



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

Open Polytechnic of New Zealand

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.

At the time, 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). Open Polytechnic of New Zealand (“Open Polytechnic”) was noted as being a viable entity – as such no formal output for Open Polytechnic was initially requested.

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

This report is for Open Polytechnic as an institute and excludes the subsidiary ESA / Learnwell.

Executive Summary

Plan to achieve viability by 2026

The TEC and Te Pūkenga ITP Viability Programme (“Programme Governance”) have requested that each division develop financial viability plans aimed at achieving a 2% net surplus and targeting an 11% EBITDA to revenue margin as the financial benchmark.

This Financial Improvement Plan outlines the framework for Open Polytechnic to enhance its financial performance. It is divided into two sections to ensure that Open Polytechnic not only focuses on developing the financial plan but also maintains a long-term planning perspective to support sustainable financial management.

| Sections | Description |
|--|--|
| 1. Priority Initiatives (including long-term strategic planning) | Section one focuses on the high priority cost-out initiatives to be implemented across FY25. Likewise, there are several key strategies required to support the longer-term planning for Open Polytechnic. |
| 2. Financial performance systems and objectives | Section three 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 currently represents a transitional view of Open Polytechnic 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 reported. In summary, the key objectives of the Financial Improvement Plan 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 Open Polytechnic 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 needs to coincide with changes to Open Polytechnic’s shifting horizons.

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

Executive Summary (cont.)

Target Financial Metrics (Including Immediate Cost-Out Initiatives)

In the table set out on the right, and with the inclusion of the priority initiatives (see page 7 for a list of these initiatives), Open Polytechnic is considered a viable division.

Open Polytechnic's financials are set out in the summary table below. The remainder of this document outlines the process and identifies further financial improvement initiatives for Open Polytechnic to achieve these target metrics.

| Key Financial Metrics - \$m | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|
| <i>Total Revenue</i> | \$76.4 | \$96.6 | \$111.7 | \$114.1 | \$116.4 | \$118.8 |
| <i>Total Operating Expenses</i> | (\$74.8) | (\$78.2) | (\$81.9) | (\$84.9) | (\$86.7) | (\$88.6) |
| EBITDA | \$1.6 | \$18.4 | \$29.8 | \$29.2 | \$29.7 | \$30.2 |
| Net Surplus Before Unusual Items | (\$14.6) | \$0.7 | \$13.2 | \$15.8 | \$15.8 | \$14.4 |
| <i>Closing Cash Balance</i> | \$18.0 | \$19.3 | \$30.5 | \$41.9 | \$57.3 | \$69.7 |
| <i>Purchase of Assets</i> | (\$15.0) | (\$19.6) | (\$18.5) | (\$18.8) | (\$19.2) | (\$19.6) |
| <i>Sale of Surplus Assets</i> | - | s 9(2)(b)(ii) | - | - | s 9(2)(b)(ii) | - |

| Open Polytechnic Key Metrics | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|--|---------------|--------------|--------------|--------------|--------------|--------------|
| Net Operating Surplus Margin | -19% | 1% | 12% | 14% | 14% | 12% |
| EBITDA Margin | 2% | 19% | 27% | 26% | 26% | 25% |
| Personnel to Revenue Ratio (Ex Adjuncts) | 66% | 55% | 50% | 51% | 51% | 51% |
| Assessment Cost per EFTS | s 9(2)(b)(ii) | | | | | |
| % Assessments auto-marked | | | | | | |
| Domestic Students (EFTS) | 8,588 | 9,329 | 9,469 | 9,611 | 9,708 | 9,805 |
| International Students (EFTS) | 55 | 9 | 9 | 9 | 9 | 9 |
| Total Students (EFTS) | 8,643 | 9,338 | 9,478 | 9,620 | 9,717 | 9,814 |
| Academic FTE | 130 | 136 | 139 | 141 | 144 | 144 |
| Non-Academic FTE | 474 | 487 | 497 | 507 | 507 | 507 |
| Total FTE | 604 | 623 | 635 | 648 | 651 | 651 |
| Total Programmes delivered | 114 | 118 | 120 | 122 | 122 | 122 |
| Programmes discontinued | 7 | 7 | 7 | 7 | 7 | 7 |

Executive Summary (cont.)

Programmes MoP and Portfolio

Open Polytechnic is not contemplating any major programme exits. They employ a comprehensive annual portfolio performance review process that has been consistently applied since 2018. This process evaluates programmes from both financial and educational performance perspectives, informing decisions on improvements and overall portfolio management.

The evaluation framework utilises a quadrant system, plotting educational performance against financial performance. These quadrants are delineated by central measures of tendency, specifically the median and mean. The current model preferentially uses the median as the central tendency measure, as it provides a more robust assessment when there is a sufficient number of programmes in the portfolio ($n \geq 30$).

This systematic approach allows Open Polytechnic to make data-driven decisions about its programme offerings, ensuring that both educational quality and financial sustainability are considered in tandem. By regularly assessing and adjusting its portfolio based on these metrics, Open Polytechnic aims to maintain a viable and effective range of educational offerings. Appendix A provides further detail on Open Polytechnic's approach to programme review.

People / Staffing

There are no planned alterations to workforce capability or capacity. It's important to note that Open Polytechnic's business model differs significantly from other divisions. The existing management structure is considered fit-for-purpose. A review of Open Polytechnic's back-office functions revealed no substantial cost-saving opportunities in terms of FTE reduction. An analysis of key shifts in back-office resources from 2022 to 2024, evaluated back-office functions as a percentage of total FTE and compared these to other similarly sized divisions.

Property / Capital Assets

Open Polytechnic has identified opportunities to strategically divest surplus land. Approximately $\$9(2)(b)(ii)$ of the campus land is deemed surplus to requirements, with a planned divestment timeline set for 2028. The indicative value of this land is estimated at $\$9(2)(b)(ii)$, based on a December 2023 Colliers valuation adjusted for 2% annual inflation. Since this involves bare land not currently utilised, the impact on Open Polytechnic's operations is expected to be minimal.

In addition to the campus subdivision and divestment, Open Polytechnic is planning to sell the Caretaker's House in 2025, with an indicative value of $\$9(2)(b)(ii)$.

Digital and courseware investment

Open Polytechnic largest forecast spend is in Courseware $\$9(2)(b)(ii)$ per annum, and digital $\$9(2)(b)(ii)$ per annum. Forecast investment is comparable to current levels of depreciation. A large proportion of forecast investment in courseware and depreciation is on the assumption of capitalised staff cost.

The size and structure of the Digital team have remained largely consistent since 2022, comprising approximately 70 FTE $\$9(2)(b)(ii)$ of total FTE). Open Polytechnic Digital salary costs have increased by $\$9(2)(b)(ii)$ since 2022, reflecting the challenges in keeping pace with the competitive digital labor market and attracting talent. There are no indications that Open Polytechnic should or could reduce its Digital FTE.

The team currently not only enables Open Polytechnic's digital environment but also support other divisions within Rohe 3. Following separation, Open Polytechnic will benefit from being able to fully utilise the team to support Open Polytechnic's digital investment.

Executive Summary (cont.)

Key Objectives / Priority Initiatives

Priority Initiatives

1. Campus footprint: Campus footprint consolidation to provide capital and reduce operating cost. This would further strengthen the balance sheet in outyears and provide a solid basis for reinvestment, where required.

2. Reduce average assessment centre cost via automation: Embed a culture of automation first for assessment within core development of all products. Identify quick wins and programmes due for redevelopment.

3. Programme Development: By leveraging data from the TEC, Open Polytechnic can gain insights into how network changes impact educational delivery and identify potential areas for expansion.

