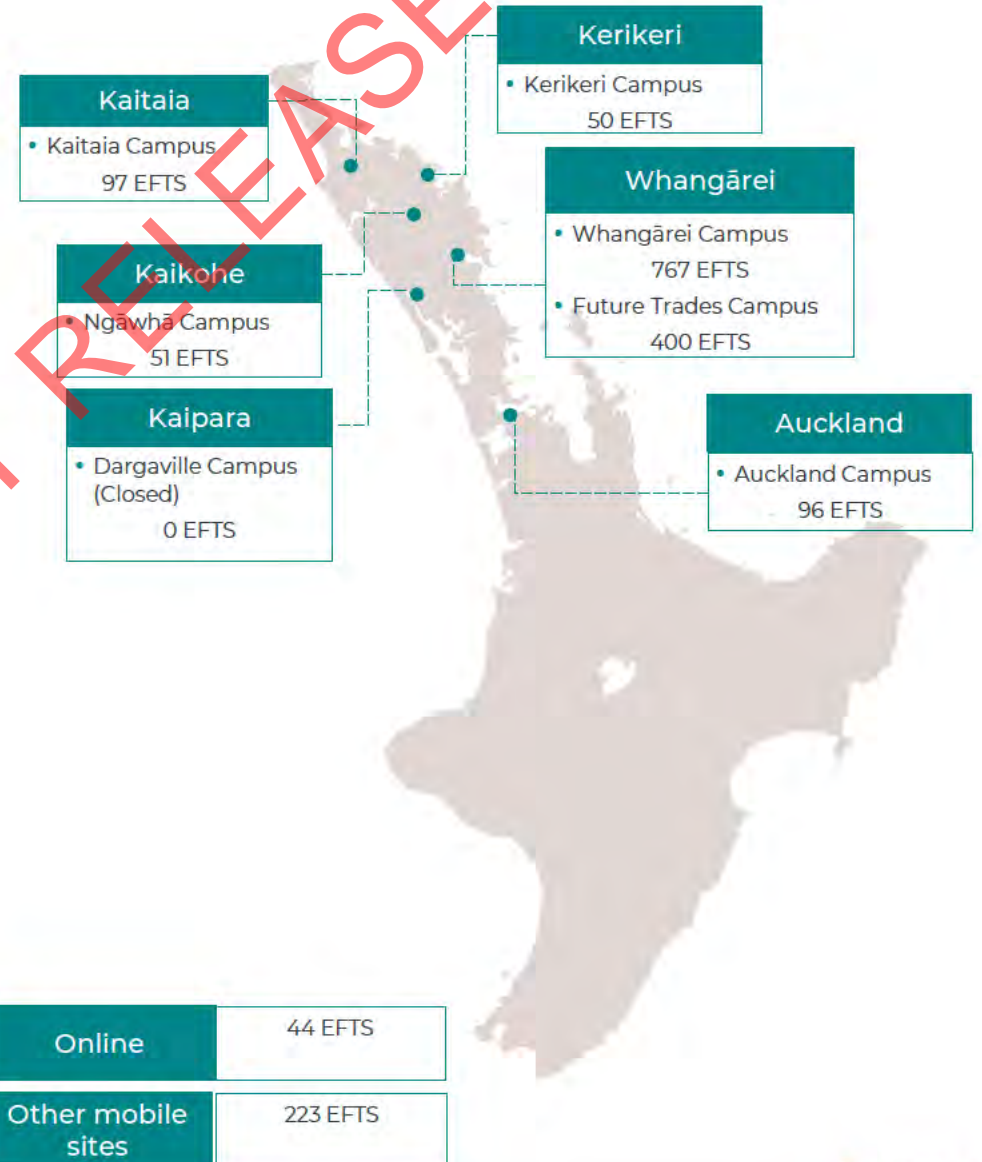
**FY24 revenue \$26.1 million**

*FY23 revenue \$27.1 million*



**FY24 deficit (\$7.1) million**

*FY23 deficit (\$8.0) million*



# Current state analysis

## FY24 key metrics

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NorthTec is forecasting a net deficit of \$7.9 million in FY24.

**\$7.9m**  
Loss

FY24 vs \$8.0m loss FY23

**121**  
Teaching FTEs

-3 (-2.5%) vs 2023

**112**  
Non-teaching FTEs

-2 (-1.2%) vs 2023

**1,597**  
Domestic  
EFTS

+21 (1.3%) vs 2023

**131**  
International  
EFTS

-19 (-12.7%) vs 2023

**\$44m**  
Fixed assets

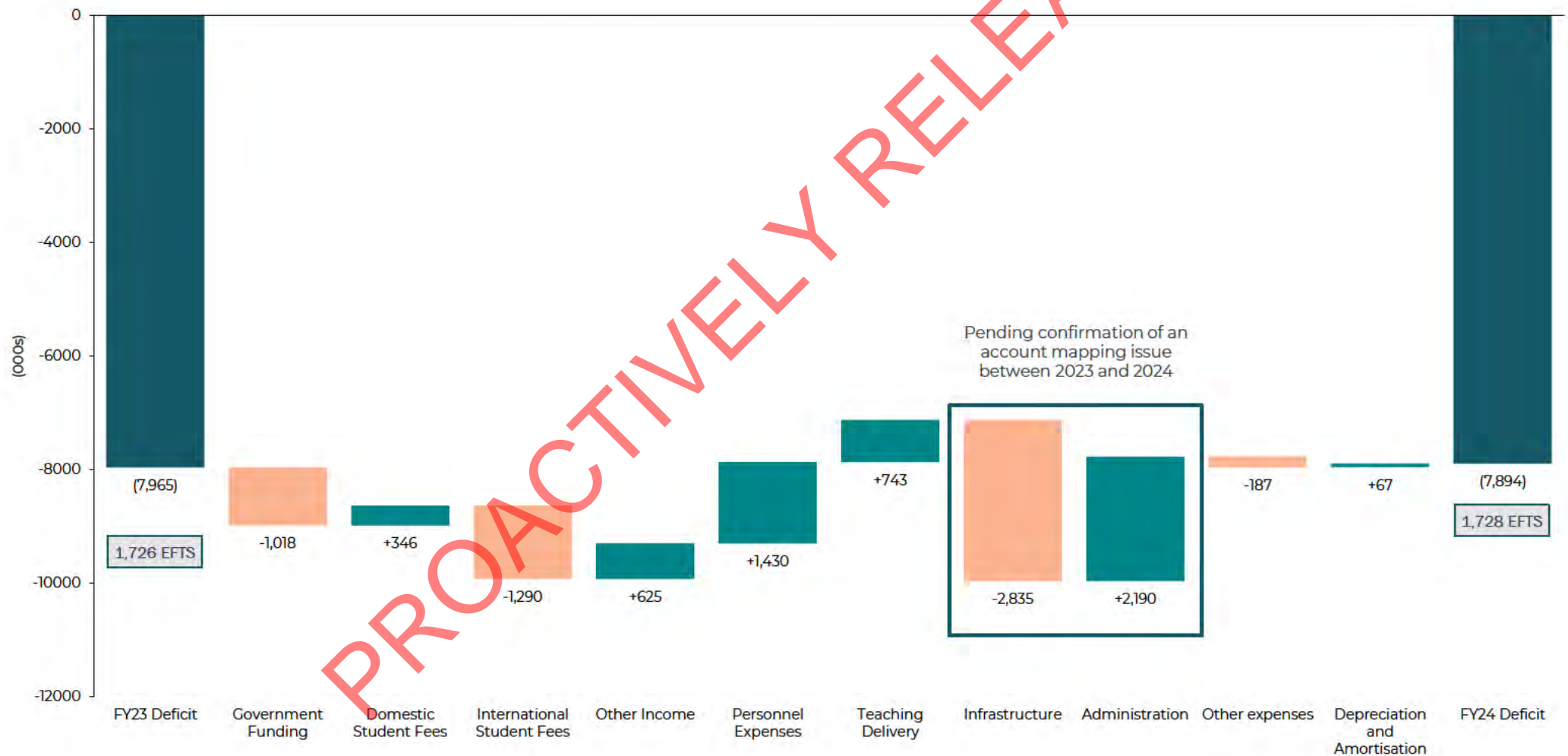
-1m (-2.1%) vs 2023

# Current state analysis

## Financial Overview – trading waterfall

Approved

Revenue is forecast to decline in FY24 as a result of lower government funding (due to prior year EFTS shortfalls) and a reduction in international students. This has been offset by cost reductions (in particular, personnel expenses).



# Current state analysis

## Financial overview - trading

Approved

NorthTec prepared a 2024 reforecast in August 2024 which projects a net deficit of \$7.9 million. Lower International EFTS are materially reducing income. This is offset by net expense savings of \$1.3 million resulting in a similar deficit for FY24.

	FY23	FY24	
\$000	Actual	Forecast	Variance
Government funding	15,569	14,551	(1,018)
Domestic student fees	5,130	5,476	346
International student fees	4,854	3,564	(1,290)
Other teaching income	142	1,009	868
Trading income	627	740	113
Other income	821	466	(355)
<b>Total revenue</b>	<b>27,143</b>	<b>25,807</b>	<b>(1,336)</b>
Personnel expenses	21,935	20,505	1,430
Teaching delivery	3,289	2,546	744
Infrastructure	1,898	4,733	(2,835)
Administration	5,326	3,136	2,190
Restructuring costs	170	300	(130)
Unusual and non-recurring items	(237)	(180)	(57)
<b>Total Operating Expenses</b>	<b>32,381</b>	<b>31,039</b>	<b>1,341</b>
<b>EBTDA</b>	<b>(5,238)</b>	<b>(5,233)</b>	<b>5</b>
Depreciation and amortisation	2,727	2,660	67
<b>Net Deficit</b>	<b>(7,964)</b>	<b>(7,893)</b>	<b>72</b>
Domestic EFTS	1,576	1,597	21
International EFTS	150	131	(19)
<b>Total EFTS</b>	<b>1,726</b>	<b>1,728</b>	<b>2</b>

Reduction in international student fees due to lower international EFTS (-8%)

Increase in other teaching income is largely driven by 'income from internal delivery'

Personnel and teaching delivery expenses are forecast to reduce based on lower FTEs in FY24

Potential account mapping issue being investigated

A net increase of 2 EFTS is forecast for FY24

# Current state analysis

## Financial overview – balance sheet

Approved

NorthTec has a high fixed asset base, primarily comprised of the Raumanga campus. Liabilities primarily comprise the Te Pūkenga debt. It has no prospect of repaying that debt from trading.

