Te Pūkenga

3 September 2025

Te Pūkenga - Proactive release of Regional ITP Viability reports

Purpose

This document provides background to the following proactively released Regional ITP[1] 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]

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.tepūkenga.ac.nz/assets/Publications/Letter-of-expectations-Dec-2023/Letter-to-Te-Pukenga-clarifying-aspects-of-Letter-of-Expections.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
- 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 where 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.

Deloitte.

Regional ITP Viability Programme

Financial Improvement Plan | Otago Polytechnic

Draft for Review and Comment | 20 November 2024

Strictly Private and Confidential

MAKING AN IMPACT THAT MATTERS since 1845

Contents

Executive Summary

2025 will see Otago Polytechnic (OP) implement substantial changes, as outlined in this Financial Improvement Plan, and make significant progress towards achieving, and maintaining, financial viability. Based on the indicative financial modelling completed to date, OP will be financially viable by 1 January 2026 as a standalone entity, on the basis the initiatives set out in this plan are successfully implemented and the targets achieved.

Introduction and purpose

- In December 2023, the New Zealand Institute of Skills and Technology (Te Pūkenga) Council received a letter of expectation from the Minister of Tertiary Education and Skills which confirmed the intention to disestablish Te Pūkenga and re-establish regional institutes of technology and polytechnics (ITP).
- In May 2024, the Minister indicated the expectation that Te Pūkenga "takes whatever action necessary to improve the financial performance of the network as a whole, through ensuring each of the individual business divisions become financially viable".
- Deloitte has been engaged to provide 'specialist help' focussing on what is required to support a pathway to financial viability for OP. This report sets out the Financial Improvement Plan for OP, which has been developed with OP management and builds on earlier phases of work completed.
- At a high-level the scope of the Financial Improvement Plan covers:
  - The current state of OP's performance, highlighting the primary drivers for the recent performance outcomes.
  - The initiatives that support OP's return to financial viability.
  - Indicative financial forecasts and KPI's, based on implementing the Financial Improvement Plan initiatives and achieving the forecast equivalent full-time student (EFTS) growth.
  - Consideration of alternative scenarios in which EFTS growth is not achieved, and mitigating actions to be implemented in a low-growth scenario.
  - The governance and financial management activities that will support effective implementation of the improvement plan.
- OP's return to viability is primarily based on moderate EFTS growth, coupled with reductions in personnel costs. Downside modelling of flat EFTS growth and more modest international growth indicates that OP would need to further right-size its academic portfolio of programmes and support functions to remain viable for 1 January 2026
- While the Financial Improvement Plan sets out a range of initiatives, it is important to recognise that the proposed initiatives within this document relating to changes to programmes, people, or property are subject to consultation and requirements under OP's employment obligations and require approval by OP and /or Te Pūkenga as per delegations of authority.

Current State

- Up until 2021, OP was one of the stronger performing polytechnics, with profitability above target benchmarks, and staff student ratio (SSR) ~15:1.
- In the years since, performance has deteriorated, primarily impacted by a reduction in EFTS (both domestic and international) and increases in personnel costs (full time equivalent staff (FTE) and pay rate impacts). OP is forecasting a net operating deficit of $10.8m for FY24.

Improvement plan

- In order to address its financial performance issues, and achieve financial viability, OP has identified nine key initiatives as part of its Financial Improvement Plan, including increasing domestic and international students, exiting non-performing programmes, right sizing the workforce model, and rationalising the campus footprint in Central Otago.
- The target timeframe for the implementation of the improvement plan is the next two to three years but the next 12 months is a critical period over which OP must maintain a resolute focus to achieve viability by 1 January 2026 and be able to operate as a standalone entity. The initiatives that form OP's Financial Improvement Plan are summarised on the following page and a detailed plan for each initiative has been developed as part of this improvement plan.

No.	Initiative	Description	Targets	Timing	Ease of Implementation
1.	Grow Domestic EFTS	Grow Domestic EFTS from ~3,954 in FY24 to 4,685+ by FY29 (10% growth to FY25, then 2% annually) through increasing the capacity and capability of the local marketing team.	EFTS increase from ~3,954 in FY24 to 4,685+ in FY29	FY25-FY29	
2.	Grow International EFTS	Grow OP International EFTS from ~164 in FY24 to 301+ by FY27 (~22% average annual growth) through Increasing the capacity and capability of the international recruitment team.	EFTS increase from ~164 in FY24 to 301+ in FY29	FY25-FY29	
3.	Programme Review and Rationalisation	Cease delivery of programmes that are not contributing an acceptable margin or take action to rectify, such as increasing revenue / decreasing costs. Identify opportunities for future growth.	Improved Academic contribution from ~30% to >40% Academic SSR from 13:1 to 16.5:1	FY25-FY29	
4.	Resourcing of Support, Administration and Trading Functions	Ensure the programme support, back-office and trading functions are resourced appropriately to support EFTS and delivery.	Annual cost savings ~$1.7m	Staggered over 2025	
5.	Reset the 'CapableNZ' offering	Review the structure of the College of Work Based Learning, consolidate programmes within other colleges and optimise the programmes delivered through improvement of staff to student ratios.	Annual Cost savings ~$1.5m	Mid FY25	
6.	Shape of the Academic Workforce	Review the structure of the Research function; review the Professoriate; and address the proportion of senior/principal academics within the academic workforce.	Annual cost savings up to ~$0.7m	FY25-FY29	
7.	Divest surplus property	Divest properties that are surplus to requirements by June 2026 with expected proceeds of s 9(2)(b)(ii), s 9(2)(j) [redacted].	s 9(2)(b)(ii), s 9(2)(j) [redacted] sale proceeds Annual cost savings ~$0.2m	FY25-FY26	
8.	Monitor Auckland International Campus (OPAIC) performance	Monitor the arrangements with OPAIC across the main JV contract; Capable Marketing and OP International Recruitment functions, to ensure that maximum value is being extracted from these contracts.	Not quantified	FY24-FY25	
9.	Ongoing property rationalisation	Monitor the property portfolio and ongoing space requirements – seeking opportunities to consolidate / rationalise.	Not quantified	FY25	

Key - Ease of Implementation (refer to Appendix A): Simple Moderate Complex

Indicative Forecast Financial Performance

- FY25 will see OP make substantial changes that will enable significant progress towards achieving, and maintaining, financial viability.
- Implementing the initiatives set out in this plan and achieving the target EFTS growth will underpin OP's establishment as a standalone entity.
- There are three key factors supporting the forecast:
  - Right sizing and right shaping staffing and reducing FTE by ~63 across academic and support functions in FY25 and rebalancing the shape of the academic workforce in the outer years.
  - Making the proposed changes to the delivery of programmes by the end of FY24 and continuing with rigorous reviews of programme profitability during FY25, addressing non-performing programmes as required.
- Achieving growth in EFTS, particularly domestic EFTS in the near term. OP is projecting an increase in domestic EFTS of ~7.5% from the FY24 forecast and OP international EFTS of ~40%, while OPAIC international EFTS are forecast to remain flat.

Base case - Summary Financial Performance ($'000)	2024	2025	2026	2027	2028	2029
Total Revenue	96,814	108,789	114,861	120,326	124,428	128,663
Total Direct Expenditure	97,646	98,664	98,687	101,777	104,476	107,420
EBITDA	(832)	10,125	16,174	18,550	19,952	21,243
EBITDA Margin	*-1%*	*9%*	*14%*	*15%*	*16%*	*17%*
EBIT	(10,843)	739	6,730	9,312	11,019	13,116
Surplus/(Deficit) before Abnormal	(10,796)	602	6,882	9,995	12,036	14,526
Net Operating Surplus Margin	*-11%*	*1%*	*6%*	*8%*	*10%*	*11%*
Trust and Abnormal Items*	(753)	(2,293)	(590)	(84)	(128)	-
Surplus/(Deficit)	**(11,549)**	**(1,691)**	**6,292**	**9,912**	**11,908**	**14,526**
Summary EFTS						
Domestic EFTS	4,025	4,330	4,415	4,503	4,594	4,685
International EFTS (AIC)	604	604	604	604	604	604
International EFTS (OP)	114	160	241	301	301	301
Total EFTS	**4,742**	**5,093**	**5,260**	**5,408**	**5,498**	**5,590**

- From FY26, OP's key profitability metrics are above target, with an EBITDA margin of 14% and a net operating surplus margin of 5%. Achieving these results is contingent on OP maintaining its focus on programme profitability and strict cost control.
- To support its establishment as a standalone entity, OP is likely to need additional funding of up ~$12m of funding based on Te Pūkenga's recapitalisation calculation. The amount and the timing of required funding will be dependent on the realisation of assets (timing and value) and achieving planned initiatives.

Risks and Contingency Planning

- Achieving the FY25 forecast will create a solid foundation for OP's profitability given the anticipated moderate EFTS growth in future years. It is, however, a significant shift from the current state and there are some key risks to the forecast:
  - The forecast uplift in domestic EFTS of ~7.5% from the FY24 forecast (9.5% from YTD) appears optimistic relative to the Ministry of Education's projections. It is too early to establish the degree of confidence in the level of enrolments that might materialise based on current levels of applications, although activity to date is encouraging, with domestic applications up ~23% on this time last year.
  - The degree of change across programmes, people and property is significant and OP will need to carefully manage the transformation. Additional resource has been included in the forecast to support the change, including project management, human resources, and legal support.
- While actions have been identified that will support both international and domestic enrolments for FY25, we have considered scenarios in which EFTS growth does not eventuate as forecast. The downside scenario assumes flat domestic EFTS growth and modest international EFTS growth, while OPAIC EFTS remain flat.
- OP has identified additional initiatives that will be implemented in such a scenario to maintain its financial performance, which have been incorporated into the modelling and result in a forecast as below.
- Under this downside scenario, EBITDA is reduced by ~$29m over the forecast period. However, OP would still meet target profitability metrics in FY26, with EBITA and Net Surplus margins on target.

Downside Scenario - Summary Financial Performance ($'000)	2024	2025	2026	2027	2028	2029
Total Revenue	96,814	102,636	105,658	108,809	111,906	114,811
Total Direct Expenditure	97,646	96,731	94,335	96,419	98,468	100,643
EBITDA	(832)	5,905	11,323	12,390	13,438	14,169
EBITDA Margin	*(1%)*	*6%*	*11%*	*11%*	*12%*	*12%*
EBIT	(10,843)	(3,481)	1,891	3,272	4,729	6,265
Surplus/(Deficit) before Abnormal	(10,796)	(3,564)	2,014	3,611	5,243	6,991
Net Operating Surplus Margin	*(11%)*	*(3%)*	*2%*	*3%*	*5%*	*6%*
Trust and Abnormal Items*	(753)	(3,651)	(590)	(5,495)	(128)	-
Surplus/(Deficit)	**(11,549)**	**(7,215)**	**1,424**	**(1,884)**	**5,115**	**6,991**
Summary EFTS						
Domestic EFTS	4,025	3,955	3,955	3,955	3,955	3,955
International EFTS	718	763	804	844	879	904
Total EFTS	**4,742**	**4,718**	**4,759**	**4,799**	**4,833**	**4,858**

- The actions that would be taken to achieve viability in the event of domestic EFTS growth not meeting required levels include:
  - Continual monitoring of programme performance, through which OP will be able to take prompt action to remediate any non-performing programmes, including ceasing delivery where necessary. Reviews will start in December 2024 with a focus on programmes that look likely to not have sufficient enrolments to operate profitably.
  - Programme reviews will continue during the year to scrutinise margins on programmes that are underway, looking for opportunities to improve efficiency.
  - Further rightsizing of support FTE, depending on the level of EFTS.
  - s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted].
- Under the downside scenario recapitalisation funds of ~$27m are likely to be required.

Governance and Financial Management of the Plan

- The magnitude of change envisioned in this Financial Improvement Plan cannot be overstated.
- OP will need to establish appropriate governance across all aspects of the project to ensure that the initiatives progress as planned, and the benefits are realised.
- OP will establish a 'Pathway to Viability' steering group to oversee the implementation of the plan. This group, comprising TKM (Te Kahui Manukura – Executive Leadership Team) and other senior leaders, will oversee the implementation of the improvement plan, ensuring its alignment with strategic objectives, and provide guidance to those tasked with implementation.
- The Executive Director will have overall responsibility for delivering the plan. Appointing a programme lead, who will report to the Executive Director, will be required.
- The key performance indicators associated with the improvement initiatives and progress of actions against the plan will be reported to the steering group regularly.
- A renewed focus on financial management practices and controls, both generally and across the improvement initiatives, will be essential to achieving viability as a standalone entity by 2026.
- OP has already taken action to tighten aspects of its financial management processes, including reviewing financial delegations, requiring Executive Director approval on hiring and travel decisions, and working closely with cost centre managers on monitoring spend.
- As part of the focus on expenditure and performance, OP will implement further changes to strengthen its financial management, including:
  - Monthly departmental / programme performance reviews.
  - Implementation of robust and insightful monthly financial reporting and commentary, and a focus on accountability from the Colleges for their financial outcomes.
  - Reinstatement of strategic asset management and planning, with a particular focus on space provision and opportunities for consolidation.
  - Benchmarking key performance indicators against other institutions.
- The management team is also committed to improving the provision and quality of data to enable data-driven decisions across marketing, student life cycle, asset management, and financial management.

Operating Model

- Implementing the plan will result in a set of changes to the current operating model at OP. Specifically, changes in the educational services and products delivered, the organisational structure and headcount as well as the campus footprint.
- We note that further work is required to confirm the scale of the change at OP and it will be important that formal consultation processes are worked through as the initiatives commence and transition planning gets underway.

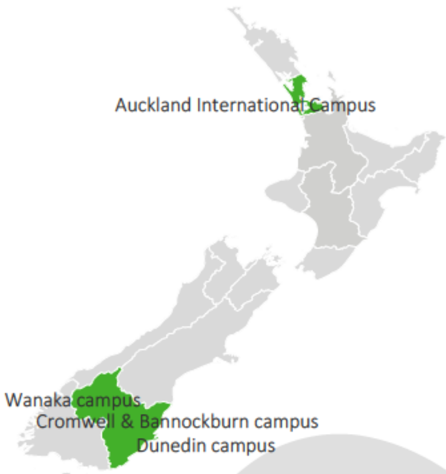
Next steps

- OP's FY24 review of non-performing programmes is well progressed and consultation with affected stakeholders is underway.
- The process to divest the Cromwell Central campus is in progress, supported by the Te Pūkenga property team.
- For the remaining initiatives, a detailed implementation plan needs to be developed, confirming project resourcing, including external support, and timing.
- Developing the organisation design, particularly the structure of supporting functions needs to progress with urgency in order to achieve the cost savings that underpin the improvement plan within the required time frame.

Current State Analysis

Overview of Otago Polytechnic

- OP provides vocational education across four locations at Dunedin (main campus), Wanaka, Cromwell and Bannockburn, and at the Auckland International Campus (OPAIC).



- OP has been well placed to capitalise on the 'Otago experience' and has been considered a destination city for nursing and its health hub.
- OP's core delivery is centred in Health, Engineering, Construction and Living Sciences, and Te Maru Pumanawa. These departments generate c.80% of the total contribution margin and are over 65% of total EFTS.
- OP delivered 151 programmes across seven departments in 2023. 80% of delivery was intramural and 20% extramural.
- FY23 domestic EFTS across all modes of delivery were 4,174 and international EFTS were 601. OP's FY24 YTD EFTS are 3,954 domestic and 764 international. OP is anticipating steady growth in domestic EFTs over the forecast period in a declining market. This will require OP to increase its overall share of the ITP market.

  s 9(2)(b)(ii), s 9(2)(j) [redacted]

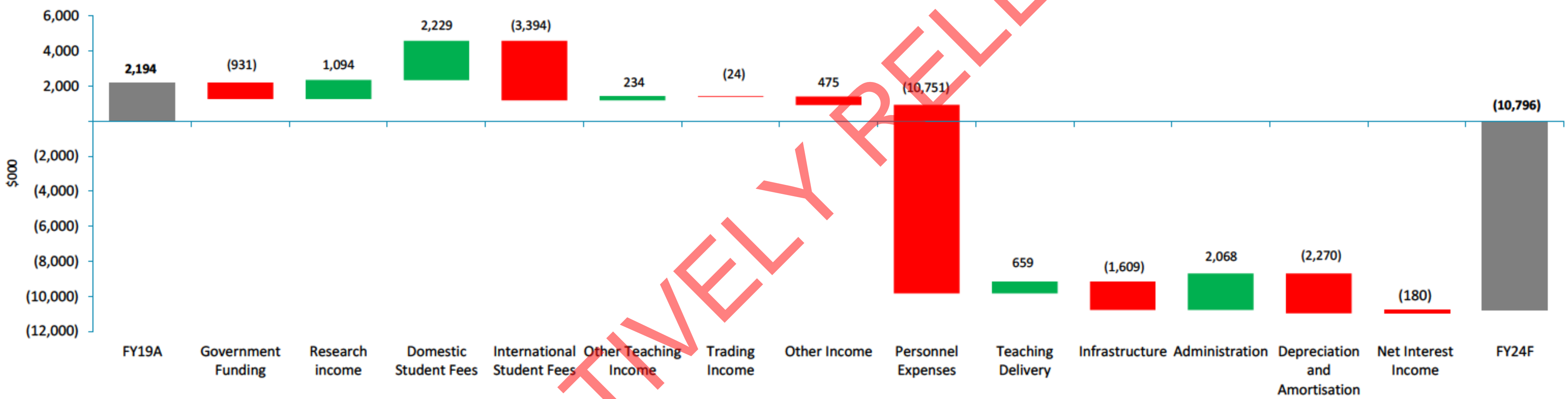
s 9(2)(b)(ii), s 9(2)(j) [redacted]

- OP's CapableNZ programmes delivered from the College of Work Based Learning return a positive margin, but this has declined significantly since 2021 from s 9(2)(b)(ii) [redacted] in 2023. The current operating model is not sustainable and needs to be reset.
- Central Otago was performing well, driven by growth in programmes funded by the Targeted Training and Apprenticeship Fund (TTAF). However, changes to the funding had a significant negative impact on profitability which decreased from s 9(2)(b)(ii) [redacted] in 2021 to s 9(2)(b)(ii) [redacted] in the 2024 budget.
- The utilisation of the Cromwell campus has declined. OP has initiated the process to divest the central Cromwell campus, and programmes will be delivered from Bannockburn. s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted].
- The growth of OP's personnel costs has outstripped that of revenue, with both a higher proportion of senior academic staff and higher average pay rates than the ITP network. Between 2019 and the 2024 forecast, personnel costs have increased by $10m, while revenue and EFTS have declined. OP has identified several actions as part of the Financial Improvement Plan to address personnel costs.
- The following pages set out additional analysis of OP's current state.