Longer-Term Planning

It is important for Open Polytechnic to maintain its social license as the model is heavily reliant on government tuition subsidy. Open Polytechnic provides a number of programmes provided at low/no cost to learners. Open Polytechnic will face one of the more significant funding shifts arising from SAC funding changes, confirmation of total government funding is critical to define the target cost saving and financial improvement planning required.

To support its strategic goals, Open Polytechnic 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 two.

Further Considerations

Risk Management

The plan identifies key risks and mitigation strategies, including:

- Disruptions to operations: Detailed plans to maintain essential functions.
- Stakeholder resistance: Open communication and stakeholder engagement.
- Financial uncertainties: Robust financial models and regular updates.
- Quality of educational programmes: Strong quality assurance mechanisms.

Governance and Reporting

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

Executive Summary (cont.)

Available options for Open Polytechnic

Additional options not included in the financial targets

4. Pricing strategies: Open Polytechnic can more easily adjust pricing strategies to mitigate potential financial risks than other ITPs. The operating model enables them to test market elasticity regarding free versus charged courses and implications for higher level courses. Open Polytechnic has tested price elasticity of demand in some programme areas, producing data that would establish a future basis for stimulating or reducing demand through pricing. The assumption of the financial improvement plan is no change to the current pricing strategy.

5. Fixed term appointments management: Open Polytechnic could fill critical positions for continuing employment agreements, with fixed term appointments in FY25 to provide flexibility should SAC funding not be as high as expected. Open Polytechnic FY25 budget currently has 30 vacancies – so there is significant scope to develop a workforce plan that will provide future financial flexibility.

6. Additional options: Due to the current financial position and operating model for Open Polytechnic; in addition to the above mitigations, there are a number of options it could consider adopting if they did need to improve their financial viability including: prioritising the re-establishment of ITO partnerships; hold vacancies until mix of provision is confirmed; phase investment in courseware; and move to only critical ITS delivery until SAC funding and mix of provision is confirmed.

Conclusion

Open Polytechnic is well positioned to transition as a viable standalone ITP. However, Government funding is a key risk for the standalone entity.

Open Polytechnic will develop a transition plan for establishment that is linked to this financial improvement plan and continue to consider downside mitigations should domestic growth / government funding not meet forecast.

Section One: Priority Initiatives

PROACTIVELY RELEASED

Priority initiatives

| Area | Type | Description | Approx. Savings/Opportunity |
|---|------------|---|--|
| 1 Subdivision of the north of Waterloo Campus | Divestment | Consolidation and subdivision of the north of Waterloo Campus. Approximately ^{s 9(2)(b)} _(ii) of the campus land is deemed surplus to requirements. Indicative value of this land is estimated at ^{s 9(2)(b)(ii)} , based on a December 2023 Colliers valuation adjusted for 2% annual inflation. | ^{s 9(2)(b)(ii)} |
| 2 Sale of Caretakers House | Divestment | Sale of the Caretakers House with an indicative value of ^{s 9(2)(b)(ii)} . | ^{s 9(2)(b)(ii)} |
| 3 Reduce average assessment centre cost per EFTS with curriculum redevelopment to improve scalability of delivery | | <p>Open Polytechnic has a highly scalable business model, that has an outsource assessment centre that uses adjunct staff to complete assessment tasks. Current cost is approximately ^{s 9(2)(b)(ii)} per EFTS.</p> <p>Open Polytechnic has been investigating the re-design of courseware to improve the automatability of marking, reducing the overall assessment centre cost per EFTS. This workstream is focused on setting a workplan to deliver a 10% improvement in the average cost per EFTS by targeting high volume assessments for marking automation.</p> | ^{s 9(2)(b)(ii)} annual savings by FY26. |
| 4 Analyse the provision changes in the network | Strategic | By leveraging data from the TEC, Open Polytechnic can gain insights into how network changes impact educational delivery and identify potential areas for expansion. | TBC |

Workstreams

Section One:
Priority Initiatives

Approved
Section Two:
Financial Performance,
Systems & 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) |
|--|---|---|-----------|-------------------------|---------------------------|-----------------------------|------------------------|-----------------|---------------------|---|
| Campus Development | 1. Subdivision of the north of Waterloo Campus | Complete campus masterplan to consolidate into the most efficient footprint. Engage planner to develop subdivision options and explore the higher hypothetical alternative use for Waterloo campus. | FY25-FY28 | Medium | Low | Low | Medium | Low | Low | Planning support and consents as part of campus redevelopment FY25 budget |
| | 2. Sale of Caretakers House | Early market engagement to confirm feasibility assumptions, develop business case for disposal and proceed with subdivision in a way that maximises net present value for Open Polytechnic. | | | | | | | | |
| Reduce average assessment centre cost via automation | 3. Reduce average assessment centre cost per EFTS | Embed culture of automation first for assessment within core development of all products. Identify quick wins, or programme due for redevelopment. Establish reporting on assessment center marking cost per EFTS and embed this as a key KPI for Open Polytechnic. | FY25-FY26 | Low | Low | Low | Medium | Low | Low | Include as part of BAU. |
| Programmes | 4. Analyse the provision changes in the network | Establish a quarterly review with the TEC to determine opportunities for new areas of online provision. Identify gaps in current provisions and highlight opportunities for new online services that align with TEC's strategic goals. Conduct a detailed trend analysis to understand the long-term impacts of network changes. Using a data driven approach aligned to the strategic objectives of the TEC will likely maximize Open Polytechnic success in new educational products being funded and obtaining the necessary uptake in learner numbers. | FY25-FY26 | Medium | Low | Low | Medium | Low | Medium | TBC – depending on timing and programme requirement. |

Key performance indicators

The 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.

| Initiative | Responsible | Measure | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|--------------------|---|---------------|------|------|---------------|------|
| Subdivision of the north of Waterloo Campus | Executive Director | Capital Sale | - | - | - | s 9(2)(b)(ii) | - |
| Subdivision of the north of Waterloo Campus | Executive Director | Reduction in costs against existing budgets | - | - | - | s 9(2)(b)(ii) | |
| Sale of Caretakers House | Executive Director | Capital sale | s 9(2)(b)(ii) | - | - | - | - |
| Reduce average assessment centre cost per EFTS with curriculum redevelopment to improve scalability of delivery | Executive Director | Reduction in costs against existing budgets | s 9(2)(b)(ii) | | | | |
| Analyse the provision changes in the network | Executive Director | New programme delivery | TBC | TBC | TBC | TBC | TBC |

Key performance indicators

To ensure the sustained success and growth of Open Polytechnic, a set of longer-term KPIs have been set through to FY29.

These KPIs are designed to measure progress toward achieving strategic objectives and long-term goals. Open Polytechnic's associated performance with these KPI's is included in the table to the right.

The KPI's assumes successful implementation of the financial improvement plan, and moderate domestic growth.