\$000	Dec 2023 Actual	June 2024 Actual	Movement
Cash and cash equivalents	6,125	6,447	321
Debtors and other receivables	3,888	2,814	(1,075)
Other current assets	133	294	160
Tangible fixed assets	45,239	44,271	(968)
<b>Total assets</b>	<b>55,386</b>	<b>53,825</b>	<b>(1,561)</b>
Creditors and other payables	9,869	10,516	647
Deferred revenue	4,035	4,489	454
Employee entitlements	1,243	2,078	835
Borrowings	12,173	12,131	(43)
<b>Total Liabilities</b>	<b>27,321</b>	<b>29,214</b>	<b>1,893</b>
<b>Net assets</b>	<b>28,064</b>	<b>24,611</b>	<b>(3,454)</b>

Cash held by NorthTec

Fixed assets reflects the main campus in Whangārei and other regional campuses (Kerikeri, Dargaville and Kaitaia) owned by NorthTec.

Campus	Location	Value as of 31 December 2023 (\$000s)
Raumanga	Raumanga Valley Road & Kendon Street	s 9(2) (b)(ii), s 9(2)(j)
Dargaville	Cnr Parore and Gordon Street	
Kerikeri	Kerikeri Road	
Kaitaia	Oxford Street	
Future Trades Campus	Dyer Street (Horticulture)	

Borrowings represent intercompany loan from Te Pūkenga. We understand this largely operates like a revolving facility with funds drawn and repaid to manage net interest costs and when cashflow permits. We do not believe NorthTec has any prospect of repayment of this debt in the foreseeable future.

# Current state analysis

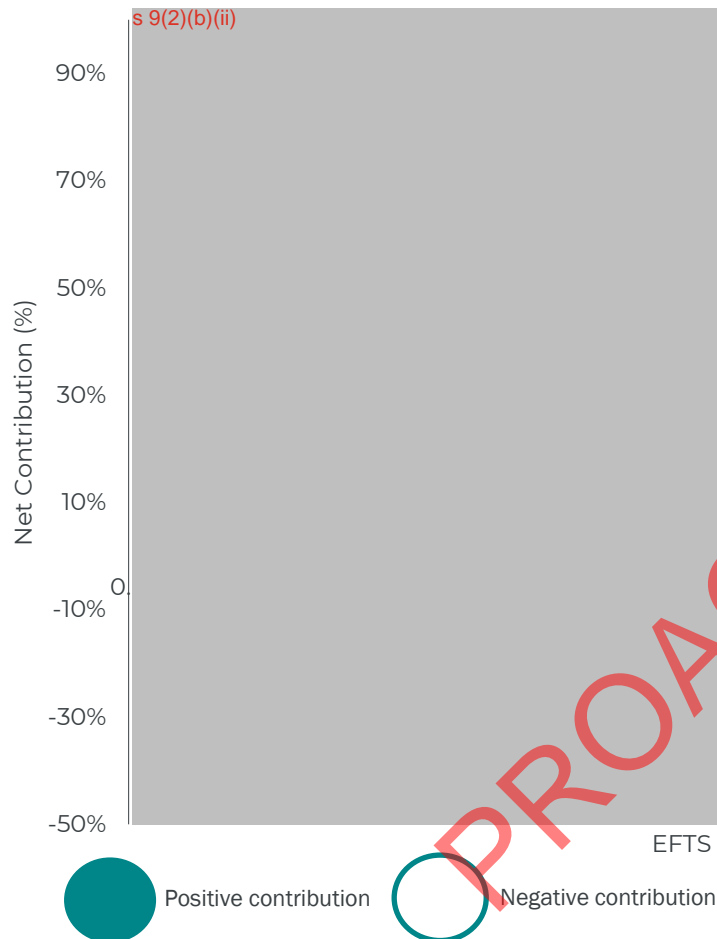
## Programme overview

Approved

Total net contribution increased from \$5.5 million in 2023 to \$7.2 million in 2024. s 9(2)(b)(ii)

Currently NorthTec's non-teaching support costs are s 9(2)(b)(ii) higher than the contribution margin it generates.

### Net contribution (after teaching support costs) by department 2024



- There were several net contribution increases in FY24:



- There were several departments whose net contribution declined in FY24:



# Financial improvement initiatives

PROACTIVELY RELEASED

We have identified several initiatives which could deliver up to \$5.6 million in financial improvements for NorthTec. The lack of capability and capacity at NorthTec has meant that the initiatives have not yet been fully developed into detailed change plans. Without support, we cannot be certain the proposed changes will be successfully executed. Developing the change plans should be the critical priority for NorthTec to confirm the indicative benefits and partially stem financial losses as quickly as possible.

## Delivery site rationalisation and programme discontinuation

- We conducted a review of forecast FY25 programme profitability (assuming nil growth in EFTS from FY24) to identify programmes that are not financially viable and therefore should be ceased.
- We have identified opportunities for campus rationalisation s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
- NorthTec management have identified optimisation opportunities within the programmes to be maintained (specifically centred around EFTS growth initiatives and consolidation of programmes to improve profitability).



FTE impacted



\$2.9m savings

## Support cost restructure

- NorthTec faces a structural issue in terms of its support costs. To be a standalone organisation there is a base level of support structures required, which the estimated contribution from programmes is insufficient to fund.
- We have undertaken a high-level review of the support functions to identify potential cost savings, based on the proposed reduced mix of provision. s 9(2)(b)(ii), s 9(2)(ba)(ii)
- The potential support cost savings we have identified have been developed with limited engagement with the organisation, due to the lack of capacity and capability within the organisation during Phase 2 of our review.



FTE impacted



\$2.7m savings

## Property realisation

- In addition to s 9(2)(b)(ii), s 9(2)(ba)(ii), we have identified further opportunities for rationalisation.
- Specifically, s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
- s 9(2)(b)(ii), s 9(2)(j)





Asset realisations  
FY26: s 9(2)(b)(ii)  
FY27:

# Financial improvement initiatives

Approved

## Delivery site consolidation and programme discontinuation

Other than § 9(2)(b)(ii), § 9(2)(ba)(ii), the indicative financial benefits expected to flow from the below initiatives are based on modelling and therefore execution risk is elevated. NorthTec needs to undertake detailed planning as soon as possible to firm up the estimates. This should not be a difficult task.

Restructuring benefit	Description	Execution risk	Est. benefit (\$)
<b>01</b> Delivery site consolidation	<ul style="list-style-type: none"> <li>Based on the revised mix of provision and high-level utilisation analysis, we recommend NorthTec:               <ul style="list-style-type: none"> <li><span style="background-color: #cccccc;">§ 9(2)(b)(ii), § 9(2)(ba)(ii), § 9(2)(j)</span></li> <li><span style="background-color: #cccccc;"> </span></li> <li><span style="background-color: #cccccc;"> </span></li> <li><span style="background-color: #cccccc;"> </span></li> </ul> </li> <li>We expect there to be varying risk to the delivery of this consolidation programme. <span style="background-color: #cccccc;">§ 9(2)(b)(ii), § 9(2)(ba)(ii), § 9(2)(j)</span></li> </ul>		\$1.4 million
<b>02</b> Discontinuation of programmes	<ul style="list-style-type: none"> <li>We have identified 32 programmes to be discontinued (30% reduction from the original FY25 budget).</li> <li><span style="background-color: #cccccc;">§ 9(2)(b)(ii), § 9(2)(ba)(ii)</span> of these programmes are delivered at the <span style="background-color: #cccccc;">§ 9(2)(b)(ii), § 9(2)(ba)(ii)</span></li> <li>Closure of the programmes should have a moderate risk of execution.</li> <li>Detailed programme reviews need to be undertaken to confirm the indicative cost savings. Until these are completed, we consider the estimated savings remain uncertain (high risk).</li> <li>Teachout for these programmes is assumed to occur throughout FY25 for financial modelling purposes.</li> </ul>		\$0.6 million
<b>03</b> Optimisation	<ul style="list-style-type: none"> <li>NorthTec have identified optimisation opportunities within the programmes to be maintained.</li> <li>The majority of opportunities are centred around achieving EFTS growth via specific initiatives in order to retain revenue from discontinued programmes and consolidation of programmes to improve profitability.</li> <li>Net impact of 122 EFTS to be retained.</li> <li>Given NorthTec's market position, we consider there is high execution risk to achievement.</li> </ul>		\$0.9 million
Total estimated benefits			\$2.9 million

# Financial improvement initiatives

Approved

Delivery site consolidation and programme discontinuation

Analysis shows the indicative changes to the MOP could increase net contribution from \$7.2 million in FY24 to \$10.0 million in FY25. This is primarily driven by growth in funding rates and the closure of the loss-making courses.