Current State Analysis | Financial Performance

OP's financial performance has declined since 2019, due primarily to increases in personnel costs, as well as declining EFTS, changes to the funding model, increased infrastructure costs and depreciation.

Operating Surplus Bridge FY19A - FY24F



Source: Management Information, Deloitte Analysis

- The chart above illustrates the movement in OP's operating surplus over the period 2019 to the 2024 forecast.
- The headline increase in domestic revenue was offset by **reduced international EFTS** as a result of COVID-19. In 2019 OP had 1,160 international EFTS – in 2022 there were just 346. The 2024 Budget assumed an increase in international EFTS to 604.
- OP has incurred **significant increases in personnel costs** since 2019, driven by a combination of increased FTE (despite reduced EFTS and the centralisation of some functions) and increased average pay, with a higher proportion of senior academic staff.
- The detailed statement of financial performance over the same period is set out on the next page.

Current State Analysis | Financial Performance

Declining EFTS, coupled with reductions in funding and increases in personnel costs have turned OP's surpluses into deficits.

Profit and Loss Statement ('$000)	2019	2020	2021	2022	2023	2024 Budget	2024 F'cast	Sep-24 YTD
Revenue								
Government Funding	42,994	48,667	52,192	48,854	38,667	42,804	42,063	32,217
Research income	132	121	1,574	1,369	1,504	1,226	1,226	1,074
Domestic Student Fees	20,566	23,273	25,428	23,109	20,504	24,156	22,794	16,571
International Student Fees	20,410	14,096	9,753	6,693	12,284	17,016	17,016	12,810
Other Teaching Income	2,306	2,322	2,667	2,428	2,364	2,540	2,540	2,227
Trading Income	6,463	5,804	5,938	6,388	6,316	6,438	6,438	4,344
Other Income	5,212	5,284	1,941	2,810	8,508	5,617	4,737	3,707
Total Revenue	**98,081**	**99,567**	**99,494**	**91,653**	**90,147**	**99,797**	**96,814**	**72,951**
Operating Expenses								
Personnel Expenses	49,516	53,197	54,887	58,231	57,533	59,496	60,267	45,052
Teaching Delivery	24,224	19,770	16,659	13,605	18,411	23,189	23,565	15,649
Infrastructure	5,228	4,704	5,069	5,592	6,293	6,461	6,836	5,064
Administration	9,046	8,262	7,010	7,264	8,811	7,313	6,978	4,832
Total Operating Expenses	**88,013**	**85,933**	**83,626**	**84,692**	**91,049**	**96,459**	**97,646**	**70,597**
EBITDA	**10,069**	**13,634**	**15,868**	**6,961**	**(902)**	**3,338**	**(832)**	**2,354**
Depreciation and Amortisation	(7,741)	(7,126)	(7,246)	(8,354)	(8,395)	(8,983)	(10,011)	(7,269)
Net Interest Income	(133)	(203)	(75)	218	(882)	(8)	47	207
Operating Surplus Before Unusua	**2,194**	**6,306**	**8,547**	**(1,175)**	**(10,178)**	**(5,653)**	**(10,796)**	**(4,708)**
Contribution Margin	*2%*	*6%*	*9%*	*-1%*	*-11%*	*-6%*	*-11%*	*-6%*
Shovel Ready Funding			7,050	2,950				
Restructuring	(304)	(1,073)	(313)	(1,313)	(497)	(250)	(753)	(59)
Net Surplus/(Deficit)	**1,891**	**5,232**	**15,284**	**461**	**(10,675)**	**(5,903)**	**(11,549)**	**(4,767)**
Net surplus (deficit) %	*2%*	*5%*	*15%*	*1%*	*-12%*	*-6%*	*-12%*	*-7%*
Domestic EFTS	4,211	4,608	5,131	4,612	4,174	4,388	4,024	3,896
International EFTS	1,160	774	527	346	601	604	718	757
TOTAL EFTS	**5,371**	**5,382**	**5,659**	**4,957**	**4,775**	**4,992**	**4,742**	**4,653**
Academic FTE	317	329	339	365	324	334		323
Non-academic FTE	294	287	282	325	285	289		269
FTE	**611**	**616**	**621**	**690**	**609**	**623**		**592**

OP continued to return strong surpluses in the immediate post-COVID period of 2020 and 2021, with EFTS peaking at 5,659 in 2021. Since 2022, OP's profitability has declined, as a result of:

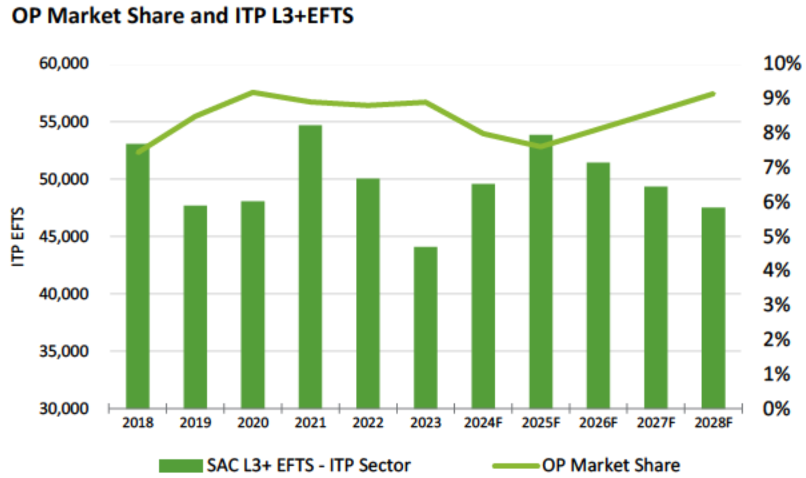
- **Reduced domestic EFTS and revenue**, in line with a general reduction in the ITP sector EFTS since 2021, from ~55k to ~44k in 2023. In addition, OP's share of the ITP sector has declined since 2020. While OP had budgeted an increase in domestic EFTS this year to 4,388, the forecast and YTD estimates are below budget. Changes to funding (such as TTAF) also had a detrimental impact to revenue.
- **Reduced international EFTS and revenue** with EFTS slow to recover following the decline caused primarily by COVID-19, and other factors such as changes to visa requirements.
- **Significant increases in personnel costs** driven by increased FTE, despite reducing EFTS. This can be seen in the decreasing EFTS:FTE ratio, which went from 13.7 in 2019 to 12.9 in 2023. Concurrently, average pay rates increased, as the proportion of senior academic staff grew (see page 14 for further detail).
- **Infrastructure costs** increased from $5.2m in 2019 to $6.5m in the 2024 budget. A key driver is increased energy costs as a result of the Te Pūkenga new national contract.
- **Depreciation and amortisation** costs have risen due to both investment in PP&E, primarily the new Trades Training Centre, and the impact of revaluations.
- Other factors including the decline in net research contribution, and the negative results of trading divisions (childcare and catering).

Current State Analysis |Domestic EFTS

Approximately 90% of OP's total EFTS are domestic. OP is anticipating steady growth in domestic EFTS over the forecast period in a declining market. This will require OP to increase its overall share of the ITP market.

- Domestic EFTS were ~4,200 in 2019, rising to a peak of ~5,130 in 2021, and have declined since then to ~3,954 (latest FY24 forecast).
- Almost half of the increase in Domestic EFTS from 2019 to 2021 can be attributed to agriculture subjects, particularly apiculture, which benefited from TTAF funding. This funding has since ceased, and the EFTS in these subjects have returned to levels similar to 2019.
- Subjects that have experienced a decline in EFTS since 2019 are primarily Management and Commerce (~200 EFTS), and Society and Culture (~150 EFTS). This decline has been partially offset by growth in Health (~100 EFTS) and Engineering (~80 EFTS).
- OP's 2024 forecast represents a decline in market share against Ministry of Education (MoE) forecast of ITP L3+ EFTS, which was expected to increase from 2023. MoE is forecasting the sector to increase slightly in 2025, before a period of decline.
- The latest forecast of FY24 EFTS (as at September) is 3,954, 70 less than the previous forecast of 4,025 and 433 (10%) less than budget.
- In September 2024, ITP domestic EFTS were reported as 52,878, 2.6% higher than the same time last year, whereas OP's EFTS were 3,889, -5.6% lower than the same time in FY23, which indicates OP is losing market share.
- Our analysis of MoE historical EFTS data for SAC L3+ EFTS (refer chart to lower right) indicates that while total ITP EFTS were declining from 2018-2020, OP grew its market share.
- While OP is forecasting moderate growth in domestic EFTS through to 2029 against the backdrop of a declining market, this growth represents a recovery of market share to levels achieved in FY20-23.

Source: MOE, OP data



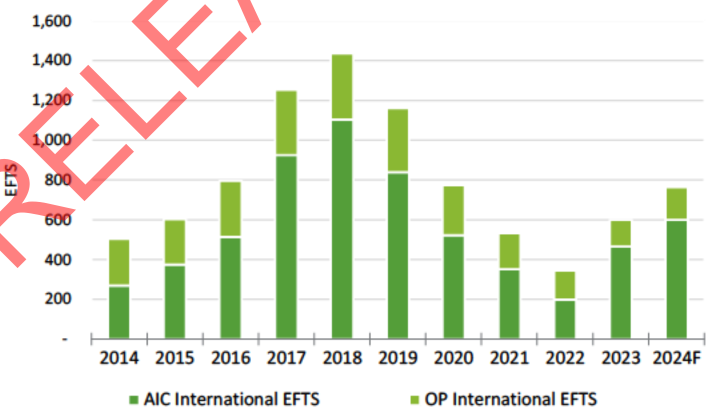
Source: MOE, OP data

Current State Analysis | International EFTS

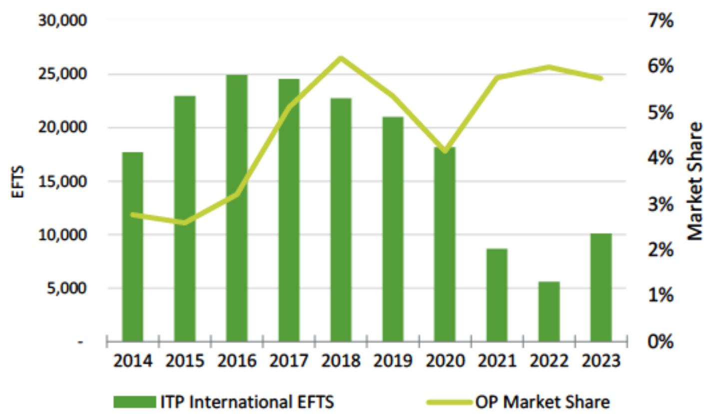
OP has a high reliance on its partnership with the Future Skills Academy (FSA) for its delivery to international EFTS at OPAIC and recruitment of international EFTS for the wider OP region.

- International EFTS at OP and OPAIC enjoyed a steady rise since 2014, peaking in 2018 at over 1,400. There was a significant decline post-COVID-19, but a recovery from 2022. In terms of market share, in 2023 OP and OPAIC achieved ~6%, similar to 2018 (see charts to the right).
- OPAIC, a joint venture with the Future Skills Academy, delivers ~80% of OP's international EFTS. s 9(2)(b)(ii), s 9(2)(j) [redacted]
- The decline in international EFTS post-COVID-19 (73% or 622 EFTS 2019 – 2022) saw OP's financial return from OPAIC s 9(2)(b)(ii) [redacted]. The subsequent increase in EFTS has not, however, been matched by s 9(2)(b)(ii), s 9(2)(j) [redacted]
- s 9(2)(b)(ii), s 9(2)(j) [redacted]
- Given changes in the visa conditions (implemented prior to 2019) and the current global economic and geo-political considerations, it is likely to be difficult to return to similar level of international EFTS in the future. OPAIC had optimistically budgeted for 843 EFTS in FY24 but year to date has ~600.
- OP-delivered international EFTS have similarly declined, from ~303 in 2019 to ~164 (2024 YTD). A key initiative in the Financial Improvement Plan is to grow OP's internal capability to recruit international EFTS to Dunedin s 9(2)(b)(ii), s 9(2)(j) [redacted]
- OPAIC also has agreements in place for the recruitment of international students for OP to deliver s 9(2)(b)(ii), s 9(2)(j) [redacted]

OP and AIC International EFTS



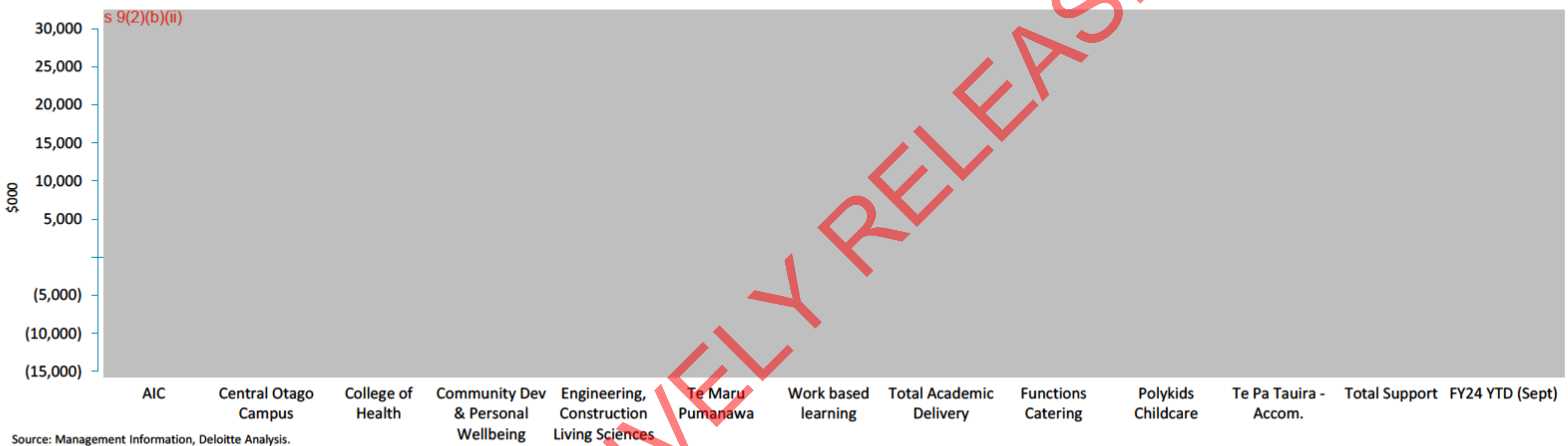
International EFTS and Market Share



Source: EdCounts data

Current State Analysis | Divisional Makeup

Net Surplus Divisional Makeup - 2024B



Source: Management Information, Deloitte Analysis.
Note - Divisional Surplus Excludes User Pays internal recharges..

OPAIC

- s 9(2)(b)(ii), s 9(2)(j) [redacted]
-

Central Otago

- With 145 budgeted EFTS in FY24 (YTD 114), Central Otago is expected to make a negative contribution of ($0.3m) (YTD $17k). The level of EFTS studying at the Central Otago campuses is not sufficient to support continued delivery at both the Cromwell and Bannockburn locations and OP has initiated the process to divest the Cromwell site.

- Central Otago includes delivery at Cromwell Central, Bannockburn and Wanaka. Programmes are predominately horticulture related, with Wanaka delivery centred around outdoor / snow programmes.
- Historically, losses at the Central Otago campus are a result of low EFTS, changes to funding, and the relatively high costs of operating the small campus.
- In 2023 there was a steep drop in Central Otago EFTS. This was related to OP's decision to exit provision of programmes that had been eligible for the TTAF fund, that ended in 2022. These programmes included Certificates in Apiculture, that accounted for c.285 EFTS in 2021 and 2022, and 115 in 2023; and an L3 Certificate in Horticulture, that accounted for 146 EFTS in 2021 and 131 in 2022. The majority of this delivery was extramural / out of region.

College of Health

- The College of Health contributes s 9(2)(b)(ii) [redacted]

Work Based Learning

- Work Based Learning / CapableNZ is a branded offering that provides learners with the opportunity to gain qualifications with recognition of prior work experience and assignments tailored to their current work.
- Over 2019-2021, this department s 9(2)(b)(ii) [redacted]
- While revenue per EFTS has remained relatively consistent, the expenses have increased, due primarily to Personnel costs and the reducing EFTS:FTE ratio, which has been worsening since 2019.
- Margins were maintained at/above an EFTS:FTE ratio of 13:1 over 2019-2021, but the ratio of 10:1 in subsequent years has resulted in a lower margin. In the year to date, the ratio is 12:1 against a budget of 14:1.

Trading

- Expected losses in the functions and catering section are being addressed this year with the closure of a small café and changes to internal catering policies.
- While the childcare centre makes a small margin, OP has identified an opportunity to increase margin by marketing the centre more broadly to increase revenue, and reduce FTE (while maintaining appropriate child:carer ratios).
- Te Pā Tauira, OP's student accommodation, is budgeted to make s 9(2)(b)(ii) [redacted] this year (before internal recharges).

Support

- The contribution from the Colleges and trading divisions are more than offset by the support costs of s 9(2)(b)(ii) [redacted] (including support personnel, administration costs and depreciation), resulting in a budgeted FY24 loss of $5.6m (net operating surplus, before unusual items).

Current State Analysis | Programmes

OP's learners are primarily on-campus, and approximately half of EFTS are in degree and above programmes, and health subjects attract the largest number of EFTS. OP's overall completion rates are above the network average.

Overview

- OP delivers programmes from L1-3 up to PHD's. Approximately half of OP delivery is in Degree and higher programmes, while only ~14% of EFTS in 2023 were in Level 1-3 programmes. This gives OP a relatively strong pipeline of returning students.
- The bulk of OP's delivery is intramural, with~84% EFTS in 2023 delivered on-campus and the remainder extramurally.
- Many of the extramural qualifications are less than 1 EFTS, so there are minimal pipeline impacts and demand can fluctuate.

Programme/Subject demand

- OP has a strong focus on health subjects, as shown in the chart to the right.