The detailed forecast financial statements are outlined on page 14.

| Open Polytechnic Key Metrics | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|--|---------------|--------------|--------------|--------------|--------------|--------------|
| Net Operating Surplus Margin | -19% | 1% | 12% | 14% | 14% | 12% |
| EBITDA Margin | 2% | 19% | 27% | 26% | 26% | 25% |
| Personnel to Revenue Ratio (Ex Adjuncts) | 66% | 55% | 50% | 51% | 51% | 51% |
| Assessment Cost per EFTS | s 9(2)(b)(ii) | | | | | |
| % Assessments auto-marked | | | | | | |
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| International Students (EFTS) | 55 | 9 | 9 | 9 | 9 | 9 |
| Total Students (EFTS) | 8,643 | 9,338 | 9,478 | 9,620 | 9,717 | 9,814 |
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| Non-Academic FTE | 474 | 487 | 497 | 507 | 507 | 507 |
| Total FTE | 604 | 623 | 635 | 648 | 651 | 651 |
| Total Programmes delivered | 114 | 118 | 120 | 122 | 122 | 122 |
| Programmes discontinued | 7 | 7 | 7 | 7 | 7 | 7 |

Forecast financials - Profit & Loss

All Units in \$m

Section One:
Priority Initiatives

Approved
Section Two:
Financial Performance,
Systems & Objectives

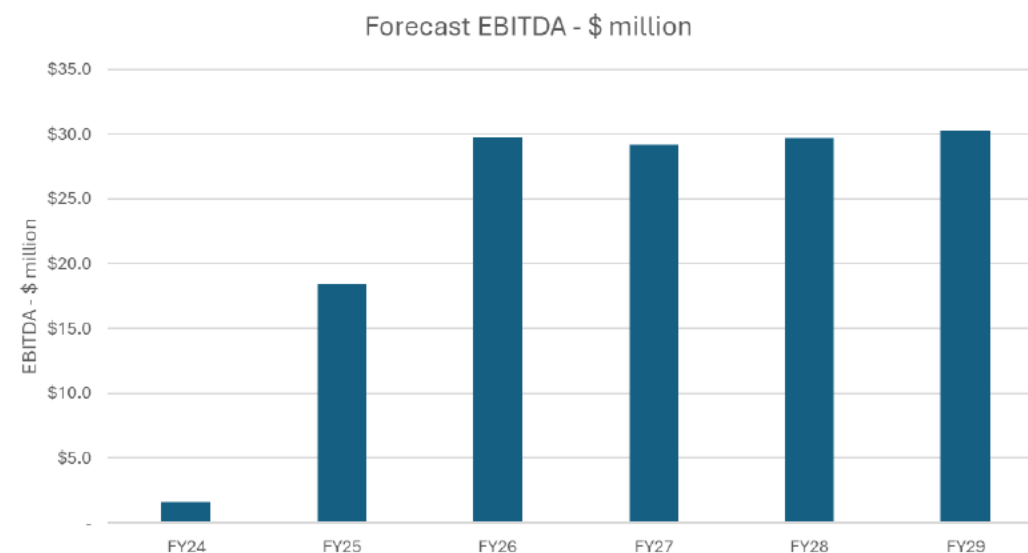
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| | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|-----------------|----------------------|-----------------|-----------------|----------------------|-----------------|
| Revenue | | | | | | |
| Government Funding | \$56.0 | \$75.8 | \$90.1 | \$91.8 | \$93.6 | \$95.3 |
| Tuition Fees - Domestic Students | \$13.2 | \$15.4 | \$15.9 | \$16.5 | \$17.0 | \$17.5 |
| Tuition Fees - International Students | \$0.3 | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.1 |
| Other Teaching Income | \$6.5 | \$5.0 | \$5.2 | \$5.3 | \$5.4 | \$5.5 |
| Research Revenue | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.2 |
| Trading Income | \$0.2 | \$0.2 | \$0.2 | \$0.2 | \$0.2 | \$0.2 |
| Other Income | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Total Revenue | \$76.4 | \$96.6 | \$111.7 | \$114.1 | \$116.4 | \$118.8 |
| Operating Expenses | | | | | | |
| Wages and Salaries | (\$50.7) | (\$52.8) | (\$56.0) | (\$58.2) | (\$59.7) | (\$60.8) |
| Adjunt Costs | (\$8.9) | (\$9.3) | (\$9.3) | (\$9.7) | (\$10.0) | (\$10.3) |
| Administration | (\$10.6) | (\$11.9) | (\$12.2) | (\$12.5) | (\$12.8) | (\$13.1) |
| Course Material costs | (\$1.0) | (\$1.1) | (\$1.2) | (\$1.2) | (\$1.2) | (\$1.3) |
| Other Costs | (\$3.6) | (\$3.1) | (\$3.2) | (\$3.3) | (\$3.1) | (\$3.2) |
| Total Operating Expenses | (\$74.8) | (\$78.2) | (\$81.9) | (\$84.9) | (\$86.7) | (\$88.6) |
| EBITDA | \$1.6 | \$18.4 | \$29.8 | \$29.2 | \$29.7 | \$30.2 |
| Depreciation and Amortisation | (\$16.8) | (\$18.6) | (\$17.4) | (\$14.6) | (\$15.5) | (\$17.8) |
| EBIT | (\$15.2) | (\$0.2) | \$12.4 | \$14.6 | \$14.2 | \$12.4 |
| Net Interest Income | \$0.5 | \$0.9 | \$0.8 | \$1.2 | \$1.6 | \$2.0 |
| Net Surplus Before Unusual Items | (\$14.6) | \$0.7 | \$13.2 | \$15.8 | \$15.8 | \$14.4 |
| Unusual Items | | | | | | |
| Gain / Loss on disposal of PPE | - | \$ 9(2)(b)(i) | - | - | \$ 9(2)(b)(i) | - |
| Other Unusual or Non-Recurring items | (\$0.0) | - | - | - | - | - |
| Total Unusual Items | (\$0.0) | \$ 9(2)(b)(i) | - | - | \$ 9(2)(b)(i) | - |
| Net Surplus/(Deficit) | (\$14.7) | \$13.2 | \$15.8 | \$15.8 | \$14.4 | \$14.4 |

The significant improvement in FY25 Forecast EBITDA results in a small surplus for Open Polytechnic on the basis that funding rate increase offset the central costs retuning to Open Polytechnic from Te Pūkenga.

FY26 EBITDA has the benefit of returns to SAC Funding resulting in a material uplift in EBITDA.

Change cost and assumed redundance costs (nil redundancies) are accounted for below the line resulting in a small forecast gain on sale in FY25 (caretakers cottage at Waterloo campus). Forecast FY28 loss on sale for further subdivision and sale of Waterloo campus.



Forecast financials – cash flow

All Units in \$m

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| | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|----------------------|----------------------|-----------------|----------------------|-----------------|
| Operating Cash Flows | | | | | |
| Operating Inflows | \$97.8 | \$110.7 | \$113.9 | \$116.3 | \$118.6 |
| Operating Outflows | (\$78.2) | (\$81.9) | (\$84.9) | (\$86.7) | (\$88.6) |
| Unusual & Non-recurring Items | - | - | - | - | - |
| Net Interest Income | \$0.8 | \$0.7 | \$1.0 | \$1.3 | \$1.6 |
| Net Operating Cash Flow (CFO) | \$20.4 | \$29.5 | \$30.0 | \$30.9 | \$31.6 |
| Investment Cash Flows | | | | | |
| Purchase of Assets | (\$19.6) | (\$18.5) | (\$18.8) | (\$19.2) | (\$19.6) |
| Sale of Surplus Assets | § 9(2)(b)(ii) | - | - | § 9(2)(b)(ii) | - |
| Other Investment Cash Flows | - | - | - | - | - |
| Net Investment Cash Flow (CFI) | § 9(2)(b)(ii) | (\$18.5) | (\$18.8) | § 9(2)(b)(ii) | (\$19.6) |
| Financing Cash Flows | | | | | |
| Commercial Debt | - | - | - | - | - |
| Crown Debt | - | - | - | - | - |
| Finance Leases | - | - | - | - | - |
| Other Financing Cash Flows | - | - | - | - | - |
| Net Financing Cash Flow (CFF) | - | - | - | - | - |
| Net Increase / (decrease) in Cash Held | \$1.3 | \$11.2 | \$11.4 | § 9(2)(b)(ii) | \$12.5 |
| Opening Cash Balance | \$18.0 | § 9(2)(b)(ii) | | | |
| Closing Cash Balance | § 9(2)(b)(ii) | | | | |

Open Polytechnic is forecast to remain cash positive over the forecast period. The largest forecast spend is in courseware § 9(2)(b)(ii) per annum, and digital § 9(2)(b)(ii) per annum. FY25 digital budget includes § 9(2)(b)(ii) for replacement of network software, § 9(2)(b)(ii) investment in online marking, § 9(2)(b)(ii) in iQualify (Learning Management System used by learners) and § 9(2)(b)(ii) for other projects including Student Management System Hub.