## Estimated net contribution (after teaching support costs) by department 2025



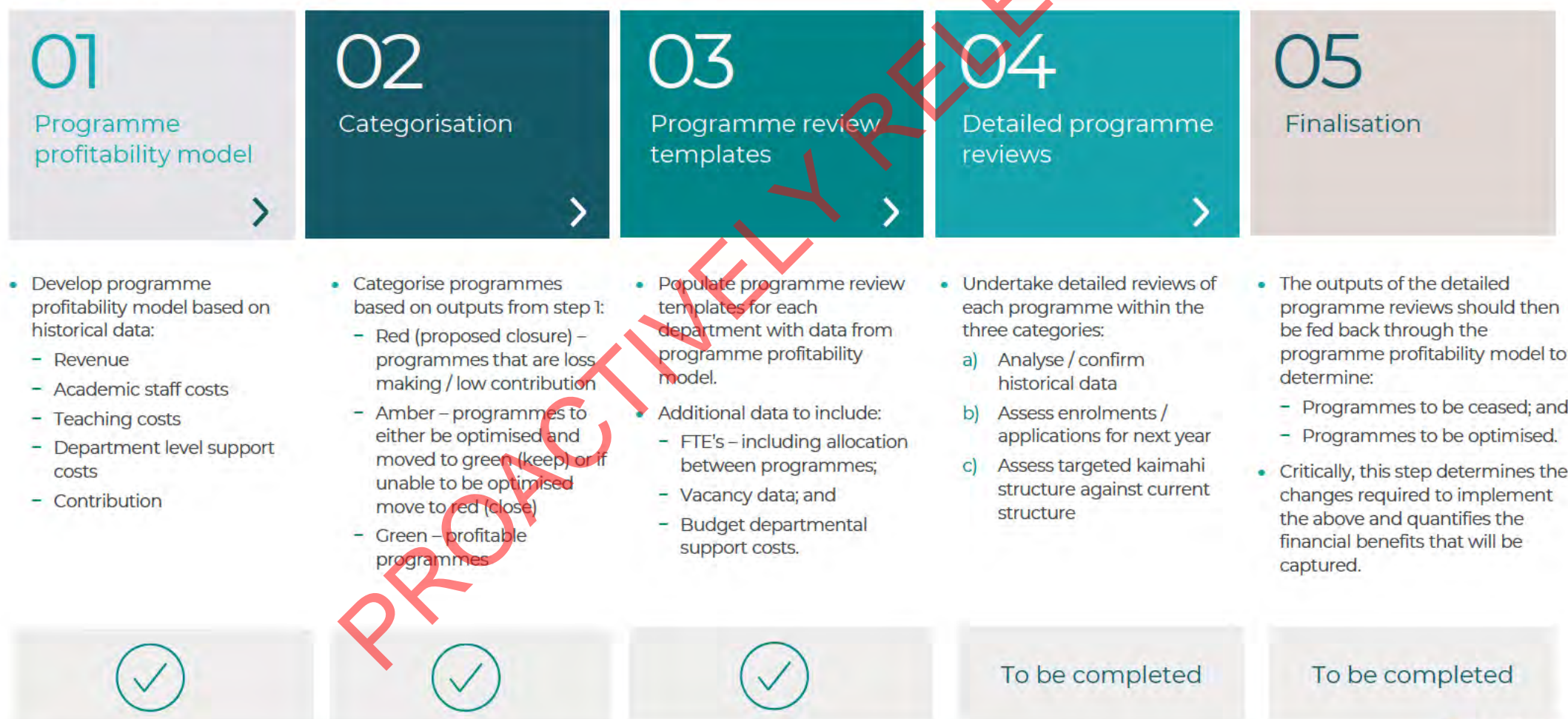
# Financial improvement initiatives

Approved

## Delivery site consolidation and programme discontinuation

The programme profitability review process needs to be completed to firm up the potential benefits identified in the indicative analysis set out in this report.

### Programme review – step plan



# Financial improvement initiatives

Approved

## Support cost restructure

NorthTec has not addressed its support cost structures since EFTS began declining in 2019. We have undertaken indicative analysis of savings that can be achieved. The savings appear relatively modest against NorthTec's financial position, as to be a standalone organisation there is a base level of support structures required.

01

### Academic support

- Functions: Academic Quality, Registry, Academic Registrar, Business Development
- Staffing requirements in the Academic Office is partly driven by the total number of registered EFTS, albeit legal and academic compliance requires minimum staffing levels regardless of EFTS numbers.



Indicative FTE reduction



in indicative cost savings

02

### Student services

- Functions: Student Support, Library, Digital Learning
- Staffing requirements in Student Services is driven by the total number of registered EFTS and total programmes offered.



Indicative FTE reduction



in indicative cost savings

03

### Business administration

- Functions: Regional Administrators, Corporate Accounts, Assets & Facilities, Marketing, People Operations, ICT
- Staffing requirements in Business Administration is driven by several factors, including the total number of employed FTEs, the total number of registered EFTS and the number of teaching locations.



Indicative FTE reduction



in indicative cost savings

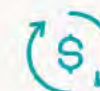
04

### Chief Executive's office

- Functions: Māori Success Equity, Chief Executive
- Following a recruitment process, three executive directors have been appointed. We have assumed this will allow for a restructure of other roles.



Indicative FTE reduction



in indicative cost savings

NorthTec's current pathway manager structure is not fit for purpose. Management have proposed a restructuring which would see s 9(2)(b)(ii), s 9(2)(ba)(ii). This could generate indicative savings of approximately s 9(2)(a), s 9(2)(b)(ii).

### Pathway Manager restructure

- NorthTec Management have undertaken a review of its Pathway Manager structure with the goal of aligning it with future EFTS expectations and the reduction in the programme portfolio.
- There are currently s 9(2)(b)(ii), s 9(2)(ba)(ii), working across the NorthTec network. A copy of the current structure is provided in appendix 1.
- We set out opposite NorthTec Management's future proposed Pathway Management structure. s 9(2)(b)(ii), s 9(2)(ba)(ii)
- The proposed model provides leadership across five programme discipline areas and introduces a manager that focuses specifically on the regional hubs and the online network delivery.
- Under this structure, and in accordance with s 9(2)(b)(ii), s 9(2)(ba)(ii)
- We estimate there will be approximately a s 9(2)(a), s 9(2)(b)(ii) if this proposal is implemented.

### Future state Pathway Manager structure



# Financial improvement initiatives

Approved

## International reset

NorthTec's international student numbers declined in FY24 vs FY23 (against the trend experienced by ITPs nationwide). An international strategy reset is required. This will deliver \$1 million (net) in indicative cost reductions. Costs will then need to increase again on the back of revenue generation, once a clear strategy is developed and agreed.

### International strategy

- Since Covid, the number of international students attending NorthTec has declined. This has continued during FY24, despite the growth experienced across the ITP sector.
- There are currently two departments within NorthTec responsible for its international strategy:
  - **International Marketing:** Marketing, enrolment and pastoral care for international students; and
  - **Direct Delivery:** NorthTec provides teaching staff internationally (mostly in China) who deliver courses with the aim of encouraging students to finish their studies at NorthTec.
- During our Phase 2 review, we engaged deeper within the organisation and it became apparent that there is no coherent international strategy. This is clearly impacting NorthTec's international offering. This appears to be driven by:
  - **Management expertise:** Staff responsible do not appear to have the appropriate skills and experience to deliver a strategy;
  - **Auckland Centric:** The services appear to be primarily managed out of Auckland. As a result, international students attending the Auckland campus do not go on to study in Northland;
  - **Lack of academic alignment:** There is no alignment between courses delivered internationally and those provided by NorthTec domestically, which does not result in a pathway for students to continue studies at NorthTec;
  - **Lack of impact:** Both departments incur significant cost (and were seeking increased budget) – however international student numbers continue to decline.

### Strategy reset

- s 9(2)(b)(ii), s 9(2)(ba)(ii)
- s 9(2)(b)(ii), s 9(2)(ba)(ii) will remove cost in the short term and enable NorthTec to engage an experienced professional to drive a reset and development of its international strategy.
- The strategy needs to focus on building a pipeline of students coming to Northland to attend NorthTec (as opposed to Auckland).
- We estimate the immediate indicative savings to NorthTec from s 9(2)(b)(ii), s 9(2)(ba)(ii) at \$1 million (net of direct delivery revenue).
- We have included a provision in our analysis to s 9(2)(b)(ii), s 9(2)(ba)(ii). Costs in this area would be expected to increase once a strategy is developed and pursued.

### Indicative cost savings

Cost centre	International Marketing	Direct Delivery
Current FTE	s 9(2)(b)(ii), s 9(2)(ba)(ii)	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Indicative FTE reduction		
% FTE reduction		
Indicative savings (\$)		
Support cost savings (\$)		
Total indicative savings	565,295	599,202
s 9(2)(b)(ii), s 9(2)(ba)(ii)	150,000	-
Revised indicative savings	415,295	599,202

# Property rationalisation

PROACTIVELY RELEASED

# Property rationalisation

## Summary

Approved

### Summary

- NorthTec's current property footprint is underutilised. A rationalisation is required to assist the ongoing financial challenges the organisation is facing.
- Together with NorthTec staff, we inspected all property assets and conducted financial assessments on the viability of each.