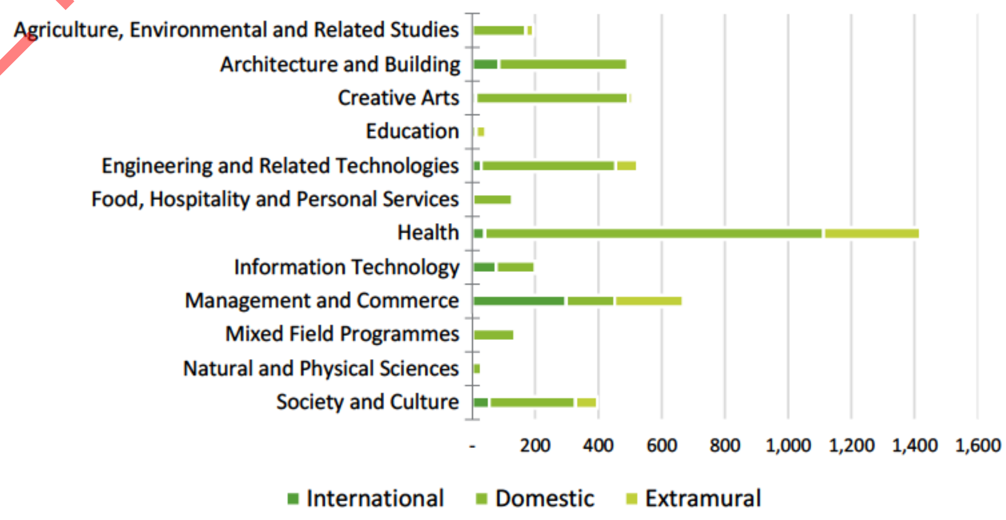
  The qualifications in this area include Bachelor of Nursing, Midwifery and Occupational therapy.

  Health subjects are primarily delivered to domestic EFTS, intramurally, with ~22% of EFTS in 2023 studying extramurally.
- Management and commerce subjects are the next highest in terms of EFTS. These subjects have the highest proportion of international EFTS across OP. 58% of domestic EFTS in these subjects studied extramurally.
- Engineering, Architecture and Building, Creative Arts and Society and Culture subjects each account for ~11% of total EFTS. (Note, the subject area in our analysis is determined by the NZSCED code, which is applied at the course level rather than the programme level.)

Course completion rates

- Course Completion rates at OP have been maintained at ~85% for intramural delivery over 2019-2023. This is favourable to the network average of ~79% (2023).
- OP also has a course completion rate for Māori and Pacifica learners that is ~5% better than the network average of ~73% (2023).
- There is a lower course completion rate for extramural delivery, which declined further in 2023, from ~78% to ~70% - largely driven by the drop-in completion rates for the Bachelor of Applied Management. This programme accounted for ~20% of EFTS but had a completion rate of ~51%, down from ~78% in 2022.

2023 EFTS by subject area



Programmes

- Of OP's 151 programmes, s 9(2)(b)(ii) [redacted]
- s 9(2)(b)(ii) [redacted]
- In terms of departments, the s 9(2)(b)(ii) [redacted] made the most significant margin contribution in FY24 to June, with an average contribution margin of s 9(2)(b)(ii) [redacted] returning s 9(2)(b)(ii) [redacted]
- s 9(2)(b)(ii) [redacted]
- Central Otago's 14 programmes s 9(2)(b)(ii) [redacted].
- OP's top 10 contributing programmes s 9(2)(b)(ii) [redacted].
- Of the programmes with a negative contribution, the s 9(2)(b)(ii) [redacted] The 10 most popular programmes account for 38% of EFTS, while the bottom 10 have less than one EFTS each.
- See Appendix B for additional information relating to the performance of programmes.

2024YTD Contribution Margin by department, by average margin and number of programmes

Source: SIT Management information, Deloitte analysis

2024YTD Contribution Margin Groups by margin and number of programmes

Source: SIT Management information, Deloitte analysis

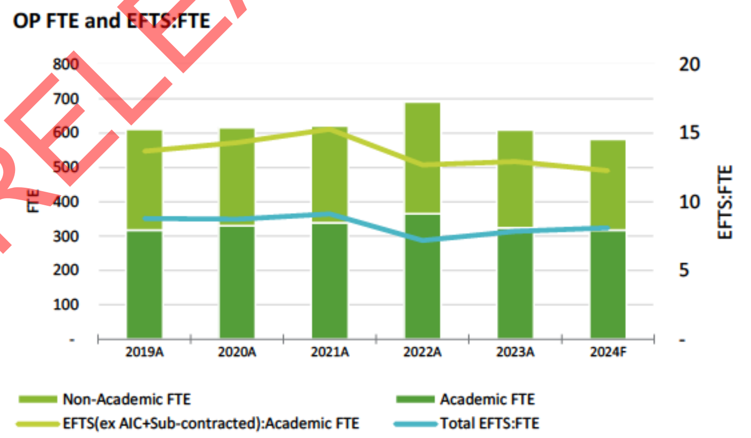
Current State Analysis | People

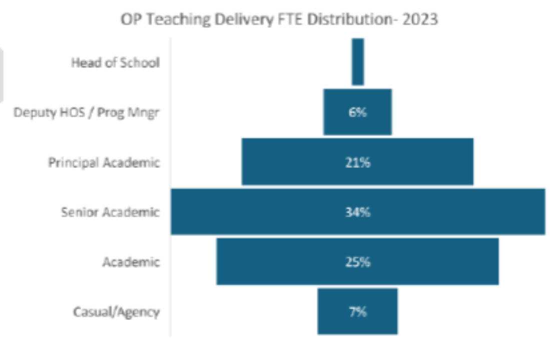
The growth of OP's personnel costs has outstripped that of revenue. It has both a higher proportion of senior academic staff and higher average pay rates than the ITP network.

- OP's personnel costs in the FY24 budget represent ~60% of revenue, an increase since 2019 when they were ~50% (of a similar level of total revenue).

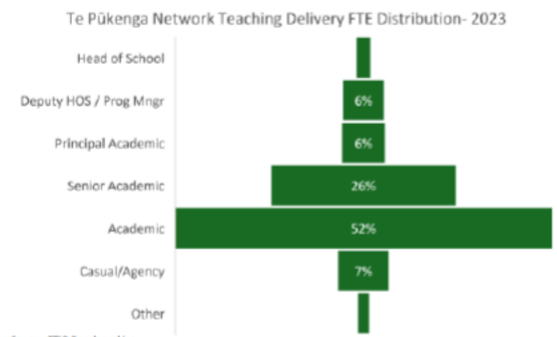
  This is driven by an increase in FTE of ~2% since 2019, compared to a decline in EFTS (excluding OPAIC and subcontracted) of ~1%, as well an increase in personnel costs per FTE of ~3.3% p.a. Although revenue per EFTS increased by a similar percentage, the volume difference has resulted in a widening gap.
- OP's average salary for teaching delivery, at ~$96k, is notably higher than the Te Pūkenga network average of ~$90k.

  OP's average is higher as a result of both higher salary levels across most bands as well as the 'shape' of OP's workforce being markedly 'top-heavy' with a higher proportion of staff in the senior and above categories than the network (see charts opposite).
- There is an opportunity to right size both the size and shape of OP's workforce. Assuming OP aligns itself with the sector benchmark of ~16:1 EFTS:Academic FTE, a reduction of academic FTE is indicated.
- While benchmarking indicates that OP may also have more non-academic FTE than might be expected in some areas, it did lose some local capability as part of the Te Pūkenga centralisation.





Source: ETIO Benchmarking



Source: ETIO Benchmarking

Current State Analysis | Property

The condition of the majority of OP's building stock has been assessed as 'good and above' by Colliers. While there are limited opportunities to easily consolidate the Dunedin campus footprint, there are broader divestment opportunities available to OP.

Overview

- OP currently owns property in the following areas:
  - Dunedin (the main campus).
  - Central Otago (two sites, one in the township and one to the south of the township).
- The total portfolio is worth c.$209m, according to Colliers' most recent valuation report in December 2023.

Property	GFA m²	Land value $000	Bldg & Imp value $000	Total value $000
Main Campus- Dunedin	45,953	s 9(2)(b)(ii) [redacted]	[redacted]	[redacted]
Cromwell Central	2,974	[redacted]	[redacted]	[redacted]
Cromwell Bannockburn	3,186	[redacted]	[redacted]	[redacted]
Total	**52,113**	**39,240**	**169,423**	**208,663**

Source: Te Pūkenga Management Information, Colliers Property Valuation, Deloitte analysis

- The building condition, as assessed by Colliers, is predominantly rated as 'good and above' (55%).
- OP has recently made a significant investment (s 9(2)(b)(ii) [redacted]) in its new Trades Training facility, He Toki Kai Te Rika, which was opened in 2024. This was partially funded by an interest free Crown loan of $18m. OP's student village, Te Pā Tauira, is also a relatively new build, completed in 2018 s 9(2)(b)(ii) [redacted].

Future Investment in existing property

- OP has forecast ~$4.3m of planned property CAPEX over the period 2025 – 2029. This is BAU capital spend on various projects required to avoid a deferred maintenance position. Projects include roof replacement, ventilation, and building control systems.
- An upgrade to the Nursing facility was considered in previous forecasts, with an estimated spend of s 9(2)(b)(ii) [redacted]. This project has been deferred given the current financial situation.

Space Provision

- Accurate utilisation data was not available at the time of our review. However, a high-level, indicative review of space requirements against forecast EFTS and using industry benchmarks, suggests that, over time, OP could reduce its land area by up to 60 percent and built area by approximately half.
- ETIO Benchmarking indicates that, in 2023, OP was in the middle of the range of m^2 per $100k of core activity, with 87.7m^2 (range is 57m^2 - 262m^2).
- Due to the compact nature of the main campus, there are limited opportunities for consolidation.

Potential Divestment Opportunities

- Divestment of the Cromwell campus has been considered in detail over the last 12 months, with a business case being developed by Te Pūkenga in August 2023. Estimated realisable value is s 9(2)(b)(ii), s 9(2)(j) [redacted].
- 153 St David St (The Kowhai Centre/Block K), a residential property currently used as offices for counsellor training. Estimated realisable value is s 9(2)(b)(ii), s 9(2)(j) [redacted].
- 121 Forth St (Ralph Hotere cottage). Estimated realisable value is s 9(2)(b)(ii), s 9(2)(j) [redacted].
- Management is of the view that the future of the s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted]

Seismic Risks

- Seismic assessments are underway for Blocks E, F, I and K to determine extent of future seismic-related work required (if any).

Leased property

- OP leases several properties, mainly in Dunedin (see table below)
- As these come up for renewal or end of term, the ongoing requirement will be assessed with a view to exiting where possible.
- The Wanaka lease has been renewed until October 2025, and a decision will be made regarding ongoing provision of Wanaka-based programmes next year.

Leased Property	Annual Lease ($'000)	Expiry	Location
Dunedin			
L Block Land Lease	s 9(2)(b)(ii)	s 9(2)(b)(ii), s 9(2)(j)	100 Anzac Ave
Sargood Centre			40 Logan Park Drive
Carparking			130 Anzac Ave
Student Centre Land lease			51 Harbour Terrace
Heavy Automotive Workshop			10 Donald Street
S Block Land Lease			41 Harbour Terrace
Storage and workshop			79 Harrow St. Exit 2025
Plumbing & Electrical Trades			182 Union Street
Yard – Carpentry house build			20 Parry Street
Kokiri			51 MacAndrew Road
Subleased			33 Logan Park Drive
Carparking			48 Logan Park Drive
Central Otago			
Wanaka Campus			17 Cliff Wilson Dr, Wanaka
Licence to occupy			Cromwell Substation
Auckland			
Office for OP staff use			OPAIC - Room 204
Total	1,242		

Source: OP

Financial Improvement Initiatives

A pathway to financially viability has been developed with OP's management team that focuses on growing EFTS back to sustainable levels, improving academic margins and reducing costs. The initiatives supporting this pathway to viability, based on the plan agreed with OP, are largely in place by the end of 2026 and support financial performance above benchmark targets from FY26 onwards.

No.	Initiative	Description	Targets	Timing	Ease of Implementation
1.	Grow Domestic EFTS	Grow Domestic EFTS from ~3,954 in FY24 to 4,685+ by FY29 (10% growth to FY25, then 2% annually) through increasing the capacity and capability of the local marketing team.	EFTS increase from ~3,954 in FY24 to 4,685+ in FY29	FY25-FY29	
2.	Grow International EFTS	Grow OP International EFTS from ~164 in FY24 to 301+ by FY27 (~22% average annual growth) through Increasing the capacity and capability of the international recruitment team.	EFTS increase from ~164 in FY24 to 301+ in FY29	FY25-FY29	
3.	Programme Review and Rationalisation	Cease delivery of programmes that are not contributing an acceptable margin or take action to rectify, such as increasing revenue / decreasing costs. Identify opportunities for future growth.	Improved Academic contribution from ~30% to >40% Academic SSR from 13:1 to 16.5:1	FY25-FY29	
4.	Resourcing of Support, Administration and Trading Functions	Ensure the programme support, back-office and trading functions are resourced appropriately to support EFTS and delivery.	Annual cost saving ~$1.7m	Staggered over 2025	
5.	Reset the 'CapableNZ' offering	Review the structure of the College of Work Based Learning, consolidate programmes within other colleges and optimise the programmes delivered through improvement of staff to student ratios.	Annual Cost saving ~$1.5m	Mid FY25	
6.	Shape of the Academic Workforce	Review the structure of the Research function; Review the Professoriate; and address the proportion of senior/principal academics within the academic workforce.	Annual cost saving up to ~$0.7m	FY25-FY29	
7.	Divest surplus property	Divest properties that are surplus to requirements by June 2026 with expected proceeds of s 9(2)(b)(ii), s 9(2)(j) [redacted].	s 9(2)(b)(ii), s 9(2)(j) [redacted] sale proceeds Annual cost saving ~$0.2m	FY25-FY26	
8.	Monitor OPAIC performance	Monitor the arrangements across the JV; Capable Marketing and OP International Recruitment functions, to ensure that maximum value is being extracted from these contracts.	Not quantified	FY24-FY25	
9.	Ongoing property rationalisation	Monitor the property portfolio and ongoing space requirements – seeking opportunities to consolidate / rationalise.	Not quantified	FY25	

Key - Ease of Implementation (refer to Appendix A): Simple Moderate Complex

Initiative 1. Domestic Student Growth

Ease of Implementation: Moderate

Overview

- OP's pathway to viability is predicated on an increase in domestic EFTS over the next few years, with forecast growth of ~10% from the FY24 forecast, then~2% p.a for FY26-FY29. As noted earlier, this is in contrast to MoE's forecast of a declining market (L3+ EFTS).
- OP's Domestic EFTS as at September 2024 were 3,954, 70 below the FY24 forecast and 219 below FY23.
- YTD FY24 (9 August) ITP domestic EFTS are 52,009, ~3% higher than the same time last year, whereas OP's FY24 YTD EFTS are ~5% lower than the same time last year, indicating OP's market share is declining.
- The outlook for FY25 is positive however, with application activity above this time last year.

Initiative

- Increase Domestic EFTS to meet targets below.

Resources Required

- s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]

Initiative Owner

- Deputy Executive Director - Operations

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
Domestic EFTS	4,330	4,415	4,503	4,594	4,685
Revenue - Domestic Fees and Government Funding	$75m	$78m	$81m	$84m	$88m

KPIs

- Domestic EFTS compared to target
- Maintain / improve course retention rates
- Marketing KPIs in relation to enquiries, applications, and enrolments and campaign analytics (views, click-throughs etc.). See Appendix C for additional details

Key Assumptions

- All domestic EFTS are funded, with a 2% increase in funding per annum.
- Growth in domestic EFTS is assumed to be proportionate across remaining programmes, relative to the FY25 budget EFTS.

Key Dependencies

- Effective marketing strategy developed and executed and the capacity in the marketing team sufficient to execute.
- Autonomy to make key decisions, including development of marketing materials, and course fees.
- Sufficient resourcing and appropriate roles/responsibilities to enable follow up on student applications and conversion to enrolments.
- TEC funding decisions.
- Attractive modern curriculum, for students, future employers, and industry.
- Modern effective pedagogy.

Key Risks and Mitigations

- External factors impacting students' choices to study, including but not limited to economic conditions; perception of Otago and the link to the University – *Mitigate by developing targeted marketing strategies and working with local stakeholders (e.g. DCC, Business South, University) to grow Dunedin as a destination city marketing OP.*
- EFTS growth forecast is not achieved – *Mitigate by implementing actions identified under the downside scenario. The main pillar is undertaking regular Programme reviews to identify programmes that are not profitable in a reduced EFTS scenario and taking prompt action to address these. OP will also look to right-size support FTE particularly in volume-related functions, and may also consider campus consolidation, depending on the outcomes of the Programme reviews.*
- EFTS growth is not funded by TEC – *Mitigate by continued focus on programme performance and effective, targeted investment in student achievement and support.*
- Low retention in multi-year programmes - *Mitigate by ensuring a strong student support function and effective investment in improving the overall student experience and academic quality.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
DED – Operations	Head of Marketing	Finance Registry	Heads of Colleges	TKM

Key Actions

#	Activities	Responsible	Timing
1.1	**Marketing** • Conduct market research to better understand the market and understand their needs to develop / enhance targeted marketing. (Underway)	DED – Operations	Q4 FY24
1.2	• Develop a comprehensive marketing strategy and three-year plan, setting out priorities and activities. Ensure internal alignment. (Underway)	DED – Operations	Q4 FY24
1.3	• Develop marketing collateral including brand manifesto. (Underway)	DED – Operations	Q4 FY24
1.4	• Review marketing 'ways of working' and ensure processes are fit for purpose, well defined, aligned with strategy and understood across the organisation.	DED – Operations	Q1 FY25
1.5	• Establish relevant SLAs, systems, and data-gathering to enable monitoring of marketing processes / activities.	DED – Operations	Q1 FY25
1.6	• Ensure that the roles and responsibilities of the team are clearly defined and adequately resourced.	DED – Operations	Q1 FY25
1.7	• Track marketing, application, and enrolment activity. Establish feedback loops to enhance understanding of campaign and channel effectiveness.	DED – Operations	Q1 FY25
1.8	• Define / document the student application journey and ensure that each key aspect of the process has an internal owner, and clear hand-over points. Develop monitoring and reporting on each aspect to better understand/improve the student journey.	DED – Operations	Q2 FY25
1.9	• Investigate further data / system requirements and consider enhancement of the CRM system (s 9(2)(b)(ii) has been assumed for this across FY25 & FY26).	DED – Operations	Q3 FY25
1.10	**Monitoring and reporting** • Weekly monitoring and reporting of applications and enrolments.	DED – Operations	Weekly
1.11	• Monthly monitoring and review of progress against initiative activities and targets.	DED – Operations	Monthly
1.12	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group.	DED – Operations	Quarterly
1.13	• Annual review of domestic recruitment and pricing strategies and associated marketing plans (or more frequently in response to market conditions).	DED – Operations	Annually

Initiative 2. International Student Growth

Ease of Implementation: Moderate

Overview

- Prior to COVID-19 and the formation of Te Pūkenga, OP typically had ~300 international students (in addition to the international students in the OPAIC joint venture).
- Impacted by the pandemic, centralisation of recruitment and broader external factors such as changes to visa regulations and global economic and geo-political influences, international EFTS numbers are currently ~164.