The forecast cash flow is based on current staffing and resourcing and excludes any major uplift in development for any major new opportunities, or to build infrastructure, which maybe required should Open Polytechnic become the anchor institution as per the Ministry of Education Consultation document (link below).

<https://assets.education.govt.nz/public/Documents/Further-education/VET-Consultation-document-as-at-31-July-2024.pdf>

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 | \$18.0 | s 9(2)(b)(ii) | | | | |
| Trade & Other Receivables | \$5.0 | \$6.3 | \$7.3 | \$7.5 | \$7.6 | \$7.8 |
| Other Current Assets | \$2.5 | - | - | - | - | - |
| Total Current Assets | \$25.5 | s 9(2)(b)(ii) | | | | |
| Non-Current Assets | | | | | | |
| Property, Plant and Equipment | \$75.5 | \$76.3 | \$77.3 | \$81.6 | \$78.2 | \$80.0 |
| Assets Under Construction | \$11.3 | \$11.3 | \$11.3 | \$11.3 | \$11.3 | \$11.3 |
| Other Non-Current Assets | - | - | - | - | - | - |
| Total Non-Current Assets | \$86.8 | \$87.6 | \$88.6 | \$92.9 | \$89.5 | \$91.3 |
| Total Assets | \$112.3 | s 9(2)(b)(ii) | | | | |
| Liabilities | | | | | | |
| Total Current Liabilities | \$16.1 | \$16.1 | \$16.1 | \$16.1 | \$16.1 | \$16.1 |
| External Debt | - | - | - | - | - | - |
| Intercompany Debt | - | - | - | - | - | - |
| Finance Leases | - | - | - | - | - | - |
| Total Non-Current Liabilities | - | - | - | - | - | - |
| Total Liabilities | \$16.1 | \$16.1 | \$16.1 | \$16.1 | \$16.1 | \$16.1 |
| Net Assets | \$96.2 | s 9(2)(b)(ii) | | | | |
| Equity | | | | | | |
| General Funds | \$96.2 | s 9(2)(b)(ii) | | | | |
| Crown Capitalisation / (Establishment Dividend) | - | - | - | - | - | - |
| Total Equity | \$96.2 | s 9(2)(b)(ii) | | | | |

The Open Polytechnic forecast balance sheet indicates a significant increase in cash holdings on the basis that surplus flow is not reinvested.

Risks/Assumptions

Assumptions

General Assumptions:

- Full SAC rates and equity funding to resume from January 2026. SAC Funding Plan Growth to not exceed 2.0% per annum, with 0% for volume growth.
- Annual Maximum Fee Movement of 6.0% in 2025 is assumed to be captured within entity budget values, returning to 2.0% for remaining out-years.
- Salary Costs increase by 4.0% in 2025, returning to 2.0% for remaining out-years.
- Inflation has been assumed to be 2.0% per annum as per Budget Economic and Fiscal Update 2024 Treasury Estimates.

Entity Specific Assumptions:

- Domestic EFTS Growth per annum:
 - Base Case: 1.5% in FY26 and FY27, 1% in FY28 and FY29
 - Pessimistic Case: -2% across FY26-FY28, 0% in FY29
 - Optimistic Case: 5% in FY26 and FY27, 2% in FY28 and FY29
- International EFTS Growth per annum:
 - All Cases: No growth across FY26-FY29
- EFTS to FTE ratios assume moderate improvements in the base case, slight improvements in the pessimistic case and reasonable improvements in the optimistic case across the forecast period.

Assumptions (continued)

All scenarios include the consolidation and subdivision of the north of Waterloo Campus and the sale of Caretakers House, improvements within the assessment costs for students. In addition to higher EFTS volume, the optimistic scenario further includes additional revenue gained through re-partnering with ITOs, and additional capital investment in courseware and software.

Risks/Issues identified

General Risks/Issues:

- Analysis and recommendations made at the time of this report are true. Data revisions, reforecasts and environmental changes that would materially change the recommendations provided have not been captured.
- Opening capitalisation for standalone entities in 2026 is currently unknown.

Entity Specific Risks/Issues:

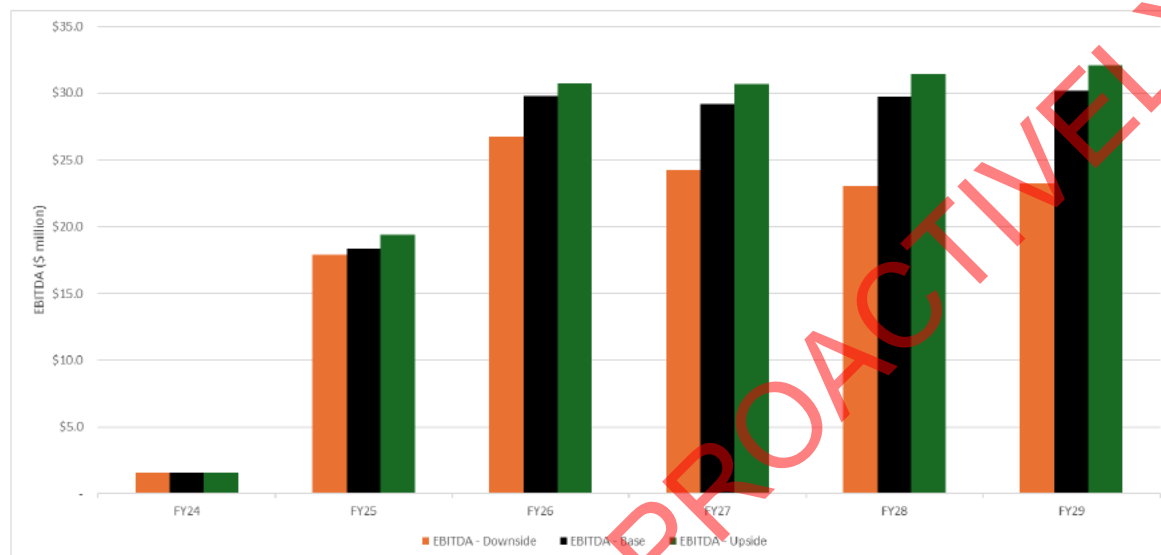
- Whilst Open Polytechnic has a number of additional revenue stream opportunities they could explore through their financial plan initiatives, a significant portion of their revenue uplift over the forecast period comes from a return to the SAC funding system.
- Open Polytechnic have experienced growth due to access to funding that has enabled this and shifts from traditional semester/trimester based enrolment to 'anytime start' basis. Open Polytechnic cannot be guaranteed the same access to funding that would support further growth, once Te Pūkenga is disestablished.