### Raumanga campus

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

### Auckland campus

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

### Dargaville campus

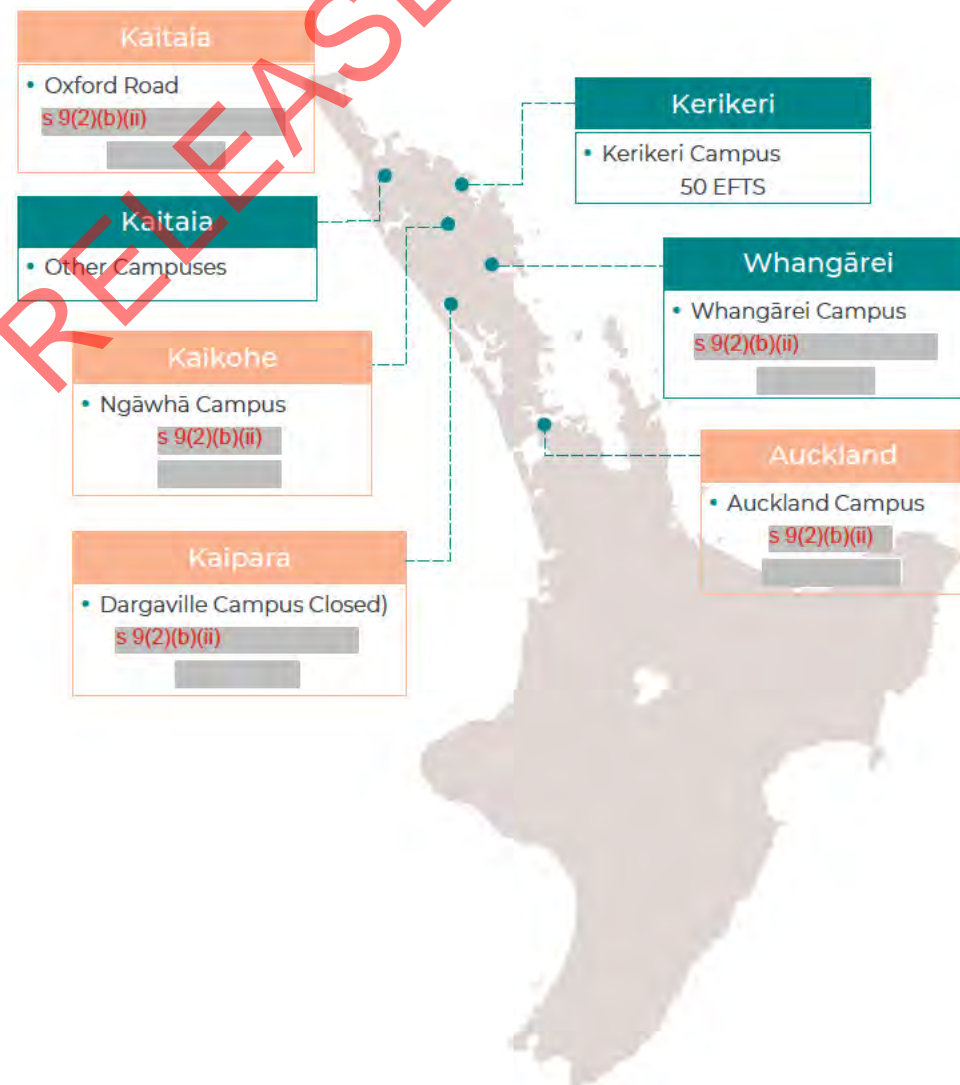
- s 9(2)(b)(ii), s 9(2)(j)

### Ngāwhā campus

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

### Kaitaia – Oxford Road

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



# Property rationalisation

## Raumanga campus (Blocks A-H)

Approved

NorthTec's main campus has been underutilised for several years as a result of declining EFTS. The proposed changes to the MOP provides an opportunity to rationalise the campus and free up surplus land for disposal. Te Pūkenga estimates

### Raumanga campus (Block A - H)

• s 9(2)(b)(ii), s 9(2)(ba)(ii)



s 9(2)(b)(ii)



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

Department	Current Location
ICT Services/Caretaker	Block B
Tourism	Block H
Arts	Block H
Hairdressing & Beauty	Block H
Gym	Block H
Te Whare Wānanga o Awanuiārangi	Block G (leased from NorthTec)
Several small tenants	Block B

### Financial implications

- We summarise below the potential financial impacts of proceeding with this course of action.
- These amounts are based on initial view from NorthTec staff and will require further investigation and scoping to confirm the position.

### Indicative financial outcomes

Category	\$'000	Already included in FY25 Budget
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s 9(2)(b)(ii)



# Property rationalisation

Kaitaia

Approved

NorthTec currently operates from four sites in Kaitaia. s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)  
NorthTec can realise s 9(2)(b)(ii), s 9(2)(j) of surplus assets.

## Oxford Street (Owned)

### Current status

- s 9(2)(b)(ii), s 9(2)(j)

- 
- 
- 

### Next steps

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

- 

### Financial implications

- s 9(2)(b)(ii), s 9(2)(j)

- 

## Redan Road (Leased – Far North Holdings Limited)

### Current status

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

- 
- 
- 

### Next steps

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

- 

### Financial implications

- s 9(2)(b)(ii), s 9(2)(j)

-

# Property rationalisation

Ngāwhā / Kerikeri

Approved

NorthTec currently operates from two campuses across the Kerikeri/Kaikohe region that are located within 20km of each other. Both are underutilised. s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)

## Kerikeri campus (owned)

- This campus is operated under a management arrangement with local iwi (Te Rūnanga o Ngāti Rehia).
- Under the management agreement, programme offerings are decided by the local iwi (covering primary production, construction, Te Reo and horticulture).

## Ngāwhā campus (leased)

- Opened in 2023, as part of a wider property consolidation exercise in Kaikohe.
- The campus houses automotive and carpentry workshops among other facilities. We understand a Māori Nursing programme has also been earmarked to be moved to this campus.
- There are agreements in place with local Kura to use campus classrooms for a minimal rent.

## Current position

- As a result of declining EFTS, both campuses are underutilised. Apart from the new Māori Nursing programme, we are unaware of any strategy to increase numbers at either campus.

EFTS	Kerikeri	Ngāwhā Campus
FY23	93	88
FY24	50	51
Reduction	43	37
% decrease	46%	42%

- s 9(2)(b)(ii)

## Recommendation

- We recommend:
  - s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)





- s 9(2)(b)(ii)

# Financial Forecasts

PROACTIVELY RELEASED

NorthTec's FY25 Budget contained ambitious growth assumptions driven by 20% EFTS growth against FY24. Adjusting these assumptions for nil EFTS growth indicates NorthTec would generate an \$11 million loss in 2025.

## FY25 Proxy Budget

	Revenue	\$26.7 million
	Personnel costs	(\$22.0 million)
	Other expenditure	(\$15.6 million)
	Net Deficit	(\$10.9 million)

## FY25 'Proxy Budget' methodology

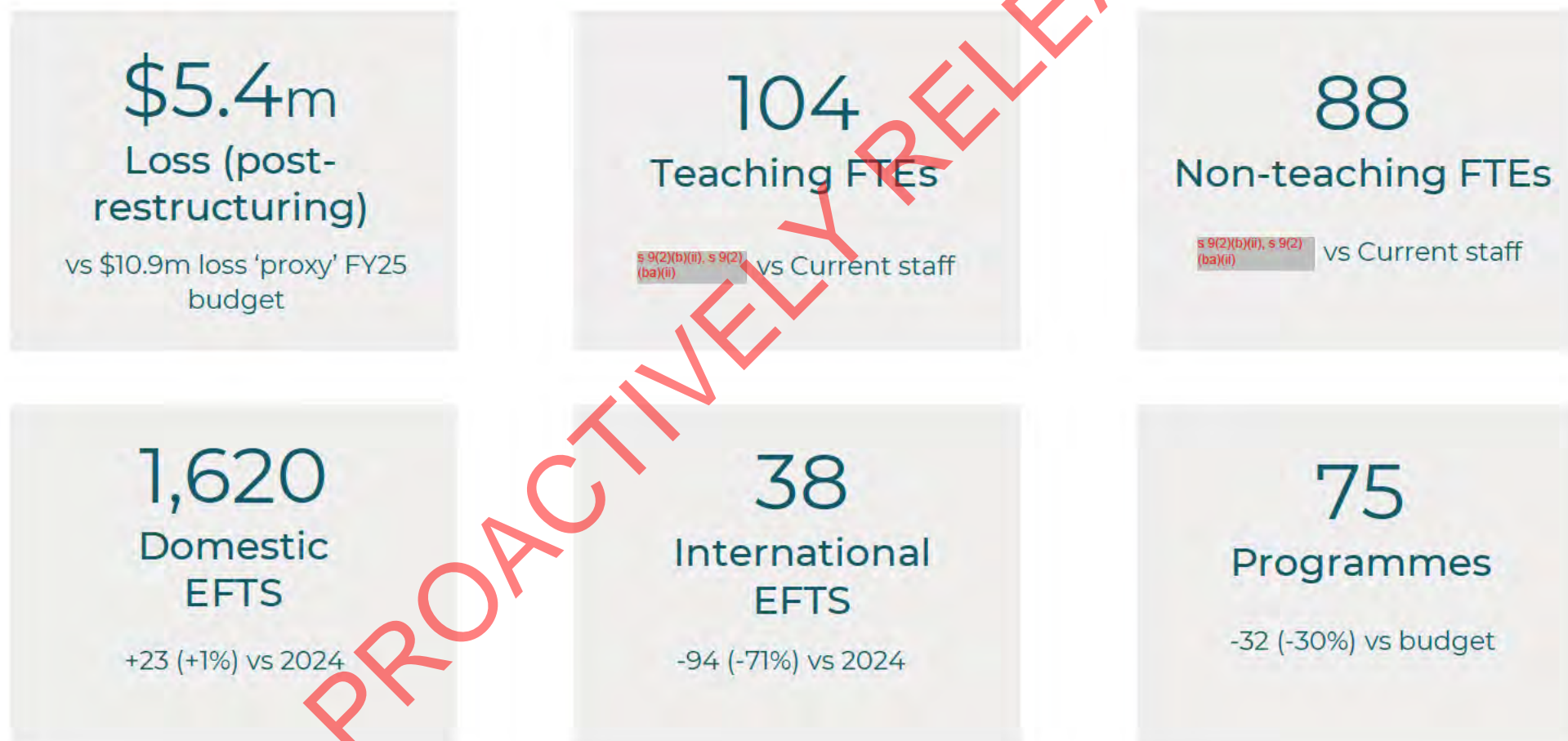
- As noted in our Phase 2a report, NorthTec prepared a 2025 budget which included EFTS growth of more than 20% from 2024 levels.
- We have not been able to substantiate a clear strategy for this growth to be achieved, nor are we aware of indicative funding being approved by TEC to support this growth assumption.
- Given the lack of dedicated senior finance resource at NorthTec, we have recreated a 'proxy' 2025 year assuming EFTS remain flat at 2024 levels.
- We have used this as the basis for our financial viability analysis while overlaying other assumptions as noted in the following pages.