Initiative

- OP has identified an opportunity to s 9(2)(b)(ii), s 9(2)(j) [redacted]
- Increased capacity to recruit and market Otago as a study destination will increase brand awareness and international enrolments.

Resources Required

- s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]

Initiative Owner

- Deputy Executive Director – Academic

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
International EFTS (OP)	s 9(2)(b)(ii), s 9(2)(j) [redacted]				
International Revenue (OP)	[redacted]				

KPIs

- International EFTS (OP): Full Fee EFTS per SDR compared to target (excluding OPAIC)
- Maintain and improve international EFTS retention rates year-on-year (improve)
- Offers of place to enrolment conversion rates (improve)
- Agent performance – EFTS vs target, conversion rates, quality

Key Assumptions

- Pricing for international EFTS is based on the current fees.
- Growth in international EFTS is assumed to be proportionate across programmes, relative to the FY25 budget EFTS.
- The commissions payable to agents have been assumed on the basis of current arrangements s 9(2)(b)(ii) [redacted]

Key Dependencies

- Autonomy of OP from Te Pūkenga in relation to making key decisions, including development of marketing materials, attendance at expos, international travel, scholarships and fees.
- Effective marketing and competitive pricing strategy.
- Sufficient resources within the international team s 9(2)(b)(ii), s 9(2)(j) [redacted].

Key Risks and Mitigations

- External factors – including changes to visa regulations, country of origin economic / political factors - *Mitigate by ensuring diversification of source countries, strengthening OP's brand and reputation, making it easier for students to navigate the application process.*
- High risk of competition from other institutions in New Zealand and overseas trying to secure international students - *Mitigate by building strong agent relationships, incentivising agents appropriately (balancing with ensuring margins are maintained), and ensuring programmes are competitively priced.*
- s 9(2)(b)(ii), s 9(2)(j) [redacted].
- Providing competitive agent commission is restricted by the current cap placed on all Te Pūkenga divisions - *Mitigate by liaising with agents that have a good reputation and history of working with OP / Te Pūkenga / OPAIC.*
- s 9(2)(b)(ii), s 9(2)(g)(i), s 9(2)(j) [redacted]

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
Deputy Executive Director – Academic	International Director	Finance, ISS, OPAIC	Heads of Colleges	TKM

Key Activities

#	Activity	Responsible	Timing
2.1	**People** • s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	International Director	Q1 FY25
2.2	**OPAIC** • s 9(2)(b)(ii), s 9(2)(j) [redacted]	International Director	Q1 FY25
2.3	• Review agent processes, including performance review and incentivisation. • s 9(2)(b)(ii), s 9(2)(j) [redacted]	International Director	Q1 FY25
2.4	• Strengthen alignment between OPAIC and OP Dunedin marketing team to ensure unified messaging and recruitment practices. (underway).	International Director	Q1 FY25 – Ongoing
2.5	• Assign specific EFTS target for OPAIC's recruitment for Dunedin campus and OPAIC campus (underway).	International Director	Q1 FY25
2.6	• Establish performance management framework including appropriate measures. Conduct quarterly reviews of OPAIC's contributions to OP's EFTS targets.	International Director	Q2 FY25
2.7	[redacted] • s 9(2)(b)(ii), s 9(2)(j) [redacted] •	International Director	Q2 FY25 Q3 FY25
2.8	• [redacted]	International Director	Q1 FY25
2.9	**Institutional partnerships** • Review institutional MOU's to ensure they add value to the organisation and provide tangible outcomes. MOU's must have financial, reputational, or reciprocal benefits for learners.	DED – Academic	Q3 FY25
2.10	• Develop a framework to guide MOU/partnership creation with international institutions focusing on financial, reputational, and reciprocal benefits. Six-monthly activity reports to be developed on student activity (exchange / study abroad / articulation), research, financial contribution, and reputational advantages.	International Director	Q2 FY25
2.11	**Pricing Strategy** • Review international pricing strategy (to be applied once standalone).	Finance Manager and International Director	Q4 FY25
2.12	**Brand / Marketing** • Refresh OP collateral, develop brand strategy to differentiate OP from other ITPs. s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	Head of Marketing / International Director	Q2 FY25
2.13	**Monitoring and reporting** • Monthly monitoring and review by international team of progress against activities and targets	International Director	Monthly
2.14	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group	International Director	Quarterly
2.15	• Annual review of international recruitment and pricing strategies and associated marketing plans (or more frequent in response to market conditions)	International Director	Annually

Initiative 3. Programme Review and Rationalisation

Ease of Implementation: Moderate

Overview

- The contribution from programmes / colleges has declined over recent years, from an average of 40% over FY20-FY22, to ~30% in FY23-FY24F, driven by reduction in EFTS, changes in funding and increases in personnel costs.

Initiative

- OP has, in FY24, reinstated its Programme Viability Review process. Prior to the formation of Te Pūkenga this process was part of OP's business as usual operations but has not been undertaken recently.
- Going forward, this process will be run at least annually. The key objectives of the review are to:
  - Identify programmes with low educational outcomes.
  - Identify over / under resourced areas of delivery.
  - Identify programmes making a negative or neutral financial contribution.
  - Inform the following year Mix of Provision.
  - Ensure academic FTE is right sized for the Mix of Provision.
- OP is targeting a **minimum** organisational EFTS:FTE ratio of 15:1 to be able to remain financially viable and to ensure the workloads of Kaimahi are sustainable.

Initiative owner

- Deputy Executive Director - Academic

Resources Required

- BAU resources.

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
EFTS:FTE (excl. OPAIC)	15:1	16.2:1	16.4:1	16:1	16.5:1
Academic Margin %	40%	43%	44%	44%	44%
Academic Margin $	s 9(2)(b)(ii) [redacted]				

KPIs

- Programme Contribution Margins
- EFTS:FTE ratio
- Student success / engagement - completion rates, underserved learners

Key Assumptions

- Closure of programmes has been modelled based on those programmes identified by management as 'likely' to close based on financial performance and other measures. The actual number of programmes that close may be greater or fewer than modelled, depending on the review of enrolments planned to be undertaken before the 2025 academic year begins.
- EFTS associated with ceased programmes are made up across remaining programmes to achieve targets.
- Where teach-out is required the programme will close at the conclusion of the final cohort. No allowance has been made for part-time students studying a one-year programme over multiple years. Any teach-out or student transfer will be considered in the final decision.

Key Dependencies

- Comprehensive information and insight to support programme decision making is provided by the Finance team timely.
- The Finance team will provide support and training to heads of programmes and colleges to help them interpret the data provided and improve the quality of information (e.g., accurate coding of programme costs).
- In FY25, EFTS enrolments programmes will be monitored closely from the start of the year as critical decisions, s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted], will depend on enrolments and programme performance. OP will need to take decisive action at the start of the year if enrolments are not sufficient to support programme viability.
- The decision to not run a programme or first year of a degree needs to be made no less than two weeks prior to the start of the programme.
- A Benchmarking Focus Group will be established to ensure consistency of approach.

Key Risks and Mitigations

- Reduction in EFTS that is not able to be recovered across remaining programmes - *Mitigate by providing displaced learners with alternative programmes.*
- Removal of programmes that the wider community perceives as valuable - *Mitigate by undertaking stakeholder consultation and focusing on best business practice rather than financial / political rationale.*

- Stress and disruption caused by staff changes - *Mitigate by establishing appropriate support structures with People & Culture. Ensure a robust consultation approach with sufficient time for feedback to be considered.*
- Loss of key staff due to resignations from poor morale / Litigation - *Mitigate by using clear and open design principles to ensure all stakeholders understand the rationale behind changes and can contribute meaningfully.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
TKM	DED – Academic	Finance People & Culture Heads of College	Heads of Programmes TEU	Staff

Key Actions

#	Actions	Responsible	Timing
3.1	**Programmes and People** • Communicate Programme Viability Review requirements to Academic staff (FY24 complete).	DED – Academic	Q3 FY24
3.2	• Provide financial analysis and insights relating to programme performance (FY24 complete).	Finance / Registry	Q3 FY24
3.3	• Review and verify data (FY24 complete).	Heads of Colleges	Q3 FY24
3.4	• Undertake benchmarking of programmes (FY24 complete).	Benchmarking Group	Q3 FY24
3.5	• Make decisions on programme viability / continuance (FY24 underway).	TKM	Q4 FY24
3.6	• Consult with affected staff (FY24 underway).	DED – Academic	Q4 FY24
3.7	• Finalise changes. Communicate outcomes to affected staff.	DED – Academic, P&C	Q4 FY24
3.8	• Website / Collateral updated and communicate with external stakeholders if required.	Marketing Lead	Q4 FY24
3.9	• Review enrolments prior to commencement of FY25 delivery and make decisions about programmes with insufficient EFTS.	DED – Academic	Q1 FY25
3.10	**Monitoring and Reporting** • Implement controls over hiring, require approval by a TKM member for all new hires (including current/vacant roles), after assessment of the impact of viability. Finance to confirm any engagement of consultants and contractors are within existing budget limits. (Underway	Finance Manager	Q1 FY25
3.11	• Develop enhanced reporting in relation to programme performance to support programme decision making. Monthly monitoring and review of programmes by Heads of Colleges, supported by information and insight developed by the Finance team.	Finance Manager	Q1 FY25
3.12	• Support Heads of Programmes in relation to monitoring programme performance and identifying actions to be taken.	Finance Manager	Q1 FY25
3.13	• Quarterly reporting of Programme performance to TKM including highlighting programmes that are at risk of poor performance and the mitigating actions that are being implemented.	Finance Manager	Q1 FY25
3.14	• Annual programme review process adhered to. FY25 process to include early monitoring based on enrolments s 9(2)(b)(ii) s 9(2)(ba)(ii), s 9(2)(j)	DED - Academic	Q3 FY25
3.15	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group.	DED - Academic	Quarterly

Initiative 4. Resourcing of Support, Administration and Trading Functions

Ease of Implementation: Moderate

Overview

- Personnel costs are the most significant cost for OP and are forecast to be ~$60m in FY24 (62% of revenue). A review of non-academic resourcing is required, to ensure that the support, administration and trading functions are right-sized for the expected level of EFTS over the next year.

Initiative

- This initiative requires a review of all support functions, both central and within Colleges, with a view to addressing excess capacity and gaining efficiencies. It is assumed that a net reduction in ~18 FTE is achieved across the various support functions.

Initiative Owner

- Deputy Executive Director - Operations

Resources Required

- Legal / HR support (potentially Te Pūkenga, allowance has been made for external support if required), Change Management support

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
Allied:Academic Staff Ratio	0.9:1	0.9:1	0.9:1	0.9:1	0.9:1
Annual cost savings	$0.9m	$1.9m	$1.9m	$1.9m	$2.0m

KPIs

- Support FTE
- FTE ratios – Allied:Academic; Academic Support:EFTS (target 1:150 for support functions within Colleges), Total EFTS:FTE

Key Assumptions

- The forecast model assumes savings of $8.6m over the forecast period through a reduction in support FTE.
- The reductions are assumed to take effect during FY25, with the full benefits not realised until FY26.
- Support staff represent a largely fixed cost structure relative to revenue.
  Cost inflation does not exceed revenue inflation (modelled at 2% p.a.).
- Additional FTE are required in some support functions to enable standalone operation.
- CapableNZ admin / support FTE changes are not reflected above.

Key Dependencies

- Programme review largely completed so that the support requirements are better understood.
- Capacity of People & Culture team to support the process.

Key Risks and Mitigations

- Disruption to operations, loss of key staff due to resignations from poor morale, Personal Grievances – *Mitigate by using clear and open design principles to ensure all stakeholders understand the rationale behind changes and can contribute meaningfully. Ensure a robust consultation approach with sufficient time for feedback to be considered.*
- Negative impact on OP brand – *Mitigate by focusing on best business practice rather than financial / political rationale.*
- Existing support and trading FTE cannot support forecast increases in EFTS / activity, increasing staff costs beyond the indicative forecast – *Mitigate by considering new ways of working to increase efficiency of existing staff and streamline processes. Hiring of additional resources to be reviewed by Finance to ensure targets achieved. Monitoring impacts of changes on remaining staff and workloads.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
DED – Operations	Department Heads	People & Culture Finance / Payroll	TKM	Staff

Key Actions

#	Actions	Responsible	Timing
4.1	**People** • Review in detail the support, administration and trading areas and right-size FTE and costs to support a pathway to viability (phased approach).	DED – Operations / Dept Heads	Q1-Q2 FY25
4.2	• Assess the impact of changes on existing roles, engage early with unions on any proposed change, develop consultation packs, letters to employees, frequently asked questions and scripts for discussions.	DED – Operations / Dept Heads	Q1-Q2 FY25
4.3	• Staff consultation and engagement period on the outcomes of the support and trading review.	DED – Operations / Dept Heads	Q1-Q2 FY25
4.4	• Review staff feedback, prepare outcome packs, communications for announcement of the final decision.	DED – Operations / Dept Heads	Q1-Q2 FY25
4.5	**Marketing** • Review the marketing strategy for the Polykids childcare centre and promote availability of facility to broader market, to correct the perception that clients need to be associated with OP as staff/students.	Head of Marketing	Q1 FY25
4.6	**Contingency Plan** • If FY25 EFTS growth is not achieved, take further action to right-size support FTE, in line with the downside scenario contingency plan.	DED – Operations	Q2 FY25
4.7	**Monitoring and Reporting** • Implement controls over hiring, require approval by a TKM member for all new hires (including current/vacant roles), after assessment of the impact of viability. Finance to confirm any engagement of consultants and contractors are within existing budget limits. (Underway)	TKM	Bu the end of FY24
4.8	• Monitor and review the impact of FTE rationalisation on staffing needs and workload to ensure appropriate resourcing.	People & Culture	Ongoing
4.9	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group.	DED – Operations	Quarterly

Ease of Implementation: Moderate

Initiative 5. Reset CapableNZ

Overview

- The delivery of CapableNZ programmes requires a reset in order to return an acceptable margin.

Initiative

- Review the structure of the College of Work Based Learning, and consider its disestablishment, redistribution of the programmes to the relevant Colleges / Research department and centralisation of the administration functions.
- Review the delivery of programmes and ensure appropriate resourcing model to achieve the target facilitator / staff metrics.

Initiative Owner

- Deputy Executive Director - Academic

Resources Required

- BAU resources

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
Facilitator: EFTS	-	35:1	35:1	35:1	35:1
SSR (total staff)	17:1	23:1	23:1	23:1	23:1
Programme Margins	-	s 9(2)(b)(ii) [redacted]			
Annual cost savings	$0.8m	$1.5m	$1.5m	$1.5m	$1.6m

Financial impact

- Annual cost savings of ~$1.5m

KPIs

- SSR associated with CapableNZ programmes, Recognition of Prior Learning (RPL) and Professional Practice

Key Assumptions

- That the review process will be undertaken in FY25 and changes will be in place from mid-FY25.
- The CapableNZ branding will be maintained and marketed.
- OPAIC will continue to undertake marketing in the North Island in the short term.
- The base case modelling assumed a reduction of [redacted] FTE to achieve target EFTS:FTE ratios of 35:1. This has not been specified as a measurable benefit due to the programme review process, instead progress towards the target ratio will be measured.

Key Dependencies

- Capacity of People & Culture team to undertake change process for affected staff.

Key Risks and Mitigations

- Potential loss of qualified staff / resistance to change leading to disruption to delivery / personal grievances - *Mitigate by using clear and open design principles to ensure all stakeholders understand the rationale behind changes and can contribute meaningfully. Ensure a robust consultation approach with sufficient time for feedback to be considered.*
- Potential Damage to the 'Capable NZ' brand and the perception of learners and community - *Mitigate by retaining the brand and support the current community of practice.*
- Internal capacity to market CapableNZ programmes - *Mitigate by resourcing appropriately* s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]
- Potential risk of loss of research activity and associated revenue if it became diluted by being embedded within the college - *Mitigate by supporting the research work ethic demonstrated by the CapableNZ team and encouraging research activity within the colleges.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
Deputy Executive Director – Academic	Heads of Colleges	Finance People & Culture OPAIC	Heads of Programmes	TKM

Key Actions

#	Actions	Responsible	Timing
5.1	**Structure and people** Review of OP College Structure	DED – Academic	Q1 FY25
5.2	Develop proposal based on outcome of review	DED – Academic	Q1 FY25
5.3	Consult on proposed changes	DED – Academic	Q2 FY25
5.4	Decision made on proposed changes	DED – Academic	Q2 FY25
5.5	Implement changes	DED – Academic	Q2 FY25
5.6	Manage transition	DED – Academic	Q3 FY25
5.7	**Monitoring and Reporting** Monthly monitoring and review of progress against activities and targets.	DED – Academic	Monthly
5.8	Enhanced reporting of college / programme margins.	Finance Manager	Monthly
5.9	Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group.	DED – Academic	Quarterly
5.10	'Post implementation' review of changes implemented and documentation of lessons learned.	DED – Academic	FY26

Ease of Implementation: ● Complex

Initiative 6. Shape of the Academic Workforce

Overview

- OP's workforce is relatively 'top-heavy' with a higher proportion of staff in the senior and above categories than the rest of the network.
- s 9(2)(b)(ii) [redacted]

Initiative Owner

- Executive Director

Initiative

- Review and address the shape of the academic workforce, research aspects of the academic workforce, and the professoriate.

Resources Required

- External resource will be engaged to conduct the review, for independence.