Scenario Analysis

Financial Forecast 2025-2029 - Base case projection

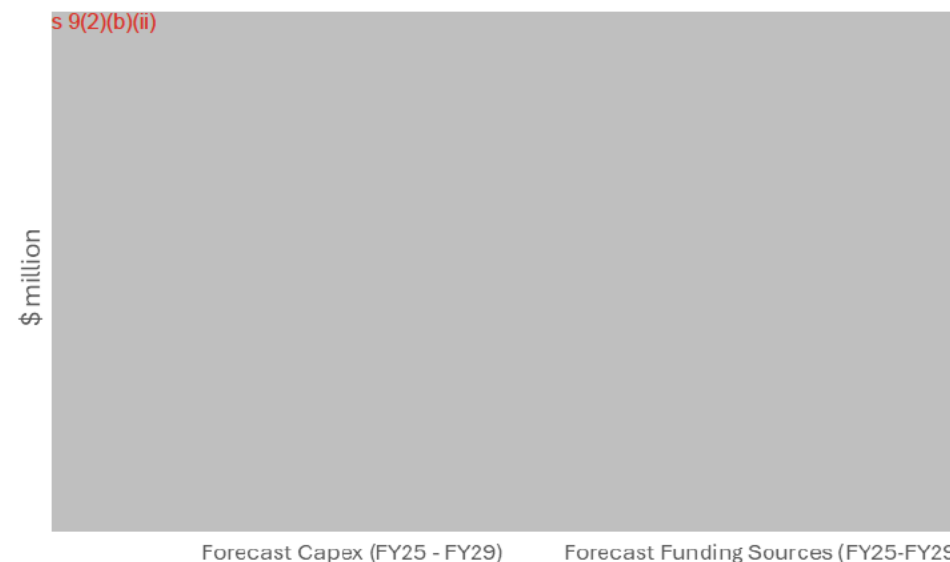
Key Points

- The base position sees a strong improvement in EBIT over the next two years, largely driven by domestic EFTS assumptions in the short term, and then from FY26 onwards the financial performance remains relatively stable as the growth assumptions flatten.
- The upside projections provides an improved level of EBITDA, but the downside projection sees a similar upwards trend in the first two years before a decline in performance over the latter period.



Funding sources for capital investment

- Open Polytechnic's forecast operating cashflow is projected to fund the total forecast capital spend over FY25-FY29.
- The optimistic scenario shows that Open Polytechnic will have surplus funds available to pursue additional products, programmes and digital enhancements. However, it is likely that this upside scenario requires further development in new products and would require total capital funding of approximately \$9(2)(b)(ii) over the forecast period.



Section Two: Financial Performance, Systems & Objectives

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Governance & reporting

Governance

A financial management group will be established internally for a period of three years, with the Executive Director as the owner and Open Polytechnic Executive Leadership Team (ELT) members assigned as workstream owners. The membership of the financial recovery management group will be reviewed every six months to ensure that the outcomes of the financial recovery 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 improvement management group will be supported by the internal communications and people and culture 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 recovery plan.

Key responsibilities include:

- Monitoring and evaluating the progress of the financial improvement 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 providing regular updates to the Governance Group, ensuring transparency and accountability in the implementation of various workstreams and initiatives.

The reporting framework will be bi-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.

To facilitate consistency and ease of use, this document includes a template in the appendices, which can be used for future reporting cycles. This template will outline the key sections and data points required, ensuring that all necessary information is captured and presented in a standardised manner.

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 improvement plan. | Low | Low | <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 | High | <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 recovery 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. | Low | Medium | <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. |
| 6 Difficulties in implementing digital transformation initiatives, which could hinder operational efficiency and student experience. | High | Medium | <ul style="list-style-type: none"> Develop a comprehensive digital transformation strategy with clear goals and timelines. Ensure strong immediate support for existing digital platforms and instruments to handle high usage. |
| 7 Regulatory risks arises from changes in laws, regulations, or policies. Including new or amended legislation or regulatory requirements. | Medium | 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. |
| 8 Negative impact on the divisions's reputation due to changes or disruptions. | High | 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. |
| 9 Changes in market demand or enrolment patterns that could affect the division's financial plans. | High | 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. |
| 10 Challenges in implementing the recovery 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:
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Overview of Performance Systems and Objectives

Open Polytechnic is distinct within the Te Pūkenga network, functioning as a digital learning provider. They focus on developing and scaling learning courses, which are delivered online to students throughout New Zealand.

Open Polytechnic has been successful in obtaining significant market share in a number of core programmes. This has been key to the business model of Open Polytechnic with higher upfront development costs and lower marginal costs when compared to traditional face to face delivery.

Short-Term Focus:

- Return to SAC funding to ensure breakeven to positive financial result and stabilize finances.
- Commence necessary expenditure for longer term goals of this financial improvement plan.
- Ensure continuation of cost controls.
- Continuation of close monitoring of learner engagement, adjusting strategies of delivery, courseware and pricing where appropriate.

Long-Term Aspirations:

- Invest in strategic initiatives that align with future growth and sustainability.
- 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 – which is a return to SAC funding.
- Engage stakeholders in the financial planning process to foster transparency and accountability.

Review and Action:

- Conduct annual and semiannual reviews of key functions and programs.
- 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 organization.

Monthly Reviews with CFO and Chief Executive:

- Hold monthly review meetings with the CFO and Executive Director for all budget holders.
- Discuss financial performance, identify variances, and develop corrective actions.
- Emphasize 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.
- Open Polytechnic continue to foster 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.
- The finance team provides training and support to enhance their financial management skills.
- Encourage proactive problem-solving and innovation to address budget challenges.

People and Wellbeing 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 Executive Leadership Team (ELT) in reviewing resourcing requirements and ensuring that the organization is shifting resources before requesting new roles.
- P&C to work closely with ELT 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

Long-Term Aspirations

Open Polytechnic needs to focus on its long-term aspirations and adapt to shifts in consumption of education. By balancing short-term financial stability with long-term aspirations, Open Polytechnic can create a resilient and thriving division that meets the needs of its learners, 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.
- Invest in technology and infrastructure to further support Open Polytechnics flexible and accessible education approach.
- 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 with fail fast and incremental investment approach.

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, Open Polytechnic 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 Open Polytechnic 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 | Organisational Efficiency | Plan for organisation development and efficiently projects that will enable improvements in workforce productivity. | Targeted support structure, and team size. Defined investment requirements to improve organisational efficiency. |
| 3 | Property plan and ways of working | Strategic document outline the vision and then detailed analysis for the for physical space requirements and strategy to ensure Open Polytechnic supports the required ways of working. | 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. |
| 4 | Digital Strategy | Provides the direction for key software platforms decisions and learner experience at Open Polytechnic. | Total investment requirements, phasing and delivery consideration along with investment decisions existing infrastructure. |

Bringing it all together

Target Setting and Performance Management

To link all these elements together and ensure effective review and updating of KPIs, Open Polytechnic 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.