# Financial Forecasts

FY25 target year key metrics

Approved

The FIP targets \$5.5 million in financial benefits compared with the 'proxy' budget loss in FY25. This would not achieve the baseline objective of making NorthTec a financially viable standalone organisation.



# Financial forecasts

Profit and loss 2025 - 2029

Approved

A net deficit (post-restructuring) of \$5.4 million is forecast for NorthTec assuming the targeted initiatives are implemented and the estimated benefits are captured.

## Profit and loss FY25-FY29 (\$'000s)

Revenue	2025	2026	2027	2028	2029
Government Funding	14,786	15,112	15,444	15,784	16,132
Fees (Domestic & international)	6,882	7,052	7,226	7,404	7,588
Other Income	2,160	1,893	1,935	1,978	2,021
<b>Total Income</b>	<b>23,828</b>	<b>24,056</b>	<b>24,605</b>	<b>25,166</b>	<b>25,741</b>

Expenses					
Personnel Expenses	16,631	16,964	17,337	17,719	18,108
Teaching Delivery	1,239	1,267	1,295	1,323	1,353
Administration	8,517	8,271	8,456	8,644	8,837
Depreciation & Amortisation	2,859	2,353	2,138	1,958	1,988
<b>Total Expenses</b>	<b>29,247</b>	<b>28,855</b>	<b>29,225</b>	<b>29,644</b>	<b>30,287</b>

<b>Net Surplus (post-restructuring)</b>	<b>(5,419)</b>	<b>(4,798)</b>	<b>(4,620)</b>	<b>(4,478)</b>	<b>(4,546)</b>
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### Legacy & Restructuring Costs

Rental income (legacy)	122	122	-	-	-
Teach out	(577)	-	-	-	-
Non-recurring expenses	(4,002)	-	-	-	-
Redundancy and restructuring cost	(4,000)	-	-	-	-
Ngāwhā legacy costs	(816)	-	-	-	-
Raumanga legacy costs	(673)	(673)	-	-	-

<b>Net Surplus / (Deficit)</b>	<b>(15,365)</b>	<b>(5,348)</b>	<b>(4,620)</b>	<b>(4,478)</b>	<b>(4,546)</b>
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Depreciation	2,859	2,353	2,138	1,958	1,988
Capex	(2,300)	(2,300)	(2,300)	(2,300)	(2,300)

<b>Free cashflow pre-asset sales</b>	<b>(14,806)</b>	<b>(5,296)</b>	<b>(4,783)</b>	<b>(4,820)</b>	<b>(4,858)</b>
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Free cash flow - Scenario A	(14,806)	(5,781)	(5,748)	(6,275)	(6,812)
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Free cash flow - Scenario B	(14,806)	(6,259)	(6,666)	(7,618)	(8,566)
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## Performance metrics

NorthTec	Target	FY 25	FY 26	FY 27	FY 28	FY 29
Personnel to Revenue ratio	<60%	69.8%	70.5%	70.5%	70.4%	70.3%
EBITDA Margin	11%+	-10.2%	-10.2%	-10.1%	-10.0%	-9.9%
Net Operating Surplus Margin	2%+	-22.7%	-19.9%	-18.8%	-17.8%	-17.7%
Academic SSR	19:1	16.00	16.01	16.01	16.02	16.03
Allied to Academic Staff Ratio		n/a	n/a	n/a	n/a	n/a
Domestic Students		1,620	1,620	1,620	1,620	1,620
International Students		38	38	39	40	41
Total Students		1,658	1,659	1,659	1,660	1,661
Staff – Academic Total		104	104	104	104	104
Staff – Non Academic Total		88	88	88	88	88
Staff – Total FTE		191	191	191	191	191
Total Programmes delivered		107	75	75	75	75
Programmes discontinued		32	-	-	-	-

Illustrative downside scenarios assume from 2026:

- (a) Domestic EFTS are 2.5% lower p.a. and International 2% one-off; and
- (b) Domestic EFTS are 5% lower p.a. and International 5% one-off.

# Financial forecasts

## Balance sheet 2024-2029

Approved

The balance sheet extrapolates the forecast 2025 year-end position, adjusted for a \$5 million recapitalisation. NorthTec's asset base decreases due to asset disposals, free cash flow deficits and depreciation outweighing capex.

### Balance sheet FY25-FY29 (\$000s)

Assets	2025	2026	2027	2028	2029
Cash - capitalisation and trading	7,634	2,280	(2,563)	(7,437)	(12,365)
Cash - asset sales		s 9(2)(b)(ii), s 9(2)(j)			
Trade & Other Receivables	2,578	2,636	2,696	2,750	2,821
Other Current Assets	223	223	223	223	223
Fixed Assets	56,472	s 9(2)(b)(ii), s 9(2)(j)			
<b>Total assets</b>	<b>66,907</b>				
<b>Liabilities</b>					
Trade & Other Payables	7,591	7,591	7,591	7,591	7,591
Employee Entitlements	830	830	830	830	830
Deferred revenue	7,215	7,215	7,215	7,215	7,215
Loans and borrowings	-	-	-	-	-
<b>Total liabilities</b>	<b>15,636</b>	<b>15,636</b>	<b>15,636</b>	<b>15,636</b>	<b>15,636</b>
<b>Equity</b>	<b>51,271</b>	s 9(2)(b)(ii), s 9(2)(j)			

- The 2025 balance sheet adjusts for a \$5 million recapitalisation.
- Cash is forecast to decrease through the forecast period as a result of negative free cash flow. Asset sales contribute s 9(2)(b)(ii)
- Fixed assets decrease by s 9(2)(b)(ii) in 2026 primarily as a result of the asset sales then are forecast to steadily increase as capex outweighs depreciation.
- Loans and borrowings are forecast to be nil as we have assumed the debt owed to Te Pūkenga is written off.

### Recapitalisation 2025

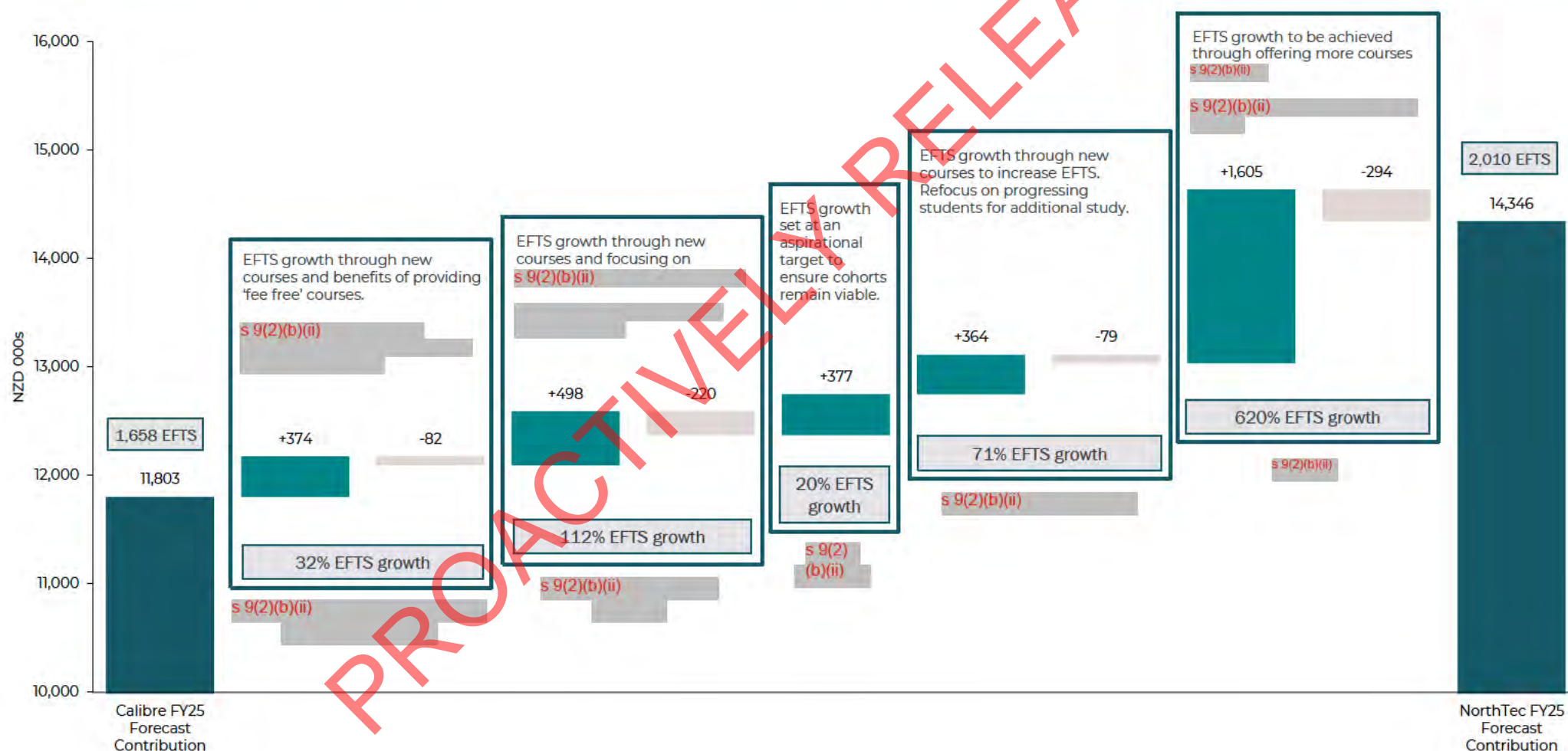
Capital requirements	\$000s	Comments
Forecast cash 1 January 2025	(4,433)	Reflects the forecast cash balance
Deferred P&E capex	-	
Deferred capex	230	This reflects the difference between 2025 capex and the average capex calculated between 2026 -2029
Redundancy/change mgmt.	4,000	NB: Reference to Wintec below should read NorthTec This reflects Wintec's budgeted redundancy cost and provision for additional support
10% capital buffer	423	Capital buffer is calculated as 10% on the preceding items
Working capital est.	3,500	Working capital funding is calculated using the 2024 intra-month requirement. This approximates 1 month of forecast expenses
<b>Total capital requirement</b>	<b>3,720</b>	<b>Estimated \$5m</b>

- We estimate approximately \$5 million will be required to recapitalise NorthTec. We have modelled the recapitalisation to occur in December 2024.
- The free cash outflow in 2025 is assumed to be funded by Te Pūkenga through the loan account which is then written off at 31 December 2025.
- The recapitalisation would provide working capital funding and a capital buffer. However, it would be depleted by 2027 due to successive free cash outflows.