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
Proportion of Academic workforce at 'Academic' and below	35-45%	40-45%	45-50%	47-52%	50-60%
Annual cost savings	$0.1m	$0.4m	$0.5m	$0.7m	$0.7m

KPIs

- Average academic salary
- Academic Workforce proportions (OP total, Colleges)
- Research – External revenue / grants, Performance Based Research Fund (PBRF), costs, outcomes, meeting research activity targets, Research Degree Completions (RDC)

Key Assumptions

- The savings above assume a degree of change to the academic workforce will be achieved as a result of the reviews that form the basis of the initiative. Any changes affecting staff will require due process, including consultation with staff, unions and other stakeholders.
- s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]
- Any restructuring costs associated with changes to roles / responsibilities are not included in the benefits.

Key Dependencies

- Review findings that indicate changes required.
- Endorsement of review findings and actions by TKM.
- Assessment of the academic workforce will occur after the current processes have been implemented.

Key Risks and Mitigations

- Reputation risk – OP as a good employer, attraction and retention of good staff, culture changes – *Mitigate by taking a staggered approach to implementing any changes. Ensure a principled, transparent approach.*
- Disruption to operations; Personal Grievances – *Mitigate by using clear and open design principles to ensure all stakeholders understand the rationale behind changes and can contribute meaningfully. Ensure a robust consultation approach with sufficient time for feedback to be considered.*
- Risk to research revenue (Next PBRF cycle is in 2026. Beyond that, changes to the rankings of staff that produces research outputs could reduce PBRF funding) - *Mitigate by seeking opportunities to augment PBRF with external revenue / grants.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
Deputy Executive Director – Academic	Heads of College	People & Culture Finance	Heads of College	Staff

Key Actions

#	Actions	Responsible	Timing
6.1	[redacted] **– People and Processes** s 9(2)(b)(ii), s 9(2)(ba)(ii) • [redacted]	DED Tiriti and Partnership	Q1 FY25
6.2	• [redacted]	DED Tiriti and Partnership	Q2 FY25
6.3	**Professoriate – People and Processes** • Professoriate Review - Draft TOR for the review; obtain TKM approval.	DED Tiriti and Partnership	Q1 FY25
6.4	• Undertake review of Professoriate per TOR (external review) (Start in Feb 2025).	DED Tiriti and Partnership	Q2 FY25
6.5	• Implement Professoriate Review recommendations (if any). These may include changes to roles / responsibilities / organisation structure / policies / guidelines / budgets. Timing allows sufficient time for consultation process if required.	DED Tiriti and Partnership	Q4 FY25
6.6	[redacted] **– People and Processes** s 9(2)(b)(ii), s 9(2)(ba)(ii) • [redacted]	DED Tiriti and Partnership	Q1 FY25
6.7	• [redacted]	DED Tiriti and Partnership	Q1 FY25
6.8	• [redacted]	DED Tiriti and Partnership	Q2 FY25
6.9	• [redacted]	DED Tiriti and Partnership	Q3 FY25
6.10	• [redacted]	DED Tiriti and Partnership	Q4 FY25
6.11	• [redacted]	DED Tiriti and Partnership	FY26+
6.12	**Monitoring and Reporting** • Monthly monitoring and review of progress against activities and targets.	DED Tiriti and Partnership	Monthly
6.13	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group.	DED Tiriti and Partnership	Quarterly

Initiative 7. Property Divestment

Ease of Implementation: Moderate

Overview

- Several properties have been identified as surplus to requirements:
  - The Cromwell Town Campus.
  - The Kowhai Centre (153 St David St, Dunedin).
  - The Ralph Hotere House (121 Forth St, Dunedin).

Initiative

- Divest the three surplus properties by the end of 2026.

Initiative Owner

- Deputy Executive Director – Operations

Resources Required

- BAU resources, plus support from Te Pūkenga property team over FY25.

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
Proceeds - Sale of Assets	s 9(2)(b)(ii), s 9(2)(j)				
Annual cost savings		$0.2m	$0.2m	$0.2m	$0.2m

KPIs

- Actual vs target realisation of indicative benefits
- Progress of initiatives activities and transition plan milestones

Key Assumptions

- Estimated proceeds of the sale of land and buildings s 9(2)(b)(ii), s 9(2)(j) for the Cromwell Town Campus and s 9(2)(b)(ii), s 9(2)(j) for the Dunedin properties – based on advice from the Te Pūkenga property team and net of all associated costs.

Cromwell Town Campus:

- Campus will operate during FY25.
- Programmes will transfer to Bannockburn campus in FY26.
- Sale will transact by mid-FY26.
- Sale proceeds modelled on the basis on selling as a single lot.
- No capital expenditure required prior to the sale of assets.

Dunedin Properties:

- Properties will be listed for sale following appropriate approvals.
- Sales will transact during FY25.
- s 9(2)(b)(ii), s 9(2)(j)
-

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

Key Dependencies

- Timing dependent on ROFR and LINZ processes.
- Decision to be made regarding selling Cromwell Town Campus as a single lot or subdivide (potential to increase return, but delay in realisation).

Key Risks and Mitigations

- Delays to process reduce forecast benefits - *Mitigate by assigning responsibility appropriately and regularly reporting on the project, risks and timelines to identify potential delays / roadblocks so action can be taken where possible.*
- There may be reputational and political risks associated with the decision - *Mitigate by undertaking community consultation.*
- Relocation of staff may be delayed, impacting morale - *Mitigate by ensuring staff are consulted on requirement for change and suitable space is made available to relocate any continuing activities.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
Deputy Executive Director – Operations	Te Pūkenga property team	Finance	Heads of College	Staff

Key Actions

#	Actions	Responsible	Timing
7.1	**Property (in line with the Te Pūkenga property disposal process in Appendix D)** • Seek approval for sale from Te Pūkenga (complete for Cromwell, underway for Dunedin properties).	Te Pūkenga Property Team	Q4 FY24
7.2	• Commission market valuation (complete for Cromwell).	Te Pūkenga Property Team	Q2 FY25 (Dunedin)
7.3	• Submission to Te Pūkenga Council for the assets to be designated as a surplus asset (complete for Cromwell).	Te Pūkenga Property Team	Q2 FY25 (Dunedin)
7.4	• s 9(2)(b)(ii), s 9(2)(j)	TKM	Q2 FY25
7.5	• Advise TEC of intention to sell (on the basis that approval is not required for disposal of properties owned by Te Pūkenga with an asset value of up to s 9(2)(b)(ii)).	Te Pūkenga Property Team	Q2 FY25 (Cromwell) Q3 FY25 (Dunedin)
7.6	• Prepare the property for sale, including engaging with LINZ agent to support the disposal process, and identifying any rights of first refusal (ROFR), offers back, Crown agency transfer etc.	Te Pūkenga Property Team	Start Q1 FY25 (Cromwell) Start Q2 FY25 (Dunedin)
7.7	• Seek final approval for sale from appropriate governing body.	DED - Operations	FY26
7.8	• Initiate sale process.	DED - Operations	FY26
7.9	• Sale Transacted.	DED - Operations	FY26
7.10	• s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)	DED - Operations	Q3 FY25
7.11	**Monitoring and Reporting** • Monthly monitoring and review of progress against activities and targets.	DED - Operations	Monthly
7.12	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group.	DED - Operations	Quarterly

Initiative 8. Monitor OPAIC Performance

Ease of Implementation: Moderate

Overview

- OP has several contracts with OPAIC, the primary contract for delivery of International EFTS under the OPAIC banner (a JV), s 9(2)(b)(ii), s 9(2)(j) [redacted]
- s 9(2)(b)(ii), s 9(2)(h) [redacted]

Initiative

- Enhance monitoring of OPAIC's performance under the current contracts.

Initiative Owner

- Finance Manager

Resources Required:

- BAU resources

Improvement Targets and Financial Impacts

Measure	FY25	FY26	FY27	FY28	FY29
s 9(2)(b)(ii) [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

KPIs

- OPAIC EFTS
- OPAIC s 9(2)(b)(ii) [redacted]
- OPAIC s 9(2)(b)(ii) [redacted]
- OPAIC Learner experience metrics including Course Completion / Learner Performance and Exclusions

Key Assumptions

- It is assumed that the contracts with OPAIC continue in their current form over the forecast period.

Key Dependencies

- s 9(2)(b)(ii), s 9(2)(j) [redacted]

Key Risks and Mitigations

- s 9(2)(b)(ii), s 9(2)(g)(i), s 9(2)(j) [redacted]
- [redacted]

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
Deputy Executive Director – Academic	Finance	OP Board representatives	OPAIC	TKM

Key Actions

#	Actions	Responsible	Timing
8.1	**Relationship and Contract Management** • Establish a regular fortnightly meeting between OP and OPAIC finance, to discuss EFTS tracking and financial performance of JV and any matters related to the marketing contracts. • s 9(2)(b)(ii), s 9(2)(j)	Finance Manager	Q4 FY24
8.2	• Utilise OP appointed board members s 9(2)(b)(ii), s 9(2)(j) • Establish feedback loop for Board members to share findings with Finance and vice versa.	OP appointed Board representatives / Finance Manager	Ongoing
8.3	**Performance Management** • Develop enhanced monthly reporting and analysis of OPAIC performance, to be provided to TKM and OP appointed board members.	Finance Manager	Q4 FY24
8.4	• Ongoing QA of OPAIC delivery and academic quality outcomes, and monthly reporting on OPAIC's QA/Ops.	Academic Excellence	Q4 FY24
8.5	• Add OPAIC performance summary to the monthly reporting financials for TKM review – include Financials and QA/Ops performance provided by the OP staff at OPAIC. OPAIC to be added to TKM agenda.	Finance Manager	By Q4 FY24 (ongoing)
8.6	• Academic Registry team to monitor enrolments from FSA students on OP's enrolment system (Moodle). Report monthly to OP Finance on all new FSA enrolments on OP systems.	Finance Manager	Ongoing
8.7	**Monitoring and Reporting** • Monthly monitoring and review of progress against activities and targets.	Finance Manager	Monthly
8.8	• Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group	Finance Manager	Quarterly

Initiative 9. Property Rationalisation

Ease of Implementation: Moderate

Overview

- OP has approximately 40,000m^2 of freehold land a further ~15,500 m^2 of leasehold land in its Dunedin campuses, with a built floor area of approximately 47,600m^2.
- A high-level, indicative review of space requirements against forecast EFTS and using industry benchmarks suggests that, over time, OP could reduce its land area by up to 60 percent and built area by approximately half.

Initiative

- Proactively examine opportunities to optimise space and / or rationalise the size of the campus footprint to align with forecast EFTS (opportunity to exit the Harrow Street lease in FY25 has been identified).
- Capitalise opportunities to divest or lease out surplus campus capacity.
- Look for opportunities to reduce our energy footprint and lower operating costs.
- Centralise timetabling function.
- Develop a Strategic Asset Management Plan for the OP Campus.

Initiative Owner

- Deputy Executive Director - Operations

Resources Required

- No additional resource required

Improvement Targets

Measure	FY25	FY26	FY27	FY28	FY29
Classroom utilisation	32%	35%	40%	+40%	+40%

- Note financial impacts have not been quantified.

KPIs

- GFA/EFTS
- Classroom utilisation (FY24 ~30%)

Key Assumptions

- No assumptions have been made within the pathway to viability modelling on either the optimisation or rationalisation of the campus footprint.

Key Dependencies

- Availability of accurate data to monitor utilisation and forecast space requirements.
- The cost of reconfiguring existing spaces to consolidate the footprint and free up land and buildings for divestment.

Key Risks and Mitigations

- If space becomes crowded, it may negatively impact the student experience or limit future capacity and programme offerings. *Mitigate by considering both the current and forecast needs of the campus in determining appropriate actions.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
Deputy Executive Director – Operations	Campus Services	Facilities Finance Heads of College	Impacted Stakeholders	TKM

Key Actions

#	Actions	Responsible	Timing
9.1	**Property** • Explore opportunities for subleasing surplus campus accommodation / sharing facilities s 9(2)(b)(ii), s 9(2)(j).	DED - Operations	ongoing
9.2	• As part of a broader Campus Master Planning exercise, review the existing campus footprint and consider how the campus could be reconfigured to optimise space and divest surplus property assets.	DED - Operations	Q4 FY25
9.3	• Complete timetabling review and recommendations.	DED - Operations	Q4 FY24
9.4	• s 9(2)(b)(ii), s 9(2)(j)	DED - Operations	Q2 FY25
9.5	• Implement timetabling changes.	DED - Operations	Q2 FY25
9.6	• Develop OP Strategic Asset Management Plan.	DED - Operations	Q4 FY25
9.7	**Monitoring and Reporting** Monthly monitoring and review of progress against activities and targets.	DED - Operations	Monthly
9.8	Quarterly reporting of improvement initiative KPI's, risks, and dependencies to the OP Pathway to Viability Steering Group	DED - Operations	Quarterly

Initiative Implementation Timelines

Summarised below are the key activities and timelines associated with each initiative.

Initiative 1: Domestic EFTS Growth
- Complete market research, develop strategy and update marketing collateral
- Review processes to ensure fit for purpose and roles and responsibilities defined
- Establish SLAs to support marketing processes and monitoring of other key recruitment processes
- Review the student journey and identify and implement process and systems improvements

Initiative 2: International EFTS Growth
- s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
- Review recruitment systems and processes and align
- s 9(2)(b)(ii), s 9(2)(j)
- Review MOU's and implement process and systems improvements
- Review and update the pricing strategy to be implemented once standalone
- Refresh marketing material and develop brand strategy

Initiative 3: Programme Review and Rationalisation
- Implement a hiring freeze
- Consult with impacted staff on underperforming programmes
- Decisions made and communicated to staff regarding any programmes to be ceased
- Changes implemented
- Further review of programme viability based on FY25 enrolments
- Consultation on any changes implemented from FY25 review and changes implemented
- Monitor teaching hours to ensure efficient allocation of staffing and maintain strict cost control

Initiative 4: Resourcing of Support, Administration and Trading Functions
- Implement a hiring freeze
- Review each support area to right size FTE and assess the impact of change
- Consult with impacted staff
- Decisions made based on consultation and feedback
- Changes implemented
- Implement marketing strategy for Polykids and monitor impact
- Maintain strict cost control

Initiative 5: Reset CapableNZ
- Review OP College structure
- Develop proposal and consult on the proposed changes
- Decision made on proposed changes
- Implement changes and manage transition

On-going monitoring and reporting on progress with each initiative

Initiative 6: Shape of the Academic Workforce

- Undertake review of the s 9(2)(b)(ii), s 9(2)(ba)(ii) professoriate and s 9(2)(b)(ii), s 9(2)(ba)(ii) policies, staffing and guidelines
- Develop a plan to implement changes based on the outcome of the review, including policy review changes
- Agree the target 'shape' of academics by college
- Start to implement changes and manage transition (noting 'reshaping' of the academics goes beyond FY26)

Initiative 7: Property Divestment

- Seek appropriate approvals for the sale of three surplus properties
- Complete the required processes to prepare property for sale
- Initiate sales process
- Sales of property complete

Initiative 8: Monitor AIC Performance

- Determine additional monitoring processes and systems improvements to be implemented
- Design and implement monitoring and reporting processes and system improvements
- Refine and embed improvements

Initiative 9: Property Rationalisation

- Review and implement robust timetabling and teaching space utilisation reporting.
- Develop strategic asset management plan
- Review broader campus use to identify opportunities for property consolidation overtime (e.g. University of Otago)

On-going monitoring and reporting on progress with each initiative

Base Case Indicative Forecast | Financial Performance

Assuming implementation of the financial improvement initiatives outlined above and achievement of EFTS growth, OP returns to surplus in FY25. It is in FY26 that the effects of the significant changes OP will make are evident, with EBITDA and net surplus results comfortably above target.

Summary EFTS	2024	2025	2026	2027	2028	2029
Domestic EFTS	4,025	4,330	4,415	4,503	4,594	4,685
International EFTS (AIC)	604	604	604	604	604	604
International EFTS (OP)	114	160	241	301	301	301
Total EFTS	**4,742**	**5,093**	**5,260**	**5,408**	**5,498**	**5,590**

Profit and Loss Statement ($'000)	2024	2025	2026	2027	2028	2029
Revenue						
Government Funding	42,063	48,570	50,550	52,583	54,708	56,908
Other Government Funding	-	1,490	1,802	1,851	1,897	1,944
Tuition Fees - Domestic Students	22,794	26,090	27,169	28,276	29,433	30,631
Tuition Fees - International Students	17,016	18,288	20,695	22,650	23,103	23,565
Other Teaching Income	2,540	2,563	2,628	2,689	2,751	2,815
Research Revenue	1,226	1,246	1,271	1,296	1,322	1,348
Trading Income	6,438	6,828	6,935	7,074	7,215	7,360
Other Income	4,737	3,714	3,811	3,908	3,999	4,092
Total Revenue	**96,814**	**108,789**	**114,861**	**120,326**	**124,428**	**128,663**
Operating Expenses						
Personnel Costs	60,267	60,181	59,366	61,474	63,213	65,172
Teaching Delivery	23,565	23,401	24,147	24,835	25,476	26,134
Infrastructure	6,836	6,740	6,694	6,811	6,949	7,090
Administration	6,978	8,342	8,480	8,658	8,839	9,024
Total Operating Expenses	**97,646**	**98,664**	**98,687**	**101,777**	**104,476**	**107,420**
EBITDA	**(832)**	**10,125**	**16,174**	**18,550**	**19,952**	**21,243**
EBITDA Margin	*-0.9%*	*9.3%*	*14.1%*	*15.4%*	*16.0%*	*16.5%*
Depreciation and Amortisation	10,011	9,386	9,444	9,238	8,934	8,128
EBIT	**(10,843)**	**739**	**6,730**	**9,312**	**11,019**	**13,116**
Net Interest Income	47	(137)	152	684	1,017	1,410
Net Surplus Before Unusual Items	**(10,796)**	**602**	**6,882**	**9,995**	**12,036**	**14,526**
Net Operating Surplus Margin	*-11.2%*	*0.6%*	*6.0%*	*8.3%*	*9.7%*	*11.3%*
Unusual Items						
Gain / Loss on disposal of Assets	-	(95)	6	-	-	-
Redundancy Costs	(753)	(1,524)	(205)	(84)	(128)	-
Transformation Support	-	(674)	(391)	-	-	-
Total Unusual Items	**(753)**	**(2,293)**	**(590)**	**(84)**	**(128)**	**-**
Net Surplus/(Deficit)	**(11,549)**	**(1,691)**	**6,292**	**9,912**	**11,908**	**14,526**

Key assumptions made in the base case scenario include:

- The FY25 budget assumptions underpin the indicative financial forecast, with moderate growth reflected in EFTS in FY26 and beyond.
- The draft budget has been overlaid with the financial impacts of the improvement initiatives set out in this plan, and some additional adjustments.
- **Domestic EFTS** for FY25 are assumed to grow by ~9.5% from the latest FY24 forecast of 3,954 (as at September, which is not reflected in the financial forecast in the table opposite).