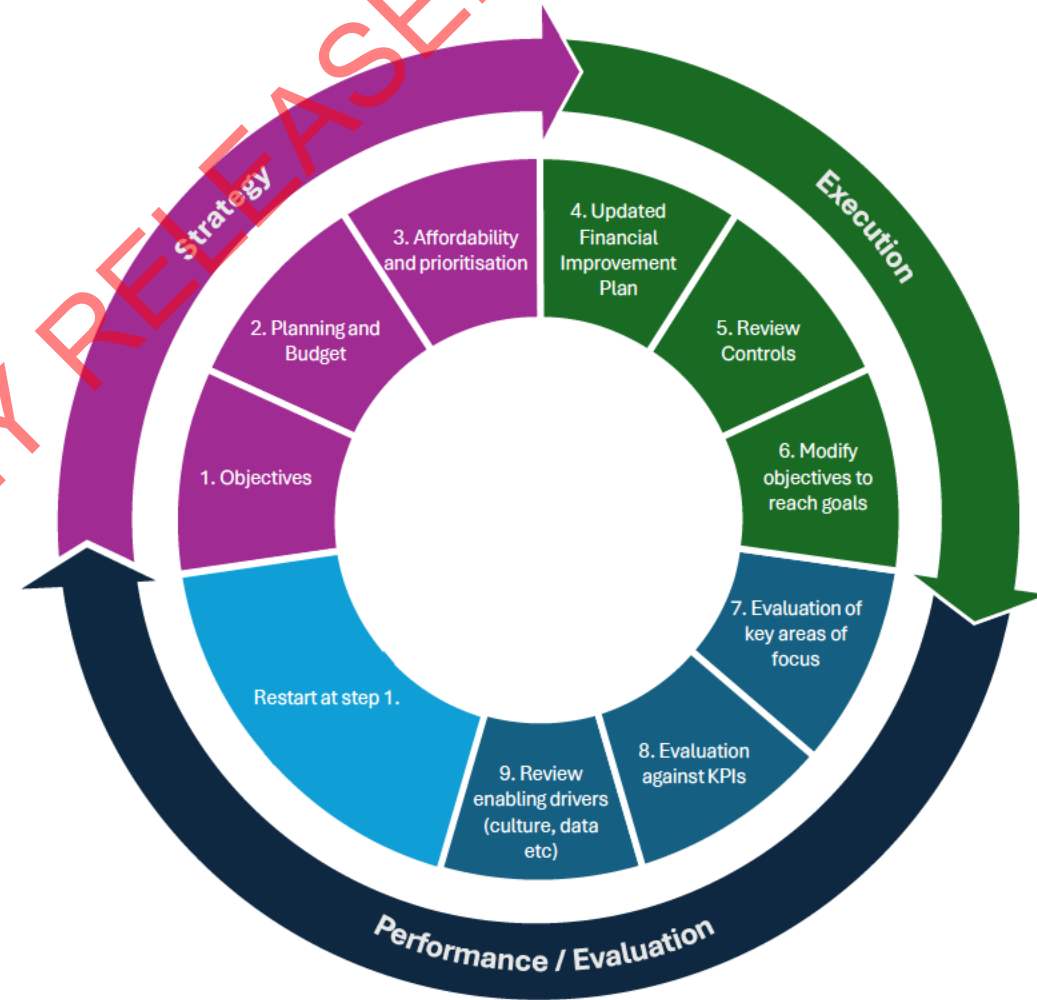
Performance reporting and KPI assessment are key functions of this framework to ensure that objectives are met, and Open Polytechnic is investing in the key enabling drives such as organisational culture, data availability and stakeholder involvement.

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

As such, it makes sense that Open Polytechnic focuses on creating the financial headroom in FY25 and then works alongside the appointed governance and leadership to develop the key strategic direction for Open Polytechnic 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

PROACTIVELY RELEASED



Te Pūkenga

Appendix A: Programme Evaluation Methodology

Programme profitability and evaluation

As part of Open Polytechnic's annual portfolio performance report, programmes are evaluated from a financial performance and educational performance perspective to inform decisions on improvements and portfolio management. Since 2018, the same portfolio performance framework has been used.

Educational performance (EP) and Financial performance (FP) are plotted to create quadrants bounded by central measures of tendency (median, mean). The current model uses median as it is a more robust measure of central tendency (where there are adequate numbers of programmes in the portfolio ($n \geq 30$)).

Educational performance is a weighted combination of a programme's course Completion Rate (60%), Attrition (30%) and Net Promoter Score (10%). NPS is based on responses to the NPS question in the student satisfaction survey.

Financial performance is a weighted combination of a programme's net income and the ratio of its net income compared to its total income. Gross income is also factored into the model.

The four quadrants across Educational Performance and Financial Performance give rise to four distinct priority levels – refer diagram right.

A series of programme lists from the 2023 analysis are included in the following slides.

Programme Portfolio Framework (Source: Open Polytechnic Portfolio Performance Report 2023)



Appendix A – Programme Evaluation (High FP, High EP)

In 2023, programmes in the **high** financial performance and **high** education performance segment had a combined revenue of s 9(2)(b)(ii) and contribution of s 9(2)(b)(ii).

| Code | Programme | NZSCED Broad Categories | Revenue (\$) | Contribution (\$) | Financial Performance | Course Completion (%) | Attrition (%) | NPS | Educational Performance | Position last period | Movement since last period |
|--------|--|--|---------------|-------------------|-----------------------|-----------------------|---------------|-----|-------------------------|----------------------|----------------------------|
| NZ2315 | New Zealand Certificate in Financial Services (L5) | Management and Commerce | s 9(2)(b)(ii) | | 39.8 | 79% | 10% | 10 | 75.2 | Priority Group 4 | Unchanged |
| OP7001 | Bachelor of Business | Management and Commerce | | | 25.9 | 81% | 22% | 14 | 73.6 | Priority Group 4 | Unchanged |
| OP7010 | Bachelor of Applied Science | Natural and Physical Sciences | | | 33.8 | 81% | 21% | 11 | 73.5 | Priority Group 4 | Unchanged |
| OP7091 | Bachelor of Information Technology | Information Technology | | | 35.6 | 87% | 11% | -20 | 76.8 | Priority Group 4 | Unchanged |
| NZ3508 | NZ Diploma in Legal Executive Studies (L6) | Society and Culture | | | 28.3 | 81% | 17% | 18 | 75.3 | Priority Group 4 | Unchanged |
| NZ2677 | NZ Certificate in Horticulture (General) (L3) | Agriculture, Environmental and Related Studies | | | 27.2 | 76% | 21% | 46 | 73.9 | Priority Group 2 | Increased by 2 |
| NZ1888 | New Zealand Certificate in Pharmacy (Pharmacy Technician - Core) (L4) | Health | | | 30.3 | 86% | 4% | -3 | 79.9 | Priority Group 2 | Increased by 2 |
| NZ1886 | New Zealand Certificate in Pharmacy (Introduction to Pharmacy Practice) (L3) | Health | | | 25.5 | 78% | 7% | 9 | 75.8 | Priority Group 4 | Unchanged |
| NZ3580 | NZ Certificate in Real Estate (Branch Manager) (L5) | Management and Commerce | | | 31.4 | 85% | 10% | 46 | 82.5 | Priority Group 4 | Unchanged |
| OP7036 | Graduate Diploma in Teaching (Secondary Education) (L7) | Education | | | 40.5 | 91% | 10% | 22 | 83.5 | Not Reported | Not Applicable |
| NZ2680 | NZ Certificate in Organic Primary Production (L3) | Agriculture, Environmental and Related Studies | | | 29.5 | 76% | 25% | 51 | 73.4 | Priority Group 4 | Unchanged |
| NZ1889 | New Zealand Certificate in Pharmacy (Pharmacy Technician - Advanced) (L5) | Health | | | 27 | 85% | 13% | 22 | 79.6 | Priority Group 4 | Unchanged |
| NZ4396 | New Zealand Certificate in Real Estate (L6) | Management and Commerce | | | 36.2 | 91% | 9% | 22 | 84.2 | Not Reported | Not Applicable |

Appendix A – Programme Evaluation (Low FP, High EP)

In 2023, programmes in the **low** financial performance and **high** education performance segment had a combined revenue of s 9(2)(b)(ii), and a contribution of s 9(2)(b)(ii).

Launched 2022.
Only provider in
NZ. Strategically
important.

Launched 2023.
Expect positive
contribution in
future.

Positive contribution
prior to 2023 when it was
closed to new learners
due to unified
programme. Expect
future positive
contribution.