# NorthTec operating plan

PROACTIVELY RELEASED

NorthTec management have developed their own operating plan for FY25. The plan is centred on maximising revenue retention via EFTS growth in programmes which are to be retained (plus retention/growth of courses which have been flagged for closure in the FIP).



The NorthTec operating plan, if achieved, would deliver an estimated \$3.0 million in additional profitability. This would decrease the forecast FY25 loss to \$2.3 million (prior to non-recurring expenses). This does not meet the requirements for NorthTec to be deemed a financially viable standalone organisation.

## FIP FY25 Forecast PnL vs NorthTec FY25 Forecast PnL

\$000s	FIP FY25 Forecast	NorthTec FY25 Forecast	Variance
<b>Revenue</b>			
Government funding	13,116	15,669	2,553
Other government funding	1,671	1,881	211
Domestic fees	5,999	6,425	426
International fees	883	883	-
Other income	2,160	2,160	-
<b>Total revenue</b>	<b>23,828</b>	<b>27,018</b>	<b>3,190</b>
<b>Expenditure</b>			
Personnel expenses	16,631	17,253	(622)
Teaching delivery	1,239	1,256	(17)
Administration	8,017	8,027	(11)
Risk allowance	500	-	500
Depreciation	2,859	2,859	-
<b>Total expenditure</b>	<b>29,247</b>	<b>29,396</b>	<b>(149)</b>
<b>Net Surplus / (Deficit) (post-restructuring)</b>	<b>(5,419)</b>	<b>(2,378)</b>	<b>3,041</b>
Domestic EFTS	1,620	1,973	353
International EFTS	38	38	-
<b>Total EFTS</b>	<b>1,658</b>	<b>2,010</b>	<b>353</b>

NorthTec's Government funding, other government funding and Domestic fees are predicated on delivering programmes to 1,973 domestic EFTS. The FIP forecast PnL assumes 1,620 domestic EFTS, resulting in lower revenue.

NorthTec's PnL reflects 5 additional academic FTE due to the higher number of programmes delivered.

The FIP includes a risk allowance of \$500,000 to reflect the execution risk of certain elements of the FIP. This has not been included in NorthTec's plan.

# Financial monitoring framework

PROACTIVELY RELEASED

# Financial monitoring framework

Approved

## Financial management practices

Given NorthTec's position, determining its future state will ultimately guide the framework required to improve its financial viability. Regardless, NorthTec should establish a financial monitoring framework immediately and develop KPIs which are tailored to the final plans for implementation of the programme profitability, support cost savings and property realisation initiatives identified in this report.

### Capability and capacity

- As noted in our Phase 1 report, the lack of an ELT has been an impediment to any form of material change at NorthTec. During October 2024, a recruitment process was undertaken to fill the identified director roles (Director of Ākonga Success, Director of Support Services and Director of People, Culture and Partnership). The recruitment process is now complete with all directors in their roles as of 18 November 2024.
- The new ELT is integral to implementing the financial improvement initiatives identified in this report. It will be important that all ELT members commit to identifying and developing restructuring benefits to provide long-term financial improvement.
- We consider a progress review undertaken following Q1-2025 would provide an early indication of whether NorthTec is on track to achieve the financial improvement initiatives outlined in this report. By this date, we would expect to see progress being made in support cost savings and programme profitability changes.

### Establish a financial monitoring framework

- A financial monitoring framework should be established by NorthTec as early as possible in 2025. It is important that the financial monitoring framework addresses the programme profitability strategy, support cost savings and property realisation addressed in this report.
- The financial improvement initiatives should also be integrated into NorthTec's planning and reporting cycle. This would ensure ELT remain informed on programme performance and can make timely decisions.
- Timing of programme profitability and reporting is important to enable decisions around continuation of programmes. Delays to programme profitability analysis can result in enrolments being taken for an already unprofitable programme and therefore incurring avoidable cost.

### Financial viability KPI's

- We consider it important that NorthTec develops detailed KPIs as part of the financial monitoring framework. This will help ensure organisational focus is redirected towards capturing financial benefits. We have commented on KPIs at page 39.
- Analysis of support costs is required to establish a connection with programme delivery (teaching and learning direct costs). Currently there is a lack of understanding regarding the relationship between programme profitability and support costs across NorthTec.
- Historically, this lack of understanding has resulted in decisions being taken (or not taken) that have ultimately impacted NorthTec's financial viability.

NorthTec's lack of an Executive Leadership Team ('ELT') has resulted in a lack of operational and financial control and has been an impediment to any form of material change. Three director roles have now been filled and will form the basis of the ELT going forward. Close collaboration will be vital in delivering the restructuring that NorthTec urgently requires.

### Leadership

- **Motivation for change:** This needs to be instilled across the organisation. Establishing a clear end goal and incentivising the right behaviours across NorthTec should be a main priority in the coming weeks and months.
- **Embedding performance expectations:** There needs to be consistent and clear messaging across the organisation from the ELT in respect of financial and operational expectations.
- **Strong and unified leadership:** Ensure engagement within the ELT is solidified. There should be single points of accountability. i.e. holding teams to account and setting out clear expectations.
- **Shared and coherent vision:** Setting out the broader strategy across the organisation. This will be important for prioritising activity and decision making beyond the restructure process.
- **Buy-in to vision:** A robust and comprehensive communications plan should be established to communicate across the organisation and instil good behaviours, operational understanding and ensure a 'one vision' approach.

### Roles and responsibilities

- **Management Structure:** Establish management teams for each of the functions under their control. This will likely involve restructuring.
- **Review roles and responsibilities:** Undertake a review from Pathway Manager level to Administrator level within each function.
- **Reporting frameworks:** Develop comprehensive and robust reporting framework for each function, which, in addition to usual metrics, should be enhanced to include financial KPIs.
- **Upskilling/training:** Build capability and capacity within each function by ensuring that all staff have the appropriate level of skill to understand the financial and operational impacts of their roles and any decisions they may take.
- **Regular reviews:** Ensure that regular reviews are undertaken with management teams/pathway managers to ensure ownership of financial and operational performance. Establish fixed dates for programme reviews and EFTS enrolments to ensure programmes do not run with low numbers.

### Delivery of change programme

- **Capture benefits/successful outcomes:** Establish reporting to capture all benefits to the organisation for any change activities. This would include financial and non-financial outcomes.
- **Delivery of 'quick wins':** The work undertaken in Phases 1 and 2 identified several 'quick wins' to deliver savings in the short term. Regular reviews should be undertaken to continue to identify changes that can be made to reduce costs and/or improve operational performance.
- **Removal of obstacles:** The ELT needs to have increased visibility of obstacles across the organisation. Whilst this will be unpopular (as most obstacles are likely behavioural), identifying and pre-empting them will aide in decision-making.
- **Track progress with challenge:** This can be achieved with improved operational understanding and holding individuals to account for actions and progress. Improving reporting (financial, KPIs, milestones) will enable the ELT to monitor progress and understand and deal with risks as they arise.

KPIs for the FIP should be developed that centre around programme profitability, support cost savings and property realisation. It is important that NorthTec incorporates KPIs into reporting structures to ensure management are focused on the fundamental drivers of financial viability. KPIs for each initiative can be set once detailed implementation plans and targets are determined.

Site consolidation and mix of provision changes	Support cost restructure	Property realisation
<p>Strategic goal (of the FIP):</p> <ul style="list-style-type: none"> <li>Ensuring long term financial viability</li> </ul> <p>KPI considerations:</p> <ul style="list-style-type: none"> <li>KPIs should consider ongoing profitability of programmes and address the contribution hurdle required once support cost analysis has been integrated into programme profitability.</li> </ul> <p>KPI suggestions</p> <ul style="list-style-type: none"> <li>Domestic / International EFTS growth targets</li> <li>Achieve [X]% contribution hurdle (predicated on support cost analysis being integrated into programme profitability)</li> <li>[X]% EFTS from discontinued programmes retained in continuing programmes</li> <li>Optimisation benefits of [X]% identified/achieved</li> <li>Student to staff ratios (tailored to specific programmes/departments)</li> <li>[X]% enrolment conversion (tailored by EFTS categories in specific programmes/departments)</li> </ul>	<p>Detailed KPIs will be required post Q1-2025 review</p> <p>Strategic goal:</p> <ul style="list-style-type: none"> <li>Ensuring long term financial sustainability</li> </ul> <p>KPI considerations:</p> <ul style="list-style-type: none"> <li>Short term KPIs should be centred around achieving the support cost savings identified in this review.</li> <li>Once support cost analysis has been integrated into programme profitability, long-term support cost savings KPIs can be established</li> </ul> <p>KPI suggestions:</p> <ul style="list-style-type: none"> <li>Cost savings from support cost restructure identified by end of Q1 and implemented by Q3</li> <li>Support cost % of revenue</li> <li>Support costs to EFTs ratio</li> <li>Once support cost analysis has been integrated into programme profitability, support cost savings KPIs can be defined</li> </ul>	<p>Strategic goal:</p> <ul style="list-style-type: none"> <li>Maximise asset sales realisation and utilisation rates of remaining properties</li> </ul> <p>KPI considerations:</p> <ul style="list-style-type: none"> <li>Short term KPIs targeted at maximising realisations from sales</li> <li>Long term focus should be on utilising properties effectively</li> </ul> <p>KPI Suggestions</p> <ul style="list-style-type: none"> <li>Market value exceeded for asset disposals</li> <li>Asset disposal achieved by [X date] (tailored by asset/property)</li> <li>Utilisation of [X]% (tailored to specific locations)</li> </ul>

The management of support cost functions and programme delivery (teaching and learning direct costs) has not been integrated historically. There has been no focus on controlling support costs as EFTS has declined.