  While ambitious, this growth is underpinned by OP's renewed focus on local marketing, enhancement of processes that support student enquiry and enrolment, and the forecast economic conditions with higher levels of unemployment.

  Beyond FY25, growth is assumed at 2% p.a., which, by FY29, returns OP to a market share similar to that achieved in FY20-21 (against MoE's forecast of declining EFTS).
- In FY25, OP **international EFTS** are forecast at 160 (while above the FY24 forecast shown opposite this is similar to the current YTD of 164). Beyond FY25, an uplift in EFTS to ~300 is forecast (similar to levels achieved pre-COVID and supported by the [redacted] s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)

  International EFTS delivered by OPAIC (and the s 9(2)(b)(ii) [redacted]) have been forecast conservatively, on the same basis as the FY24 budget.
- **Government Funding** in FY25 funding is primarily based on funding rates as advised by TEC. The anticipated FY26 changes to SAC funding have not been explicitly modelled as they are expected to be immaterial to OP. The return of 20% of the learner/equity component funding (~$0.25m) is assumed in FY26.
- The modelling assumes **closure of programmes** indicated by OP as 'likely' to close as a result of the review currently underway. Some of these programmes cease in FY25 (EBITDA impact ~$0.9m improvement), while others require a teach out and cease from FY26. The forecast assumption is that the loss of these EFTS (~131 in FY25 plus a

further ~57 in FY26) will be made up across other programmes, maintaining domestic EFTS at the original budget level of 4,330 in FY25.

- **Collectively these assumptions result in an increase in revenue from $97m FY24 forecast to $129m in FY29.**
- Variable EFTS drivers have been applied to revenues and costs based on their nature (i.e. academic delivery, support services (IT, Finance, etc.) or trading activities). These have been agreed with OP. For example, student fees, Government funding and teaching income are typically 100% variable with EFTS.
- In relation to **Personnel costs** of academic functions, the fixed/variable assumption has been flexed over the forecast period in order to meet target SSR. For support and trading functions, personnel costs have been forecast as 100% fixed (with initiatives overlaid).
- **Personnel Costs** in FY25 and FY26 reflect the right-sizing of the workforce, driven by the programme review and an organisation-wide review of staffing levels. By FY27, FTE are expected to reduce by ~63 from the FY25 budget, with ~22 FTE in programmes likely to close, s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted] FTE across Academic functions (s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]), s 9(2)(b) [redacted] FTE across trading, and s 9(2)(b)(ii), s 9(2)(ba) [redacted] FTE support functions (partially offset by an additional s 9(2)(b) [redacted] FTE in certain support areas). Allowances have been made for academic FTE increases in line with future EFTS growth. Over the forecast period savings of s 9(2)(b)(ii) [redacted], related to the longer-term reshaping of OP's academic workforce, have been modelled with additional redundancy costs of s 9(2)(b)(ii) [redacted]
- **Collectively these assumptions result in an improvement in OP's EBITDA margin from (0.9)% forecast in FY24 to 16.5% in FY29.**
- **Depreciation** is modelled on the run out of depreciation on existing assets, OP's five-year capital investment plan, and the divestment of the Cromwell campus and two small properties in Dunedin.
- **Interest**: The intercompany loan of $8.1m is assumed to be forgiven on 1 January 2026 (note however the model calculates interest on the average balance, therefore 6 months of interest payments are modelled in FY26). The Crown loan has been modelled as interest-free.
- **Inflation** is assumed at 2% p.a. across the forecast period.
- **Unusual Items**:
  - Redundancy payments of $2.7m have been modelled from FY24 through to FY28. The FY24 and FY25 redundancies relate to the programme changes and workforce resizing, while in the outer years an allowance has been made for changes relating to rebalancing the academic workforce.
  - Transformation support costs relate to change management, commercial, legal and HR support.
  - s 9(2)(b)(ii), s 9(2)(j) [redacted]

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Base Case Indicative Forecast | Performance Metrics

With steady EFTS growth and a focus on personnel costs, the Financial Improvement Plan sees OP 's performance reaching the profitability targets by 2026.

Key Metrics - Base Case	Target	2024	2025	2026	2027	2028	2029
Personnel to Revenue ratio	<60%	62%	55%	52%	51%	51%	51%
EBITDA Margin	11%+	-0.9%	9.3%	14.1%	15.4%	16.0%	16.5%
Net Operating Surplus Margin	2+%	-11.2%	0.6%	6.0%	8.3%	9.7%	11.3%
Academic SSR	19:1	15:1	17:1	18:1	18:1	19:1	19:1
Academic SSR excluding AIC		13.0:1	15.3:1	16.2:1	16.4:1	16.5:1	16.5:1
Allied to Academic Staff Ratio		0.8:1	0.9:1	0.9:1	0.9:1	0.9:1	0.9:1
Domestic EFTS		4,025	4,330	4,415	4,503	4,594	4,685
OP International EFTS		*114*	*160*	*241*	*301*	*301*	*301*
AIC International EFTS		*604*	*604*	*604*	*604*	*604*	*604*
International EFTS		718	763	845	905	905	905
Total EFTS		4,742	5,093	5,260	5,408	5,498	5,590
Staff – Academic Total		318	294	287	293	297	301
Staff – Non Academic Total		270	276	267	268	269	271
Staff – Total FTE		588	570	554	561	566	572
Total Programmes delivered		156	124	120	120	120	120
Programmes discontinued			17	21	21	21	21
Investment in PPE/Depreciation		23%	49%	52%	42%	48%	48%

- OP's key performance metrics under the base case forecast are summarised in the table to the left.
- With significant changes planned in FY25 as part of the improvement plan, OP achieves the target in all metrics by FY26.
- With the cost base assumed to be largely fixed, profitability in the outer years is comfortably ahead of the target metrics, indicating that, should the assumptions not hold and the costs are more variable with EFTS growth, or cost inflation is higher than modelled, there is sufficient head room to maintain target profitability.

  Refer to the sensitivity analysis and downside scenario sections below for how this may vary under differing assumptions.
- An additional Academic SSR metric has been included, which excludes the OPAIC EFTS from the calculation because, while it records the EFTS, OP does not record the FTE associated with delivery, which are under the JV. The revised metric shows improvement over the forecast period and is in line with the generally accepted sector benchmark of 16:1. It is also not dissimilar to the ratios OP achieved previously.

  With a high proportion of programmes that can be delivered to relatively larger classes (such as health, management, and engineering), OP is well placed to improve its SSR over time.
- The investment in PPE/Depreciation metric has been included, as an indicator of sufficient capital spend. Over the forecast period there is no significant investment, and the PPE/Depreciation metric is steady at ~50%. However, in recent years, OP has invested in several new facilities including Bannockburn, student accommodation and the Trades Training Centre.

Base Case Indicative Forecast | Balance Sheet

Beyond 2026 OP is forecast to accumulate significant cash reserves, underpinned by EFTS growth, proceeds from property sales and savings in personnel costs.

Balance Sheet ($'000)	2024 31-Dec	2025 31-Dec	2026 31-Dec	2027 31-Dec	2028 31-Dec	2029 31-Dec
Assets						
Current Assets						
Cash and Cash Equivalents	3,914	5,063	18,457	30,540	43,996	61,630
Trade & Other Receivables	3,292	3,709	3,916	4,103	4,231	4,387
Other Financial Assets	122	122	122	122	122	122
Other Current Assets	1,752	1,752	1,752	1,752	1,752	1,752
Total Current Assets	**9,079**	**10,646**	**24,247**	**36,517**	**50,100**	**67,891**
Non-Current Assets						
Property, Plant and Equipment	217,756	211,498	201,189	195,831	191,156	186,960
Total Non-Current Assets	**217,756**	**211,498**	**201,189**	**195,831**	**191,156**	**186,960**
Total Assets	**226,835**	**222,144**	**225,436**	**232,348**	**241,256**	**254,851**
Liabilities						
Current Liabilities						
Trade & Other Payables	5,734	5,734	5,734	5,734	5,734	5,734
Employee Entitlements	4,404	4,404	4,404	4,404	4,404	4,404
Revenues in Advance	17,819	17,819	17,819	17,819	17,819	17,819
Total Current Liabilities	**27,958**	**27,958**	**27,958**	**27,958**	**27,958**	**27,958**
Non-Current Liabilities						
Crown Debt	12,931	9,931	6,931	3,931	931	(0)
Intercompany Debt	8,124	8,124	-	-	-	-
Total Non-Current Liabilities	**21,054**	**18,054**	**6,931**	**3,931**	**931**	**(0)**
Total Liabilities	**49,012**	**46,012**	**34,888**	**31,888**	**28,888**	**27,958**
Net Assets	**177,823**	**176,132**	**190,548**	**200,460**	**212,368**	**226,894**
Equity						
General Funds	177,823	176,132	182,424	192,336	204,244	218,770
Total Equity	**177,823**	**176,132**	**190,548**	**200,460**	**212,368**	**226,894**

Key assumptions

- The balance sheet is largely stable, with the exception of Property, Plant and Equipment, Cash and Cash Equivalents and Trade and Other Receivables which vary on the basis of the input assumptions.
- Significant cash reserves accumulate under the base scenario, underpinned by forecast EFTS growth, proceeds from property sales in FY25-F26 of s 9(2)(b)(ii), s 9(2)(j) (based on valuations prepared by Colliers), and savings in personnel costs.
- Trade and Other Receivables assume 20 days in receivables.
- Property Plant and Equipment reduces over the forecast period with the divestment of three properties (s 9(2)(b)(ii), s 9(2)(j) FY24 book value), and moderate levels of capital investment (below depreciation). The capital spend forecast is business-as-usual capital expenditure, with no major projects forecast over the period. The forecast does not incorporate any assumptions relating to future asset revaluations and their impact on depreciation.
- OP's liability related to historical non-compliance with the Holidays Act 2003 remains unquantified and consequently is not reflected in the indicative balance sheet. We understand that OP is expecting an update by December 2024 from the consultants currently undertaking the analysis on this potential liability.
- The Crown debt is repaid as scheduled until FY28. Note that the fair value adjustments to the loan have not been modelled and consequently the repayment due in FY29 ($2m) and the FY29 balance (~$2m) is not accurately reflected in the model, however there is sufficient cash available to make this repayment.
- The intercompany debt is assumed to be forgiven on 1 January 2026.

Base Case Indicative Forecast | Cash Flow

Under the base case, significant cash reserves are built up over the forecast period. However, OP is likely to need between $12m - $27m additional funding to support its establishment as a standalone entity on 1 January 2026.

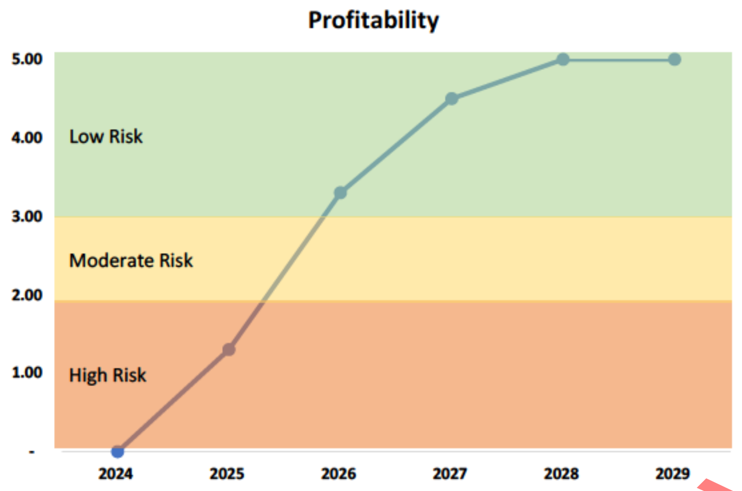
Cash Flow Statement ($'000)	**2025**	**2026**	**2027**	**2028**	**2029**
Operating Cash Flows					
Operating Inflows	108,372	114,654	120,140	124,300	128,507
Operating Outflows	(98,664)	(98,687)	(101,777)	(104,476)	(107,420)
Unusual & Non-recurring Items	(2,198)	(596)	(84)	(128)	-
Net Interest Income	(137)	152	684	1,017	1,410
Net Operating Cash Flow (CFO)	**7,373**	**15,523**	**18,963**	**20,713**	**22,498**
Investment Cash Flows					
Purchase of Assets	(4,555)	(4,949)	(3,880)	(4,258)	(3,932)
Sale of Surplus Assets	s 9(2)(b)(ii), s 9(2)(j) [redacted]		-	-	-
Other Investment Cash Flows	-	-	-	-	-
Net Investment Cash Flow (CFI)	s 9(2)(b)(ii) [redacted]		**(3,880)**	**(4,258)**	**(3,932)**
Financing Cash Flows					
Crown Debt	(3,000)	(3,000)	(3,000)	(3,000)	(931)
Commercial Debt	-	(8,124)	-	-	-
Other Financing Cash Flows	-	8,124	-	-	-
Net Financing Cash Flow (CFF)	**(3,000)**	**(3,000)**	**(3,000)**	**(3,000)**	**(931)**
Net Increase in Cash Held	s 9(2)(b)(ii) [redacted]				
Opening Cash Balance					
Closing Cash Balance					

Key assumptions

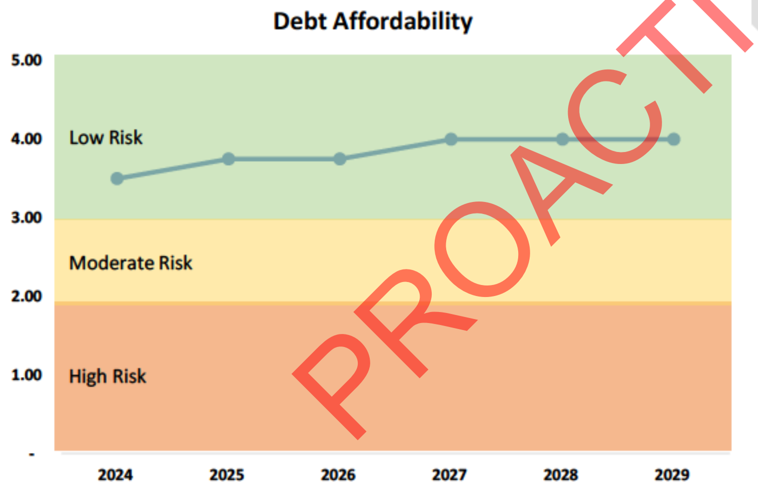
- Significant cash reserves accumulate under the base scenario, underpinned by forecasted EFTS growth, proceeds from sale of property in FY25-F26 of s 9(2)(b)(ii), s 9(2)(j) [redacted] (based on valuations prepared by Colliers), and savings in FTE costs.
- Cash flow in FY25 and FY26 are aided by realisation of the funds from asset sales.
- Cash flow has been modelled assuming repayment of the Crown debt as scheduled until FY28. Note that the fair value adjustments to the loan have not been modelled and consequently the repayment due in FY29 ($2m) and the FY29 balance (~$2m) is not accurately reflected in the model, however there is sufficient cash available to make this repayment.
- The intercompany debt is assumed to be forgiven on 1 January 2026
- While there is positive cash flow over the period, the estimated recapitalisation required, according to the formula provided by Te Pūkenga, indicates that ~$12m of funding is needed (see Appendix E).
- The amount and the timing of required funding will be dependent on the asset sales (timing and value) and the achievement of the revenue and cost initiatives. Under the downside scenario (refer to page 45), funds of ~$27m are likely to be required.

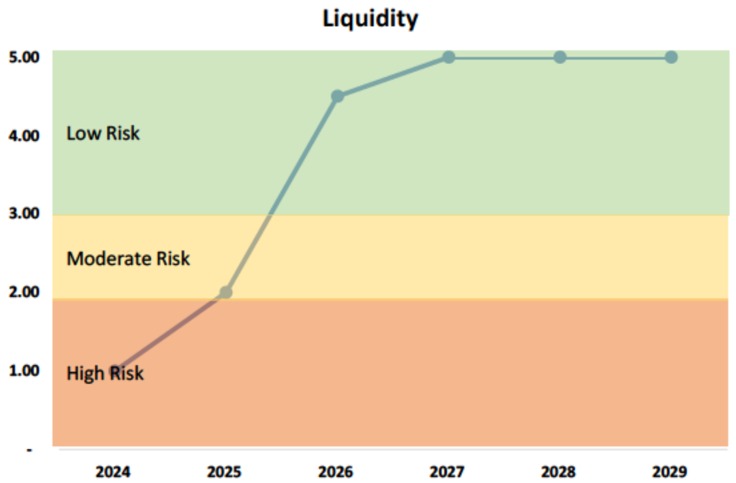
Base Case Indicative Forecast | Financial Monitoring Framework

OP's financial risk, as measured under TEC's Financial Monitoring Framework, is forecast to reduce from high profitability risk and liquidity risk in FY24 to low risk by FY26 as OP's net surplus and core earnings profitability ratios improve.



- Under the TEC's Financial Monitoring Framework measures, implementation of the Financial Improvement Plan results in OP achieving low risk status across all measures by 2026.
- 2025 is a critical year for OP, and the organisation will need to maintain a laser-like focus on implementing the planned initiatives and improving its profitability. If the plan cannot be achieved, OP's financial sustainability will remain at risk.