Degree has positive
contribution. Work
ongoing to ensure
graduate programmes
have positive contribution.

| Code | Programme | NZSCED Broad Categories | Revenue (\$) | Contribution (\$) | Financial Performance | Course Completion (%) | Attrition (%) | NPS | Educational Performance | Position last period | Movement since last period |
|--------|---|---|---|-------------------|-----------------------|-----------------------|---------------|-----|-------------------------|----------------------|----------------------------|
| NZ1942 | New Zealand Diploma in Funeral Directing (L5) | Food, Hospitality and Personal Services | s 9(2)(b)(ii) | | -13.3 | 96% | 5% | 22 | 88.1 | Priority Group 3 | Unchanged |
| NZ2761 | NZ Certificate in Education Support (L4) | Education | | | 15.4 | 84% | 29% | 26 | 74.6 | Priority Group 1 | Increased by 2 |
| NZ2850 | NZ Certificate in Early Childhood Education and Care (L4) | Society and Culture | | | 7.3 | 89% | 30% | 30 | 77.5 | Priority Group 3 | Unchanged |
| NZ2992 | New Zealand Certificate in Health and Wellbeing (L4) | Society and Culture | | | 24.6 | 86% | 12% | 39 | 82.1 | Priority Group 3 | Unchanged |
| NZ3463 | NZ Certificate in Library and Information Services for Children and Teens (L 6) | Society and Culture | | | 9.6 | 100% | 36% | 22 | 81.3 | Priority Group 3 | Unchanged |
| NZ3467 | NZ Diploma in Records and Information Management (L6) | Society and Culture | | | 8.8 | 92% | 17% | 22 | 82.4 | Priority Group 1 | Increased by 2 |
| OP7031 | Bachelor of Teaching (Early Childhood Education) | Education | | | 18 | 87% | 11% | 18 | 80.5 | Priority Group 3 | Unchanged |
| OP7032 | Bachelor of Teaching (Primary Education) | Education | | | -27.4 | 89% | 12% | 42 | 84.2 | Not Reported | Not Applicable |
| OP7040 | Bachelor of Library and Information Studies | Society and Culture | | | 20.7 | 87% | 24% | 33 | 78.4 | Priority Group 1 | Increased by 2 |
| OP7080 | Bachelor of Applied Management | Management and Commerce | | | 23.1 | 91% | 13% | -10 | 79.8 | Priority Group 4 | Decreased by 1 |
| OP7400 | Bachelor of Social Work | Society and Culture | | | -1.7 | 90% | 12% | 62 | 86.8 | Priority Group 3 | Unchanged |
| OP7701 | Teaching as a Profession (L 7) | Education | | | 16.4 | 89% | 13% | 6 | 79.8 | Priority Group 3 | Unchanged |
| OP7800 | Bachelor of Social Health and Wellbeing | Society and Culture | | | -12.3 | 84% | 21% | 25 | 76.6 | Priority Group 3 | Unchanged |

Appendix A – Programme Evaluation (High FP, Low EP)

In 2023, programmes in the **high** financial performance and **low** education performance segment had a combined revenue of s 9(2)(b)(ii), and a contribution of s 9(2)(b)(ii).

| Code | Programme | NZSCED Broad Categories | Revenue (\$) | Contribution (\$) | Financial Performance | Course Completion (%) | Attrition (%) | NPS | Educational Performance | Position last period | Movement since last period |
|--------|---|---------------------------|---|---|-----------------------|-----------------------|---------------|-----|-------------------------|----------------------|----------------------------|
| NZ2452 | NZ Certificate in Business (Administration and Technology) (L3) | Management and Commerce | s 9(2)(b)(ii) | s 9(2)(b)(ii) | 29.7 | 64% | 34% | 44 | 62.4 | Priority Group 4 | Decreased by 2 |
| NZ2459 | New Zealand Diploma in Business (L5) | Management and Commerce | | | 30 | 67% | 23% | 21 | 65 | Priority Group 1 | Increased by 1 |
| NZ3043 | NZC in Te Reo (Rumaki, Reo Rua) (L1) | Society and Culture | | | 34.9 | 76% | 33% | 58 | 71.4 | Priority Group 3 | Decreased by 1 |
| OP2420 | New Zealand Diploma in Construction (L6) | Architecture and Building | | | 26.4 | 79% | 21% | -16 | 69.7 | Priority Group 2 | Unchanged |
| NZ3111 | NZ Certificate in Real Estate (Salesperson) (L4) | Management and Commerce | | | 28 | 70% | 13% | 37 | 71.7 | Priority Group 4 | Decreased by 2 |
| NZ3515 | NZ Diploma in Psychology (L5) | Society and Culture | | | 29.4 | 66% | 37% | 11 | 59.5 | Priority Group 2 | Unchanged |
| NZ4132 | New Zealand Certificate in Computing (Foundation User) (L2) | Management and Commerce | | | 28.5 | 67% | 18% | 47 | 69.5 | Priority Group 1 | Increased by 1 |
| NZ2457 | NZ Certificate in Business (Small Business) (L4) | Management and Commerce | | | 31.4 | 64% | 53% | 33 | 55.8 | Priority Group 2 | Unchanged |
| NZ2456 | NZ Certificate in Business (First Line Management) (L4) | Management and Commerce | | | 28.9 | 72% | 44% | 46 | 64.2 | Priority Group 4 | Decreased by 2 |
| NZ3664 | New Zealand Certificate in Interior Decor (L4) | Architecture and Building | | | 26.1 | 61% | 38% | 18 | 56.8 | Priority Group 2 | Unchanged |
| NZ2455 | NZ Certificate in Business (Accounting Support Services) (L4) | Management and Commerce | | | 41.2 | 72% | 16% | 25 | 70.8 | Not Reported | Not Applicable |
| NZ2454 | NZC in Business (Small Business) (L3) | Management and Commerce | | | 29.2 | 46% | 58% | 47 | 44.6 | Priority Group 2 | Unchanged |
| NZ2754 | NZ Certificate in Adult Literacy and Numeracy Education (L5) | Education | | | 30.3 | 75% | 37% | 12 | 65.4 | Priority Group 2 | Unchanged |

Appendix A – Programme Evaluation (Low FP, Low EP)

In 2023, programmes in the **low** financial performance and **low** education performance segment had a combined revenue of s 9(2)(b)(ii), and a contribution of s 9(2)(b)(ii).

| | Code | Programme | NZSCED Broad Categories | Revenue (\$) | Contribution (\$) | Financial Performance | Course Completion (%) | Attrition (%) | NPS | Educational Performance | Position last period | Movement since last period |
|---|----------|--|--------------------------------------|---|---|-----------------------|-----------------------|---------------|-----|-------------------------|----------------------|----------------------------|
| | NZ2470 | New Zealand Certificate in Health and Wellbeing (L3) | Society and Culture | s 9(2)(b)(ii) | s 9(2)(b)(ii) | 22.2 | 73% | 23% | 49 | 72.2 | Priority Group 1 | Unchanged |
| Embedded in Bachelor of IT. Combined positive contribution. | NZ2595 | NZ Certificate in Information Technology (L5) | Information Technology | | | 11 | 57% | 29% | 7 | 56.3 | Priority Group 2 | Decreased by 1 |
| → | NZ2598 | NZ Diploma in Web Development and Design (L5) | Information Technology | | | -6.6 | 69% | 28% | -23 | 60.6 | Priority Group 2 | Decreased by 1 |
| | NZ2671 | NZ Certificate in Floristry (L2) | Creative Arts | | | 23.9 | 77% | 27% | 53 | 73.4 | Priority Group 2 | Decreased by 1 |
| | NZ2752 | NZ Certificate in Assessment Practice (L4) | Education | | | 16.4 | 84% | 36% | 22 | 71.5 | Priority Group 4 | Decreased by 3 |
| Embedded in Bachelor of Teaching (ECE). Combined positive contribution. | → NZ2851 | NZ Diploma in Early Childhood Education and Care (L5) | Society and Culture | | | -6.1 | 74% | 20% | 22 | 70.4 | Priority Group 1 | Unchanged |
| | NZ2993 | NZ Certificate in Adult and Tertiary Teaching (L5) | Education | | | 24.7 | 84% | 33% | 14 | 72.2 | Priority Group 4 | Decreased by 3 |
| | NZ3218 | NZ Certificate in Sterilising Technology (L3) | Health | | | 24.3 | 80% | 33% | 41 | 72.3 | Priority Group 3 | Decreased by 2 |
| | NZ3466 | NZ Diploma in Library and Information Studies (L5) | Society and Culture | | | 9.8 | 81% | 25% | -9 | 70.5 | Priority Group 3 | Decreased by 2 |
| | OP2416 | NZ Diploma in Architectural Technology (L6) | Architecture and Building | | | 22.3 | 73% | 29% | -21 | 62.6 | Priority Group 2 | Decreased by 1 |
| | OP3350 | Certificate of Achievement in Fundamentals of Mathematics (L3) | Natural and Physical Sciences | | | 21.7 | 59% | 48% | 10 | 52 | Priority Group 1 | Unchanged |
| Only extramural provider in NZ. TEC priority. Strategically important. | → OP6520 | New Zealand Diploma in Engineering (L6) | Engineering and Related Technologies | | | -30.2 | 64% | 31% | -42 | 54.9 | Not Reported | Not Applicable |
| → | OP7006 | Bachelor of Engineering Technology | Engineering and Related Technologies | | | -11.2 | 72% | 25% | 13 | 66.8 | Priority Group 1 | Unchanged |