The operating environment and organisational culture has not drawn together the mix of provision and the other costs associated with programme delivery (i.e. support costs). Each has been managed separately.

- The relationship between programme profitability and support costs is not clearly defined or well understood.
- There is minimal allocation of support costs to programmes/departments so it is not possible to establish a fully costed net profit/loss position within programmes.
- This division has led to an operating environment and organisational culture where the link has not been recognised in financial management planning and practices.

Developing NorthTec's management, planning and reporting processes to support ongoing active management of programme profitability and support costs together will help NorthTec remain a financially viable standalone ITP.

- Financial systems and practices that draw this relationship together need to be established to enable an ongoing review of programme profitability at a fully-costed net profit and loss level.
- Programme profitability analysis should be integrated into the annual financial planning process. We suggest this occurs at the start of the process to establish the contribution that will be available to fund support costs. The planning process will then involve changes to both reach a balanced position and to optimise profitability.
- This has been a focus of the FIP work e.g. identifying where support costs are variable to the mix of provision, ākonga and kaimahi numbers
- Efficiencies have been targeted by managing the combined impacts of the mix of provision and programme profitability to enable support costs to be funded and (where necessary) restructured.

Integrating support costs with programme profitability analysis would assist decision making and help NorthTec remain financially viable as a standalone institution.

# 01

As a first step, deeper analysis and financial modelling needs to be undertaken to identify the nexus between programmes and support costs

- We have not been able to undertake this analysis within the scope of this review.
- We expect such a project would establish principles that could be applied across the ITP sector, although each ITP would need to tailor the allocation methodology to its business model.

# 02

NorthTec will then be able to establish programme performance metrics (e.g. contribution hurdle, etc.) against which programmes can be measured

- Assessing pre-establishment, giving confidence that programmes will contribute positively to NorthTec's financial position; and
- Assessing on an ongoing basis (while programmes are being offered), as a leading indicator to highlight where intervention might be necessary to maintain the financial health of a programme.

# 03

Aligning programme profitability and support costs in this way will also instill accountability across the organisation and help identify inefficiencies at a support cost level







- NorthTec's ELT will need to be accountable for its overall financial performance and position.
- Programme leads can be held accountable for ongoing programme performance. This should be a continuous process, not one that only occurs in the planning process.
- Cost centre leads will be able to actively manage their departments throughout the year to maintain an efficient cost structure.

# Financial monitoring framework

Approved

## Key risks of financial improvement plan

Implementing and achieving the financial improvement initiatives poses several risks at a project level to the financial viability of NorthTec.

Key risks	Risk description	Risk rating	Mitigation
Programme profitability change implementation	<ul style="list-style-type: none"><li>Programme profitability change implementation doesn't generate the required savings</li></ul>		<ul style="list-style-type: none"><li>ELT to ensure that drafted change proposals are completed, robust and subject to peer review.</li><li>As part of these proposals NorthTec will confirm specific FTE reductions that can be achieved and reporting framework to measure what is achieved.</li></ul>
Property realisation	<ul style="list-style-type: none"><li>Property realisation doesn't achieve required cost savings</li></ul>		<ul style="list-style-type: none"><li>Property strategy has yet to be confirmed at ELT level.</li><li>This remains a high risk until formally agreed.</li></ul>
Lag impact of programme review	<ul style="list-style-type: none"><li>There is a risk that programmes become unprofitable and delays to reviewing these result in losses being incurred before the programme is discontinued</li><li>Future inaccuracies in programme profitability data.</li></ul>		<ul style="list-style-type: none"><li>NorthTec is yet to establish a financial monitoring framework.</li><li>We recommend that this is designed to ensure programme profitability is integrated into the planning cycle. This remains a high risk until in place.</li></ul>
Management capacity	<ul style="list-style-type: none"><li>Resourcing constraints to implement change proposals and achieve cost savings.</li></ul>		<ul style="list-style-type: none"><li>Historically NorthTec has lacked the skills and experience to deliver/implement change proposals.</li><li>We note the three new directors commenced on 18 November 2024 such that the ELT can now be established.</li></ul>
ELT	<ul style="list-style-type: none"><li>ELT is integral to executing the financial improvement initiatives outlined in this report</li></ul>		<ul style="list-style-type: none"><li>New directors are now in role.</li><li>NorthTec should look to confirm ELT roles and responsibilities in delivery of the financial improvement initiatives.</li></ul>
Scale of change	<ul style="list-style-type: none"><li>The scale of change will be disruptive for kaimahi over the 12-to-24-month period (but is essential to return NorthTec to profitability)</li></ul>		<ul style="list-style-type: none"><li>Kaimahi engagement and communications strategy should be developed.</li></ul>

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In preparing this report we have relied on information provided to us by others. We have not independently audited or verified that information and express no opinion on its accuracy, completeness or reliability. We reserve the right (but will be under no obligation) to review this report and if we consider it necessary to revise the report in light of any information existing at the date of this report that becomes known to us after that date.

The information provided to us may include forecasts of future revenues and expenditures, profits and cashflows. Forecasts by their very nature are uncertain, and some assumptions inevitably will not materialise. Therefore the actual results achieved may vary significantly from those in any forecasts.

In addition to the above, this report is submitted pursuant to a CSO that is dated 4 September 2024 and the terms and conditions that are outlined therein.

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# Appendices

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# Appendix 1

Current Pathway manager  
structure

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graph TD; Director[Director - Ākonga Success] --- L1; L1 --- L2; L2 --- L3; L3 --- L4; L4 --- L5; L5 --- L6; L6 --- L7; L7 --- L8; L8 --- L9; L9 --- L10; L10 --- L11; L11 --- L12; L12 --- L13; L13 --- L14; L14 --- L15; L15 --- L16; L16 --- L17; L17 --- L18; L18 --- L19; L19 --- L20; L20 --- L21; L21 --- L22; L22 --- L23; L23 --- L24; L24 --- L25; L25 --- L26; L26 --- L27; L27 --- L28; L28 --- L29; L29 --- L30; L30 --- L31; L31 --- L32; L32 --- L33; L33 --- L34; L34 --- L35; L35 --- L36; L36 --- L37; L37 --- L38; L38 --- L39; L39 --- L40; L40 --- L41; L41 --- L42; L42 --- L43; L43 --- L44; L44 --- L45; L45 --- L46; L46 --- L47; L47 --- L48; L48 --- L49; L49 --- L50; L50 --- L51; L51 --- L52; L52 --- L53; L53 --- L54; L54 --- L55; L55 --- L56; L56 --- L57; L57 --- L58; L58 --- L59; L59 --- L60; L60 --- L61; L61 --- L62; L62 --- L63; L63 --- L64; L64 --- L65; L65 --- L66; L66 --- L67; L67 --- L68; L68 --- L69; L69 --- L70; L70 --- L71; L71 --- L72; L72 --- L73; L73 --- L74; L74 --- L75; L75 --- L76; L76 --- L77; L77 --- L78; L78 --- L79; L79 --- L80; L80 --- L81; L81 --- L82; L82 --- L83; L83 --- L84; L84 --- L85; L85 --- L86; L86 --- L87; L87 --- L88; L88 --- L89; L89 --- L90; L90 --- L91; L91 --- L92; L92 --- L93; L93 --- L94; L94 --- L95; L95 --- L96; L96 --- L97; L97 --- L98; L98 --- L99; L99 --- L100; L100 --- L101; L101 --- L102; L102 --- L103; L103 --- L104; L104 --- L105; L105 --- L106; L106 --- L107; L107 --- L108; L108 --- L109; L109 --- L110; L110 --- L111; L111 --- L112; L112 --- L113; L113 --- L114; L114 --- L115; L115 --- L116; L116 --- L117; L117 --- L118; L118 --- L119; L119 --- L120; L120 --- L121; L121 --- L122; L122 --- L123; L123 --- L124; L124 --- L125; L125 --- L126; L126 --- L127; L127 --- L128; L128 --- L129; L129 --- L130; L130 --- L131; L131 --- L132; L132 --- L133; L133 --- L134; L134 --- L135; L135 --- L136; L136 --- L137; L137 --- L138; L138 --- L139; L139 --- L140; L140 --- L141; L141 --- L142; L142 --- L143; L143 --- L144; L144 --- L145; L145 --- L146; L146 --- L147; L147 --- L148; L148 --- L149; L149 --- L150; L150 --- L151; L151 --- L152; L152 --- L153; L153 --- L154; L154 --- L155; L155 --- L156; L156 --- L157; L157 --- L158; L158 --- L159; L159 --- L160; L160 --- L161; L161 --- L162; L162 --- L163; L163 --- L164; L164 --- L165; L165 --- L166; L166 --- L167; L167 --- L168; L168 --- L169; L169 --- L170; L170 --- L171; L171 --- L172; L172 --- L173; L173 --- L174; L174 --- L175; L175 --- L176; L176 --- L177; L177 --- L178; L178 --- L179; L179 --- L180; L180 --- L181; L181 --- L182; L182 --- L183; L183 --- L184; L184 --- L185; L185 --- L186; L186 --- L187; L187 --- L188; L188 --- L189; L189 --- L190; L190 --- L191; L191 --- L192; L192 --- L193; L193 --- L194; L194 --- L195; L195 --- L196; L196 --- L197; L197 --- L198; L198 --- L199; L199 --- L200; L200 --- L201; L201 --- L202; L202 --- L203; L203 --- L204; L204 --- L205; L205 --- L206; L206 --- L207; L207 --- L208; L208 --- L209; L209 --- L210; L210 --- L211; L211 --- L212; L212 --- L213; 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L347 --- L348; L348 --- L349; L349 --- L350; L350 --- L351; L351 --- L352; L352 --- L353; L353 --- L354; L354 --- L355; L355 --- L356; L356 --- L357; L357 --- L358; L358 --- L359; L359 --- L360; L360 --- L361; L361 --- L362; L362 --- L363; L363 --- L364; L364 --- L365; L365 --- L366; L366 --- L367; L367 --- L368; L368 --- L369; L369 --- L370; L370 --- L371; L371 --- L372; L372 --- L373; L373 --- L374; L374 --- L375; L375 --- L376; L376 --- L377; L377 --- L378; L378 --- L379; L379 --- L380; L380 --- L381; L381 --- L382; L382 --- L383; L383 --- L384; L384 --- L385; L385 --- L386; L386 --- L387; L387 --- L388; L388 --- L389; L389 --- L390; L390 --- L391; L391 --- L392; L392 --- L393; L393 --- L394; L394 --- L395; L395 --- L396; L396 --- L397; L397 --- L398; L398 --- L399; L399 --- L400; L400 --- L401; L401 --- L402; L402 --- L403; L403 --- L404; L404 --- L405; L405 --- L406; L406 --- L407; L407 --- L408; L408 --- L409; L409 --- L410; L410
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Excluded from 2024 Consultation

# Appendix 2

Current Property detail

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# Financial improvement initiatives

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## Property rationalisation

Campus	Status	Plan	Next steps	Financial Implications
Whangārei				
Raumanga campus (Block A - H)	Owned	<p>This is NorthTec's main campus servicing the majority of NorthTec's EFTS. With declining EFTS over recent years, we understand the campus is now underutilised and there are surplus areas/block over the campus. s 9(2)(b)(ii), s 9(2)(i)</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>s 9(2)(b)(ii), s 9(2)(i)</p> <p>[REDACTED]</p>	<p>s 9(2)(b)(ii)</p> <p>[REDACTED]</p>
Future trades campus (Dyer Street)	Leased	<p>Dyer Street campus is a learning centre for trades programmes. s 9(2)(b)(ii), s 9(2)(i)</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>s 9(2)(b)(ii), s 9(2)(i)</p> <p>[REDACTED]</p>	<p>s 9(2)(b)(ii)</p> <p>[REDACTED]</p>

# Financial improvement initiatives

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## Property rationalisation

Campus	Status	Plan	Next steps	Financial Implications
Whangārei				
8 Kendon Place	Owned	The is a residential house that is currently leased to the public. s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii), s 9(2)(j)
Avenue Apartments	Leased	s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii), s 9(2)(j)
Auckland				
238 Queen Street (CBD)	Leased	NorthTec currently operates its Auckland programmes from shared space at EIT Auckland campus (per a Heads of Agreement signed in December 2022). s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)	s 9(2)(b)(ii), s 9(2)(ba)(ii)	s 9(2)(b)(ii)

# Financial improvement initiatives

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## Kaitaia

Campus	Status	Summary	Next steps	Financial implications
Kaitaia Oxford Street	Owned	§ 9(2)(b)(ii), § 9(2)(ba)(ii), § 9(2)(j)	If this strategy is pursued: § 9(2)(b)(ii), § 9(2)(ba)(ii)	§ 9(2)(b)(ii), § 9(2)(j)
Commerce Street	Leased	NorthTec currently runs its hospitality programme from this premises in Kaitaia. § 9(2)(b)(ii), § 9(2)(ba)(ii), § 9(2)(j)	If this strategy is pursued: § 9(2)(b)(ii), § 9(2)(ba)(ii), § 9(2)(j)	§ 9(2)(b)(ii), § 9(2)(j)
Dunn Street	Leased	The site has been leased for conducting automotive workshops. § 9(2)(b)(ii), § 9(2)(ba)(ii), § 9(2)(j)	If this strategy is pursued: § 9(2)(b)(ii), § 9(2)(j)	§ 9(2)(b)(ii)
Redan Road	Leased	§ 9(2)(b)(ii), § 9(2)(ba)(ii)	§ 9(2)(b)(ii), § 9(2)(j)	§ 9(2)(b)(ii), § 9(2)(j)

# Financial improvement initiatives

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## Property rationalisation

Campus	Status	Future	Next steps	Financial implications
<b>Kaikohe</b>				
Ngāwhā Campus	Leased	s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)	If this strategy is pursued: s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii)
<b>Dargaville</b>				
Cnr Parore and Gordon Street	Owned	s 9(2)(b)(ii), s 9(2)(j)	If this strategy is pursued: s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii), s 9(2)(j)
<b>Kerikeri</b>				
Kerikeri Road	Owned	s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)	If this strategy is pursued: s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii)

# Appendix 3

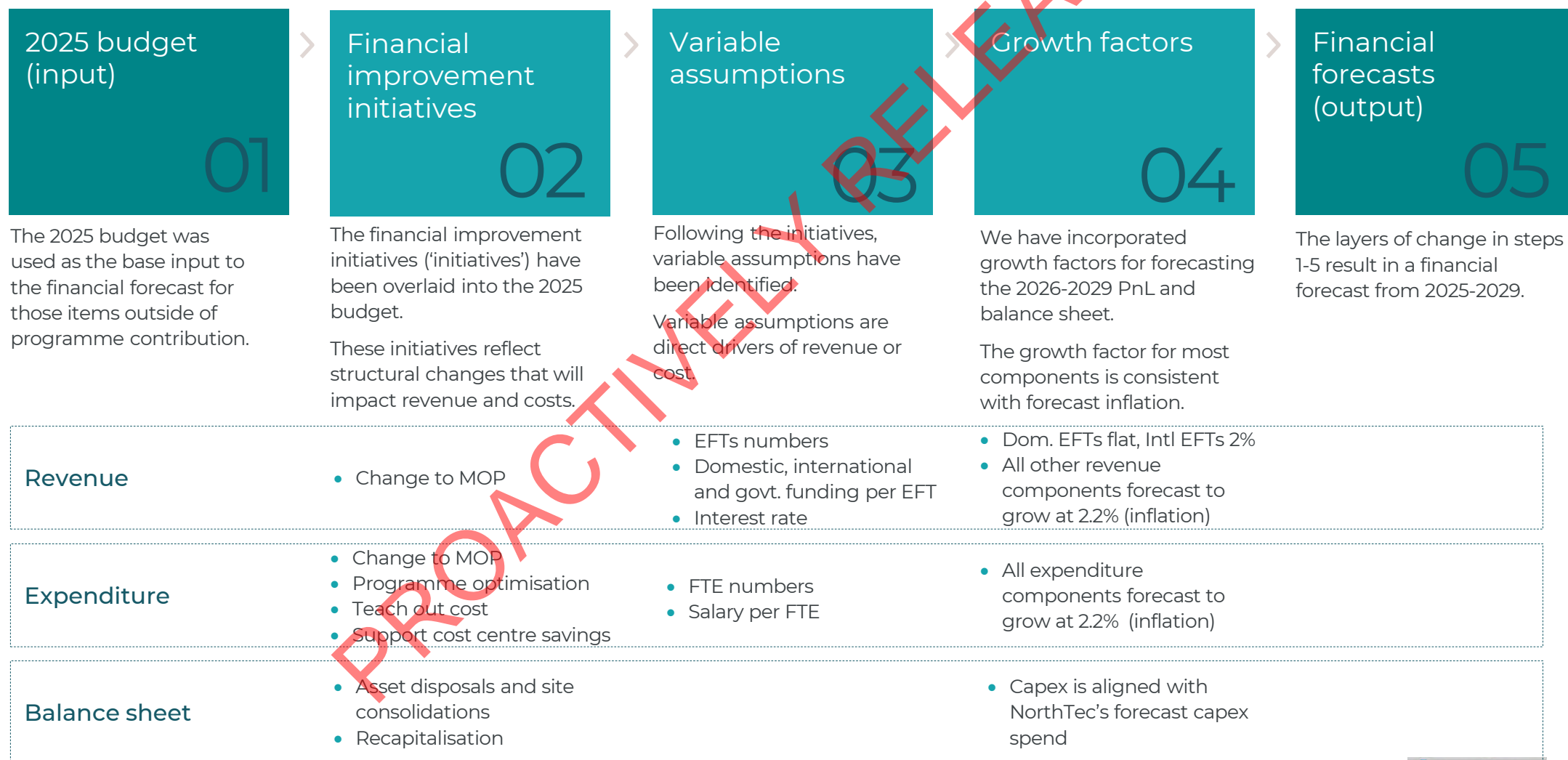
Key modelling  
assumptions

# Appendix 4

## Key modelling assumptions

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By applying the financial improvement initiatives to the budget and overlaying variable assumptions, we have produced a financial forecast for FY25-FY29.



## Appendix 4

Estimated implementation  
timing

# Financial improvement initiatives

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## Timing

Detailed programme reviews should commence in January 2025 and conclude by the end of February 2025, with the formal consultation process to begin in March 2025. Initial scoping and design for other financial improvement initiatives should commence in January 2025 and progress throughout the year.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Programme Profitability												
Detailed Programme Reviews	Design phase											
Consultation			Prep phase		Change phase							
Student and academic services												
s 9(2)(b)(ii), s 9(2)(ba)(ii)			Design phase		Preparation phase			Change phase				
Property												
s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)	Design Phase						Prep phase		Change phase			
							Preparation phase					

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