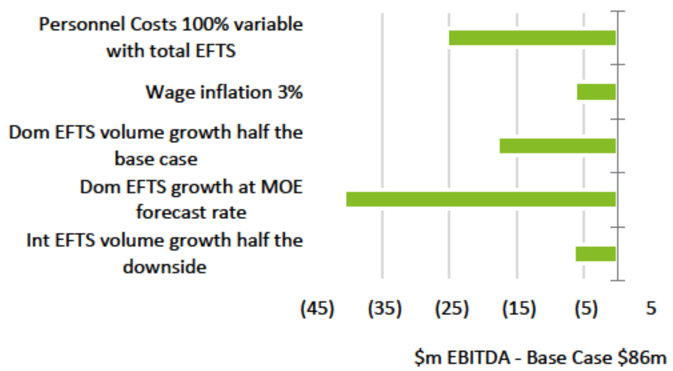




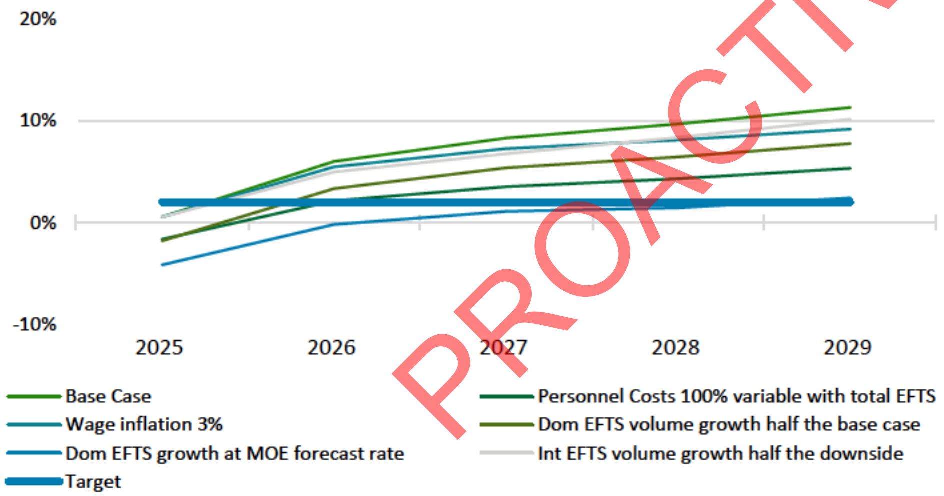
Base Case Indicative Forecast | Sensitivity Analysis

A range of sensitivities have been considered, in addition to the downside scenario, to illustrate the sensitivity of the modelling to changes in key assumptions.

FY25-FY29 EBITDA



Net Operating Surplus Margin - Sensitivities



Sensitivity was tested across the following EFTS and personnel cost assumption changes, all other assumptions remain the same:

1 – Personnel Costs 100% variable with EFTS.

- The base case assumes that personnel costs, with the exception of direct programme costs, are 100% fixed. Fully variable personnel costs would have a detrimental impact to EBITDA of ~$25m over the period.

2 – Wage inflation at 3%

- The base case assumes personnel costs increase at 2% p.a. in line with general inflation. Given that personnel costs make up ~55% of total costs, when these increase at a rate 1 percentage point higher than general inflation there is a negative impact on EBITDA of ~$6.3m over FY25-FY29.

3 – Domestic EFTS increases are half that of the base case

- The base case assumes moderate domestic growth, however the impact of reduced growth is ~$18m over the five-year forecast period.

4 – Domestic EFTS grow at the MoE forecast rate for the ITP sector

- The MoE forecast for the ITP sector was moderate growth from 2024 to 2025, followed by slight negative growth. If these rates are applied to the latest FY24 forecast domestic EFTS of 3,954, there is a ~$41m detrimental impact to OP's profitability over the period to FY29.

5 – International EFTS increases are half the downside assumption

- In this scenario, international EFTS growth is slower than the downside scenarios, with ~20 additional international EFTS each year. Under this scenario we have assumed growth continues, with international EFTS reaching 230 by FY29 (the base case assumes 301 by FY27, then steady). This scenario does not have a material impact on profitability, with EBITDA over the five-year period down ~$6.5m.

Downside Indicative Scenario | Summary Financials

In a scenario with no domestic EFTS growth and moderate international EFTS growth, OP has identified actions it would take to achieve EBITDA and Net Surplus margins at near-target levels, which supports confidence in its path to viability.

Downside Scenario - Summary Financial Performance ($'000)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Total Revenue	96,814	102,636	105,658	108,809	111,906	114,811
Total Direct Expenditure	97,646	96,731	94,335	96,419	98,468	100,643
EBITDA	(832)	5,905	11,323	12,390	13,438	14,169
EBITDA Margin	*(1%)*	*6%*	*11%*	*11%*	*12%*	*12%*
EBIT	(10,843)	(3,481)	1,891	3,272	4,729	6,265
Surplus/(Deficit) before Abnormal	(10,796)	(3,564)	2,014	3,611	5,243	6,991
Net Operating Surplus Margin	*(11%)*	*(3%)*	*2%*	*3%*	*5%*	*6%*
Trust and Abnormal Items*	(753)	(3,651)	(590)	(5,495)	(128)	-
Surplus/(Deficit)	**(11,549)**	**(7,215)**	**1,424**	**(1,884)**	**5,115**	**6,991**
Summary Free Cash Flows						
Cashflow from Operations		2,059	10,746	12,538	13,729	14,785
Less Capital Expenditure		(4,555)	(4,569)	(3,718)	(4,085)	(3,767)
Plus proceeds from Asset Sales		1,332	5,820	887	-	-
Free Cashflow		(1,165)	11,997	9,707	9,644	11,018
Repayment of Crown Loan		(3,000)	(3,000)	(3,000)	(3,000)	(931)
Net Cashflow		**(4,165)**	**8,997**	**6,707**	**6,644**	**10,087**
Summary EFTS						
Domestic EFTS	4,025	3,955	3,955	3,955	3,955	3,955
International EFTS	718	763	804	844	879	904
Total EFTS	**4,742**	**4,718**	**4,759**	**4,799**	**4,833**	**4,858**

- International EFTS (OP) are forecast to grow but at a slower rate than the base case, while OPAIC EFTS remain flat.
- Under this scenario, further programmes have been modelled to close. These programmes have been selected based on the programmes OP identified as part of its recent programme review and rated as 'possible' closures. It is assumed that these programmes are not delivered in FY25, and the impacted FTE are exited at the conclusion of the first quarter of FY25. These programmes are budgeted to make a contribution of $0.4m in FY25. There are two additional programmes that would require teach out and cease in FY26 (budgeted contribution in FY25 of $0.2m).
- s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted]
- [redacted]
- In a scenario with limited EFTS growth, OP has estimated an additional s 9(2)(j) [redacted] FTE could be removed from the support operations, with savings of ~$0.8m p.a. ($0.4m in FY25), and redundancy costs of ~$0.3m in FY25.
- While this scenario results in a net loss in FY25, there is positive cashflow from FY26. We note that the FY25-FY27 cashflows include the proceeds from the sale of property assets (~$8m). Recapitalisation of up to $27m is likely to be required.
- All other assumptions are consistent with the base case.

Key assumptions

- The downside scenario presented above assumes that OP will achieve no domestic EFTS growth over the period FY24-26 (noting however the impact of ceasing delivery in some programmes is covered by increases in other areas).

Governance and Financial Management of the Plan

The Financial Improvement Plan will require robust governance, regular monitoring, and reporting to ensure the targeted financial improvements of each initiative are realised as planned.

Overview

- To ensure a successful outcome and to achieve financial viability by 1 January 2026, the following will be key:
  - Regular reporting to the OP 'Pathway to Viability' Steering Group and other key stakeholders on progress, including Te Pūkenga governance and other key stakeholders (as required).
  - Ensuring the programme of work is appropriately resourced from a capacity and capability perspective and seeking the appropriate level of external support where necessary.
  - Setting clear expectations for those who are responsible for delivering specific improvement initiatives.
  - Conducting regular reviews against the improvement plan and incorporating revisions as and when needed.
  - Ensuring timely communication and engagement with key stakeholders.
  - Providing visibility to the wider institution on the progress being made against the plan and the benefits being realised.
- The Executive Director will have overall responsibility for delivering the plan. Appointing a programme lead, who will report to the Executive Director, will be required.
- Regular review of the programme of work and engaging with stakeholders will be essential to sustaining the necessary level of progress in implementing the improvements.
- Outlined below are the key areas that will be considered during the planning phase of the project and the artefacts that will be developed for each.

Key Consideration	Description	Key Actions and Focus Areas
Programme / Implementation Planning	• Setting realistic timelines and milestones for each improvement initiative. • Regularly reviewing and adjusting the plan as needed, including Updating the resources and timelines required to execute the improvement plan effectively.	• Defining clear phases for the rollout of the improvement plan. • Allocating necessary internal resources and identifying what external support is required.
Governance Requirements	• Ensuring oversight, compliance, and alignment with key objectives and timelines.	• Establishing a steering group. • Establishing reporting structures and requirements. • Defining accountability and approval processes.
Benefits Management	• Identifying and tracking the financial benefits expected from the improvement plan.	• Setting measurable financial goals (e.g., cost savings, revenue increase). • Monitoring key financial metrics and ROI - through regular reviews and reporting.

Key Consideration	Description	Key Actions and Focus Areas
Risk Management	• Identifying and mitigating risks that could impact financial stability and improvement efforts.	• Developing and maintaining a risk register to support the improvement initiatives. • Implementing risk mitigation plans and developing a contingency plan to manage the key risks (to support the downside scenario).
Change Management	• Facilitating effective communication, training, and support to engage stakeholders on the Financial Improvement Plan.	• Creating a comprehensive communication plan to inform impacted stakeholders (both internal and external).

Oversight and Governance

- A steering group will be established to oversee the implementation of the Financial Improvement Plan. It is expected the composition and role of the steering group will be as follows:
  - Composition: Senior leadership members including the Executive Director, Finance Manager, Deputy Executive Directors (DED) - Academic, Deputy Executive Director - Operations, Deputy Executive Director Tiriti and Partnership, People and Culture Manager, and relevant department / College heads.
  - Role: Oversee the implementation of the Financial Improvement Plan, ensure alignment with strategic objectives, and provide guidance to those tasked with implementation.
- It has not yet been confirmed the extent of oversight and reporting that will be required by Te Pūkenga, advisory boards and other key stakeholders, including the Tertiary Education Commission. However, it is assumed regular reporting against the Financial Improvement Plan will be a requirement over the 2025 – 2026 period when the majority of the improvement initiatives are being implemented. This reporting will need to clearly articulate the progress being made against each initiative and highlight any issues that need to be addressed to ensure the programme of work remains on track.
- During the implementation planning phase, it will be determined what resources are required to implement the Financial Improvement Plan, and what external support will be required, including the from Te Pūkenga change management, HR and property teams, to support the various Financial Improvement Plan workstreams.

Financial Management Practices and Controls

- A structured approach to financial management will be key over the next period as OP implement this plan and return to financial viability.

The following table summarises the key financial management practices and controls that will be enhanced / implemented to support the pathway to financial viability and to ensure the improvement initiatives deliver the intended benefits.

Area	Activity	Frequency	Responsibility
1. Cost monitoring and control	Review, and update where necessary, delegated financial authorities to ensure stringent cost management controls are in place.	Annually	Finance Manager
	Implement enhanced cost management practices and exception reporting to identify and reduce unnecessary spending across the colleges, support functions, and other trading activities.	Ongoing	Finance Manager

Area	Activity	Frequency	Responsibility
2. Recruitment of academic and support FTE	Continue with the current hiring freeze policies, with all requests for new hires to be approved by the CE (supported by a strong justification for the request).	Ongoing	CE, People & Culture Department
	Monitor and review the impact of hiring freezes on staffing needs and workload.	Monthly	CE, People & Culture Department
3. EFTS growth and retention	Regular review of the application and enrolment processes to determine areas for on-going improvement and refinement. Continued refinement of key systems and processes to ensure the processes are efficient, including the use of data analytics to monitor application trends, and identify bottlenecks in the process.	Ongoing	DED - Operations
4. Capital Asset Management Planning	Review the most recent capital asset management (CAM) improvement plan (previously developed as part of TEC's CAM requirements) and update it to reflect the current environment landscape. Monitor and report progress against the improvement plan on a quarterly basis. Review and streamline capital asset management processes (including condition assessments) to ensure they support future capital investments efficiently.	Update annually with quarterly reporting	DED - Operations, Finance Manager
	Incorporate capital requests, prioritisation workshops into the annual budgeting process to ensure future capital investment needs are appropriately prioritised.	Annually	Finance Manager
	Regularly review lease commitments to ensure the commitment is justified and opportunities to consolidate lease holdings upon expiry are considered timely.	Ongoing	Finance Manager
5. Implementation of robust and insightful monthly financial reporting and commentary.	Prepare detailed monthly financial reports to assess financial performance and variance reports to identify variances from the budget. Financial reports are expected to be supported by a detailed commentary and a summary dashboard in a format that can be easily understood by management and other key users of the information.	Monthly	Finance Manager, Finance Team
6. Benchmarking	Review key performance metrics against targets (including programme contribution margins, direct expenditure per EFTS, SSR and 'personnel to revenue' ratios) and compare with appropriate	Quarterly	DEDs - Academic , DED - Operations, and Finance Manager

Area	Activity	Frequency	Responsibility
	benchmarks (sourced from comparable ITP's and the Tribal/ETIO Benchmark tool), to identify areas for on-going improvement / streamlining.		
7. Accountability from the Colleges for their financial outcomes	Elevate financial and commercial literacy throughout the organisation, particularly the Colleges. Finance to work closely with colleges and programme heads to ensure a sound understanding of financial management and reporting.	Quarterly	Finance Manager
	Hold monthly meetings with the Heads of Colleges to monitor financial performance and identify areas for future improvement.	Monthly	Finance Team, Finance Manager
8. Internal controls and auditing	Reinvigorate internal audit activities and develop an annual programme of targeted internal audit reviews focussed on ensuring compliance with key policies and procedures and identifying areas for process improvement and efficiency.	On-going	Finance Manager
9. On-going system and process improvements	Implement a continuous improvement programme focused on identifying how key systems, including the finance, student management and CRM systems, can be enhanced to drive process efficiencies and support the delivery of better data, analysis, and insights to inform decision-making.	On-going	System owners
10. Reporting of progress against the Financial Improvement Plan	Hold fortnightly meetings with key stakeholders to discuss progress, challenges, and adjustments required to the Financial Improvement Plan.	Fortnightly	Project Manager / Change Manager
	Track and report progress against the Financial Improvement Plan.	Monthly	Project Manager / Change Manager

Key Assumptions, Risks and Issues

Set out below are the key overarching assumptions, risks and issues relating to the Financial Improvement Plan.

Key Assumptions

Implementation of the Proposed Initiatives

- While the Financial Improvement Plan sets out a range of initiatives, it is important to recognise that the proposed initiatives within this document relating to changes to programmes, people, or property are subject to consultation and requirements under OP's employment obligations and require approval by OP and/or Te Pūkenga as per delegations of authority.

Programme review

- The closure of programmes identified and modelled in this Financial Improvement Plan are subject to consultation and, as such, the final decisions on programme closures will be addressed through a future implementation plan that supports the viability plan.
- The programmes identified for review are those that have historically returned a negative contribution margin and supplemented with programmes with a low/negative contribution margin and / or declining EFTS.
- Where programmes have previously made a negative contribution but are expected to be retained this is due to these programmes providing a pathway for further study s 9(2)(b)(ii) [redacted] a requirement to teach out existing students and anticipated future EFTS growth.
- Where teach-out is required the programme will close at the conclusion of the final cohort.
- No allowance has been made for part-time students studying a one-year programme over multiple years. Any teach-out or student transfer will require further consideration as part of the implementation and final decisions on the plan.

Property divestment

- Property proceeds for the two Dunedin properties are realised by the end of FY25 and Cromwell realised by the end of FY26.
- s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted]
- [redacted]
- That any property divestment will require engagement with Iwi reflecting right of first refusal.

Workforce

- In addition to the activity to re-size the workforce, over time OP is also undertaking to right-size the 'shape' of its academic staff s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted] s 9(2)(b)(ii) [redacted] over time. s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]

OPAIC and international EFTS

- That the OPAIC joint venture will continue to operate on the same basis for the forecast period.
- Commencing in FY25, OP will increase its operational oversight and day to day involvement in the JV, to monitor delivery and performance of OPAIC in relation to s 9(2)(b)(ii), s 9(2)(j) [redacted]

Key Risks and Issues

Delivery timeframes

- OP's viability plan is predicated on programme and campus closures, and reductions in FTE across academic delivery, support and back-office functions.

  Ensuring the change programme and consultation process is appropriately resourced and carefully sequenced will be critical, otherwise there is a risk of delays to the overall programme and the ability to realise the benefits by FY26.

This risk will be managed through timely and transparent engagement with impact stakeholders.

Campus closures

- Property divestment timeframes need to reflect providing Iwi with the right of first refusal, regional and staff consultation. OP will have limited ability to drive the timeframes for some of this consultation putting at risk the ability to realise the proceeds of property sales by the end of FY26.

  Ensuring there is on-going support from the Te Pūkenga property team will be critical to ensure the process for divesting the property is completed as efficiently as possible.

Capability and capacity to deliver the viability plan

- There is not currently the capacity to drive the organisation-wide cultural change needed to re-set OP's operating style and deliver on financial sustainability initiatives, while continuing to deliver business as usual.

  It will be critical that the leadership team is augmented with the appropriate level of programme and change management support, human resource capability and access to legal advisors to mitigate the risk the current leadership team will not have the bandwidth or expertise to deliver the Financial Improvement Plan over FY25-FY26 and maintain the required focus on BAU performance.

- An allowance has been made in the financial forecasts to allow for change management, financial, legal and HR support during the period of transition.

Programme closure

- s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]

Holiday Act 2003 Compliance

- OP has an unquantified liability in relation to remediation of payroll non-compliance with the Holidays Act 2003. It is assumed this will remain with OP on the disestablishment of Te Pūkenga. An update is expected by December 2024.

Disruption to Learning for Students

- Given the extent of change required with several of the initiatives this may cause disruptions to the day-to-day operations, impacting the learning experience for students.

  During the planning phase a detailed change management plan will be developed and implemented to manage the impact of changes on students to reduce the risk of academic quality being negatively impacted during periods of change or disruption.

Resistance to Change

- Resistance from staff, students, or other stakeholders to changes implemented as part of the Financial Improvement Plan is a key risk that will need to be carefully managed.

  This risk will be mitigated by ensuring management engage in open and transparent communication with those stakeholders who are impacted and where appropriate involving stakeholders in the feedback and decision-making process.

Reputational Risk

- There is a risk that the changes being implemented will reflect negatively on OP's reputation and key stakeholders are not correctly informed as to the rationale / need for the change to be implemented. Two examples include:
  - s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]

  This risk will be managed through timely and transparent engagement with impacted stakeholders.