Appendix B: Reporting template – Financial Improvement Plan template

Open Polytechnic 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 |
|--|------------|--|--------------|------------|
| Campus Development | 1 | | | |
| | 2 | | | |
| Reduce average assessment centre cost via automation | 3 | | | |
| Programmes | 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. |

Appendix B: Reporting template – Initiative template

| Workstream | Initiative | RAG Status for FIP | Actions & Millstones | Commentary | Identified risk commentary | Planned Annual Savings / Uplift | Forecast Annual Savings / Uplift |
|---------------------------------------|------------|--------------------|----------------------|------------|----------------------------|---------------------------------|----------------------------------|
| Campus Development | 1 | | | | | | |
| | 2 | | | | | | |
| Reduce average assessment centre cost | 3 | | | | | | |
| Programmes | 4 | | | | | | |

Appendix B: Reporting template – Financial Improvement Plan template

Open Polytechnic 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. |

Numbers are sample values only

| Open Polytechnic Key Metrics | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
|--|------|------|------|------|------|------|
| Net Operating Surplus Margin | | | | | | |
| EBITDA Margin | | | | | | |
| Personnel to Revenue Ratio (Ex Adjuncts) | | | | | | |
| Assessment Cost per EFTS | | | | | | |
| % Assessments auto-marked | | | | | | |
| Domestic Students (EFTS) | | | | | | |
| International Students (EFTS) | | | | | | |
| Total Students (EFTS) | | | | | | |
| Academic FTE | | | | | | |
| Non-Academic FTE | | | | | | |
| Total FTE | | | | | | |
| Total Programmes delivered | | | | | | |
| Programmes discontinued | | | | | | |

Appendix B: Reporting template – Detailed Target Reporting

| Current Actual / Forecast Metrics | | | | | | | Target Metrics | | | | | | | Actual / Forecast less Target | | | | | | |
|--|------|------|------|------|------|------|--|---------------|-------|-------|-------|-------|-------|--|------|------|------|------|------|------|
| Open Polytechnic Key Metrics | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | Open Polytechnic Key Metrics | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | Open Polytechnic Key Metrics | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 |
| Net Operating Surplus Margin | | | | | | | Net Operating Surplus Margin | -19% | 1% | 11% | 12% | 11% | 9% | Net Operating Surplus Margin | | | | | | |
| EBITDA Margin | | | | | | | EBITDA Margin | 2% | 19% | 27% | 26% | 26% | 25% | EBITDA Margin | | | | | | |
| Personnel to Revenue Ratio (Ex Adjuncts) | | | | | | | Personnel to Revenue Ratio (Ex Adjuncts) | 66% | 55% | 50% | 51% | 51% | 51% | Personnel to Revenue Ratio (Ex Adjuncts) | | | | | | |
| Assessment Cost per EFTS | | | | | | | Assessment Cost per EFTS | s 9(2)(b)(ii) | | | | | | Assessment Cost per EFTS | | | | | | |
| % Assessments auto-marked | | | | | | | % Assessments auto-marked | s 9(2)(b)(ii) | | | | | | % Assessments auto-marked | | | | | | |
| Domestic Students (EFTS) | | | | | | | Domestic Students (EFTS) | 8,588 | 9,329 | 9,469 | 9,611 | 9,708 | 9,805 | Domestic Students (EFTS) | | | | | | |
| International Students (EFTS) | | | | | | | International Students (EFTS) | 55 | 9 | 9 | 9 | 9 | 9 | International Students (EFTS) | | | | | | |
| Total Students (EFTS) | | | | | | | Total Students (EFTS) | 8,643 | 9,338 | 9,478 | 9,620 | 9,717 | 9,814 | Total Students (EFTS) | | | | | | |
| Academic FTE | | | | | | | Academic FTE | 130 | 136 | 139 | 141 | 144 | 144 | Academic FTE | | | | | | |
| Non-Academic FTE | | | | | | | Non-Academic FTE | 474 | 487 | 497 | 507 | 507 | 507 | Non-Academic FTE | | | | | | |
| Total FTE | | | | | | | Total FTE | 604 | 623 | 635 | 648 | 651 | 651 | Total FTE | | | | | | |
| Total Programmes delivered | | | | | | | Total Programmes delivered | 114 | 118 | 120 | 122 | 122 | 122 | Total Programmes delivered | | | | | | |
| Programmes discontinued | | | | | | | Programmes discontinued | 7 | 7 | 7 | 7 | 7 | 7 | Programmes discontinued | | | | | | |

Appendix B: 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. |

Appendix B : 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] |

Appendix B: 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 Open Polytechnic 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% |

Appendix B: Assessment against the FMF

Ratios & Scores

| | Units | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Profitability measures: | | | | | | | |
| Operating Surplus/Deficit - Before Trust and Abnormal Items (5 year rolling average) | % | -9.15% | 0.02% | 6.76% | 11.42% | 12.51% | 12.12% |
| Operating Surplus/Deficit - Including Trust and Abnormal Items (5 year rolling average) | % | -9.10% | 0.15% | 6.49% | 10.81% | 11.11% | 11.22% |
| Core Earnings (5 year rolling average) | % | 10.44% | 17.69% | 22.35% | 25.11% | 25.64% | 25.47% |
| Liquidity measures: | | | | | | | |
| Liquid Funds ratio (5 year rolling average) | % | 25.41% | 28.46% | 36.97% | 48.32% | 57.11% | 63.99% |
| Net Cashflow From Operations (5 year rolling average) | % | 116.23% | 124.22% | 132.73% | 134.31% | 134.06% | 133.98% |
| Debt Affordability measures: | | | | | | | |
| Debt Affordability (5 year rolling average) | # | - | - | - | - | - | - |
| Interest Strain (5 year rolling average) | % | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Debt Equity Ratio (5 year rolling average) | # | - | - | - | - | - | - |
| Resulting in profitability scores of: | | | | | | | |
| Operating Surplus/Deficit - Before Trust and Abnormal Items (5 year rolling average) | # | 30% | 2.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Operating Surplus/Deficit - Including Trust and Abnormal Items (5 year rolling average) | # | 20% | 2.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Core Earnings (5 year rolling average) | # | 50% | 2.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Average Profitability Score | | 1.00 | 3.50 | 5.00 | 5.00 | 5.00 | 5.00 |
| Resulting in liquidity scores of: | | | | | | | |
| Liquid Funds ratio (5 year rolling average) | # | 50% | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Net Cashflow From Operations (5 year rolling average) | # | 50% | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Average Liquidity Score | | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Resulting in debt affordability scores of: | | | | | | | |
| Debt Affordability (5 year rolling average) | # | 50% | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Interest Strain (5 year rolling average) | # | 25% | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Debt Equity Ratio (5 year rolling average) | # | 25% | 4.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Average Debt Affordability Score | | 4.75 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |