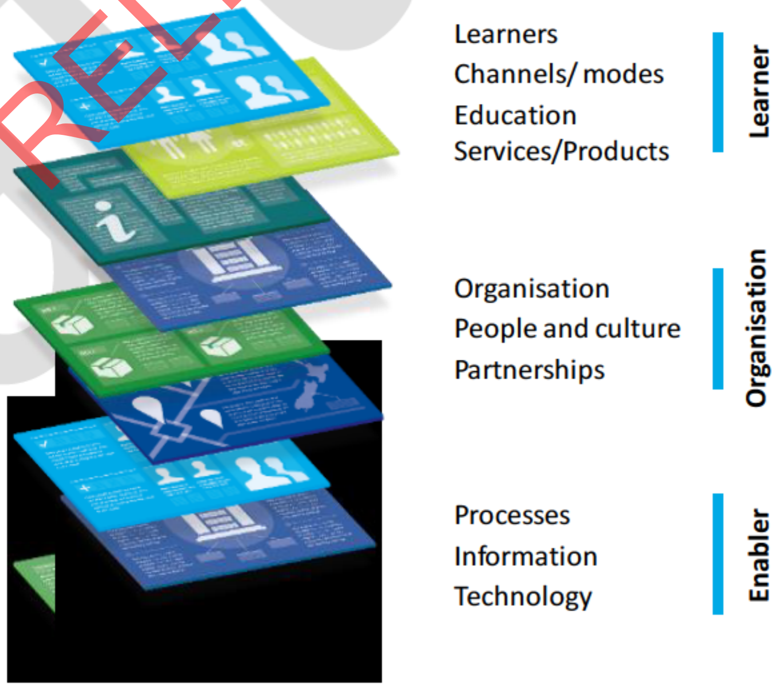
  Te Pūkenga's Transition and Change team will be kept regularly informed of planned engagement activities with impacted stakeholders and communities to ensure the appropriate level of support is provided.

During the implementation planning phase, a detailed programme risk register will be developed that will incorporate the above risks (and other key risks associated with specific initiatives) and the agreed mitigations. This risk register will be regularly updated to reflect the status of each risk.

Operating Model

There is a range of operating model impacts that will result from the Financial Improvement Plan initiatives. Over the following pages we describe the key shifts that will impact the operating model, the academic delivery model, and indicative FTE.

- An operating model describes how the different dimensions or layers of OP come together to deliver vocational education and provides the bridge between its purpose/ strategic direction and its operational activities.
- Typically, consideration would be given to the nine layers set out opposite, however, for the purpose of this Financial Improvement Plan we focus only on the changes to the operating model because of the initiatives that have been developed to return OP to financial viability by 2026. As such, we limit our focus to the following components of the operating model:
  - Education services and products, and modes (programmes)
  - Organisation (structure and location)
  - People and culture (FTE impacts)
  - Processes (new processes and controls required)
- The operating model is underpinned by an emphasis on maintaining quality delivery, re-focusing programme delivery to better reflect learner demands, establishing a lean workforce that can set OP up for success as a stand-alone entity and reducing cost. Taken together these form our design principles for the operating model changes that result from the plan.
- The following pages set out the key shifts required to achieve viability, the change in programmes and modes of delivery, an overview of functions / capabilities required, impact on the organisational structure, campus footprint, and headcount.
- As part of embedding improved financial controls in the organisation we also set out new processes or controls that are required (refer pages 46-49). The changes at OP result in no new technology investments, earlier planning reflects the need to upgrade the current CRM system to support the student administration services as well as the planned implementation of TechOne – set in motion under the national Te Pūkenga model.



Key Shifts

The Financial Improvement Plan articulates the key initiatives required to achieve viability by FY26. In aggregate the initiatives represent six key shifts for the organisation.

ACADEMIC SERVICES

1 Rationalisation of programmes

- A portfolio of programmes that deliver a positive contribution margin:
  - Addressing the delivery of selected programmes that return an insufficient contribution margin through a review of current programmes delivered by Otago.

2 Rationalisation of locations

- A campus profile s 9(2)(b)(ii), s 9(2)(ba)(ii) :
  - Divestment of the Cromwell town campus with remaining programmes shifting to Bannockburn.
  - Subject to enrolments for 2025, a decision will be made to renew the Wanaka lease.
  - Divestment of Dunedin campus properties at St David Street and the Ralph Hotere Cottage.

3 Right-sizing in the academic workforce

- An academic workforce that reflects the portfolio of programmes and anticipated EFTS growth
  - s 9(2)(b)(ii), s 9(2)(ba)(ii)
  - Re-balancing the shape of the academic workforce.

4 Changes to the organisational structure

- Consolidation of the College of Work Based Learning, by re-distributing programmes into the relevant school and re-setting the delivery.
- s 9(2)(b)(ii), s 9(2)(ba)(ii)

SUPPORT SERVICES

5 Right-sizing existing back-office support

- Reviewing staffing levels and structures to ensure efficiency, and alignment with future capability requirements:
  - Increases in FTE in international recruitment, marketing, academic excellence and strategy.
  - Proposed reductions in back-office and trading areas FTE.

6 Additions to back-office functions

- Establishment of new or enhanced capabilities/ functions to support Otago to operate as a stand-alone entity:
  - Re-establishment of governance, audit & risk, strategy, IT functions that had been centralised under Te Pūkenga.
  - Enhanced processes and policies to support financial management and visibility of performance within the organisation.
  - s 9(2)(b)(ii), s 9(2)(j)

Academic Service Delivery Model

The following diagram sets out the key changes for the academic delivery model from the current to future state as a result of the financial improvement initiatives.

CURRENT

LEARNERS

- 90% of OP's total EFTS are domestic. FY23 domestic EFTS across all modes of delivery were 4,174 and international EFTS were 601.
- OP's overall completion rates are above the network average
- s 9(2)(b)(ii), s 9(2)(j) [redacted]

PROGRAMMES

- Delivers ~151 programmes across seven Schools in 2023 80% of delivery intramural and 20% extramural.
- FY24 (to June), s 9(2)(b)(ii) [redacted] of OP's programmes are returning a positive contribution.
- s 9(2)(b)(ii) [redacted]

WORKFORCE

- Higher proportion of senior academic staff and higher average pay rates than the ITP network.
- Otago delivers an average academic SSR of 15:1 (2024, including AIC)
- In total the positive contribution from academic delivery is more than offset by support costs.

INFRASTRUCTURE

- A compact Dunedin campus
- Regional presence in Cromwell and Wanaka and in Auckland through the OPAIC.
- A property portfolio valued at $209m (in 2023). The condition of majority of OP's buildings has been assessed as 'good and above'.

FUTURE

LEARNERS

- Maintaining strong completion rates and reputation of Otago.
- An increased market share of domestic and international students.
- s 9(2)(b)(ii), s 9(2)(j) [redacted]

PROGRAMMES

- s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]
- Programme offering that contributes a positive contribution margin and is reviewed annually against performance metrics.

WORKFORCE

- Workforce composition that supports sustainable staff to student ratios.
- Academic and support staff workforce costs in-line with relevant sector benchmarks.
- A balanced professorial staff profile across colleges.

INFRASTRUCTURE

- Reduced campus presence in the regions where student demand has declined, and delivery is no longer financially viable.

Base functional view (capability map)

The functional view highlights that the key changes are a result of OP taking on functions previously performed centrally by Te Pūkenga or enhancing current functions as part of a shift to a stand-alone entity. We note this is a view of the functions, not an organisational structure.

Schools and departments

Student services
- Student marketing & recruitment
  - Domestic
  - International
- Student administration
  - Planning
  - Timetabling
  - Alumni
- Student health and wellbeing
- Learner Support
- Career and academic support management
- Industry placement management

Learning and teaching
- Learning and teaching design and assessment
- Student enrolment and management
- Deliver learning programmes
- Student assessment

Key Assumptions
- Student marketing and recruitment becomes a critical capability underpinning the growth assumptions.
- Increased HR and ICT capability reflecting a stand-alone function (post disestablishment of Te Pukenga).
- Increased capacity to support financial management functions with the return of the CFO function to OP.
- Enhanced capabilities to support business intelligence and reporting through to TKM.
- Re-establishment of Governance and some leadership functions as develop into stand-alone entity.
- Strategic asset management and property management functions return post disestablishment of Te Pūkenga.

Central

Strategy, Governance & performance
- Strategy and business planning
- Governance and Leadership
- Risk and compliance management
- Quality management
- Legal
- Continuous improvement
- Annual reporting

Ancillary services
- Food and retail outlet management
- Childcare
- Accommodation

Property management
- Asset management
- Facilities management
- Campus security management
- Booking and event management

Relationship management and enquiries
- Industry relationship management
- Tiriti and Partnerships
- Government relationship management
- Regional relationship management
- Contact Centre
  - Complaints
  - Enquiries
  - Info requests

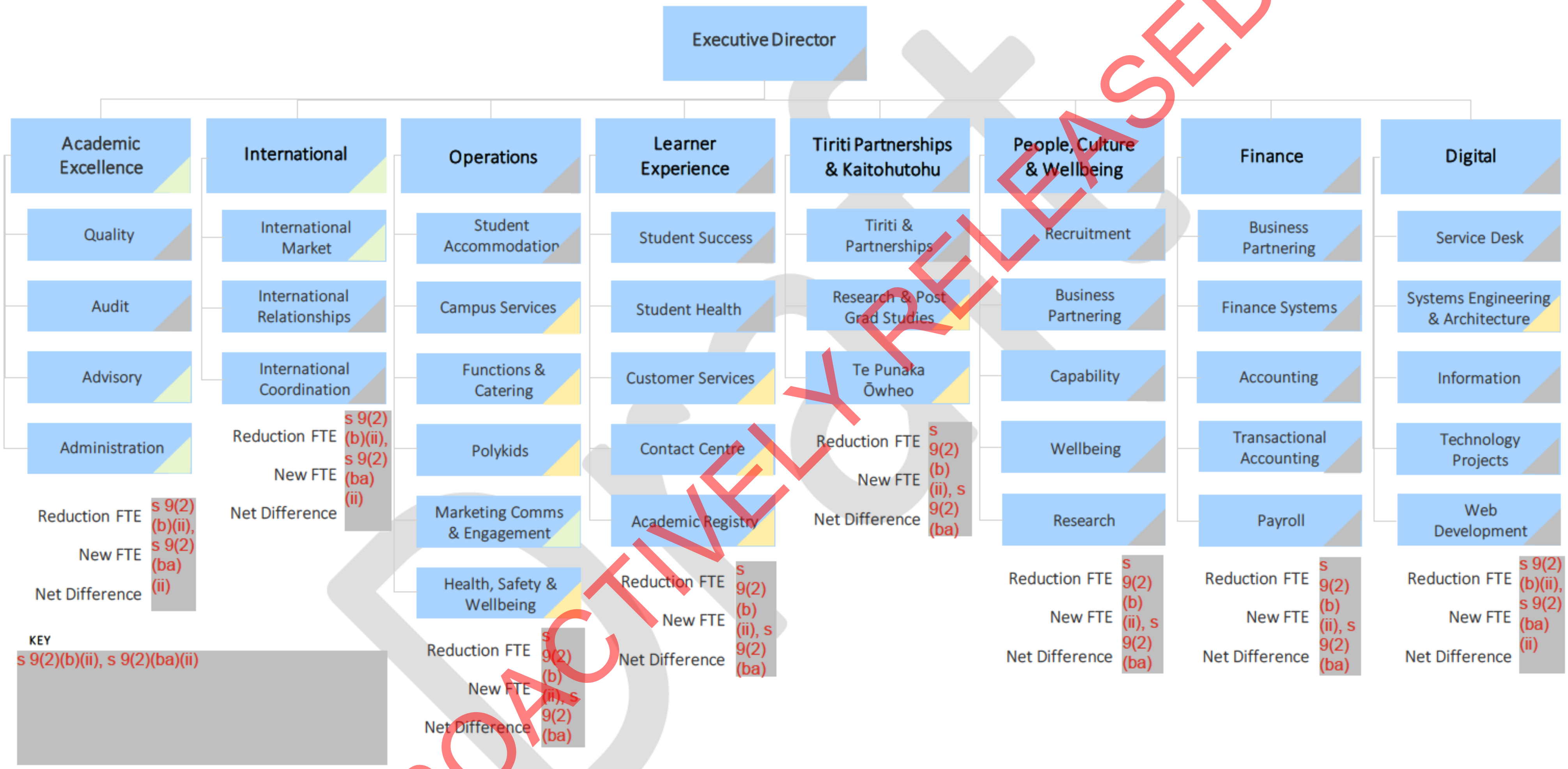
Information & systems management
- ICT strategy and planning
- Data analytics and forecasting
- Channel strategy management
- Data management
- Enterprise content management
- Business intelligence and reporting
- Student systems management
- Learning delivery systems management
- Business systems management
- Access privacy and security
  - Information security
  - Identity and access
  - Cyber security

People and human resources
- Workforce planning
- Recruitment and retention
- Remuneration and reward
- Employee Relations
- Capability and learning
- Organisation Design
- Health, safety, security and wellbeing
- HR performance reporting and management

Financial management
- Financial planning and budgeting
- Payments and accounts
- Funding and financing analysis
- Investment management
- Finance performance reporting and management

[dotted orange box] Changes to the current functions of the OP Business Division

Current State Indicative Proposed Impacts (Service areas)



Current State Indicative Proposed Impacts (Academic Delivery)

Deputy Executive Director Academics (2)

College of Health
- Nursing
- Midwifery
- Occupational Therapy
- Foundation Learning
- Institute of Sport Exercise and Health
- Operations and admin

Reduction FTE
New FTE
Net Difference
s 9(2)(b)(ii), s 9(2)(ba)

College of Work Based Learning
- Independent Learning Pathways
- Professional Practice
- Operations, admin and research

Reduction FTE
New FTE
Net Difference
s 9(2)(b)(ii), s 9(2)(ba)(ii)

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

College of Engineering Construction
- Allied Trades
- Carpentry
- Construction
- Engineering Technologies
- Engineering Trades
- Information and Communication Technology
- Natural Resources
- Veterinary Nursing
- Operations and admin

Reduction FTE
Net Difference
s 9(2)(b)(ii), s 9(2)(ba)(ii)

Te Maru Pumanawa
- Art
- Design
- Architectural Studies
- Food Design
- Commerce
- Operations and admin

Reduction FTE
New FTE
Net Difference
s 9(2)(b)(ii), s 9(2)(ba)(ii)

College of Community Development and Personal Wellbeing
- Beauty Therapy and Hairdressing
- Secondary Tertiary Interface
- Community Development
- Tertiary Education & Mata a Ao Maori
- English Language
- Foundation
- Operations and admin

Reduction FTE
New FTE
Net Difference
s 9(2)(b)(ii), s 9(2)(ba)

Central Otago
- Programmes
- Operations and admin

Reduction FTE
New FTE
Net Difference
s 9(2)(b)(ii), s 9(2)(ba)(ii)

Te Ama Ako | Learning and Teaching Development

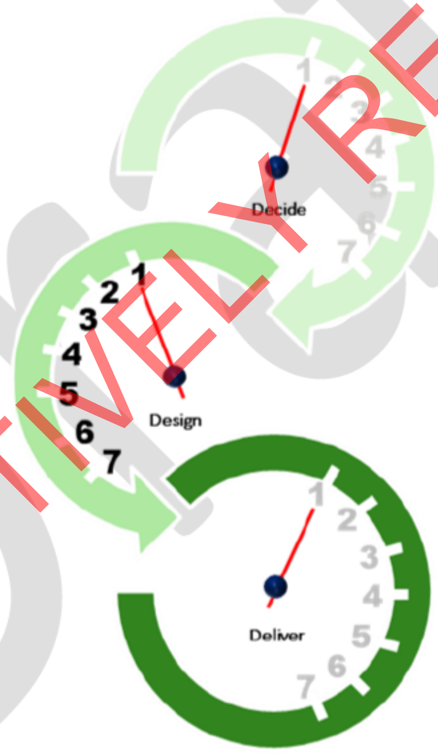
Tiriti and Partnerships

Learner Services

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

Process for Next Steps

Currently the structure considerations are built on financial and programme considerations. There is an opportunity to align the future state closely to the strategy and direction of OP and adjust the structure to support the adjusted future state. We recommend the below process for activating and delivering the change safely and effectively.



Appendix A | Ease of Implementation Rating Scale

An estimation of the effort required to implement the key initiatives has been based on the description outlined below.

Ease of Implementation Rating	Description
Simple 🟢	• Easy to implement with minimal resources. • Extent of engagement and / or consultation with stakeholders is minimal. • Fits seamlessly into existing systems or processes. • Unlikely to need external support.
Moderate 🟠	• Will likely require a focused effort to implement. • Will likely involve engagement and / or consultation with multiple stakeholders. • Will likely require adjustments to current systems or processes. • Will likely need external support.
Complex 🔴	• Will require significant resources and time, over a sustained period of time. • Involves engagement and / or consultation with multiple stakeholders. • Will likely require new systems or processes. • Will require external support.

Appendix B | Additional Programme Details

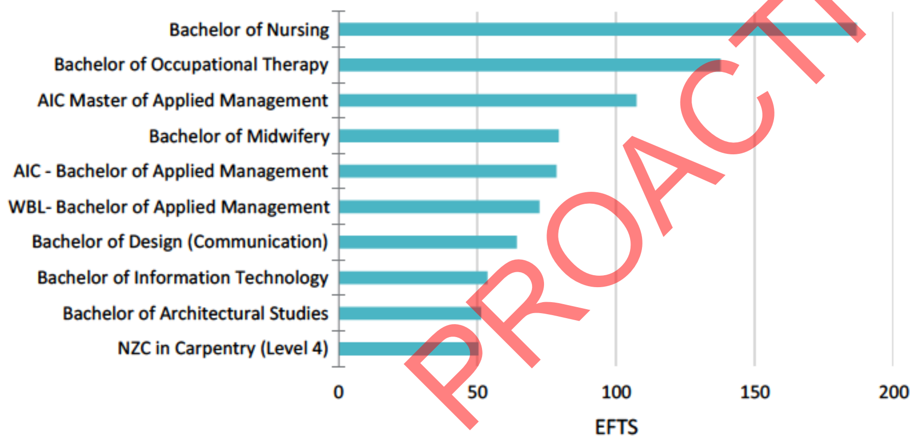
2024 YTD Top 10 programmes by total contribution

s 9(2)(b)(ii)

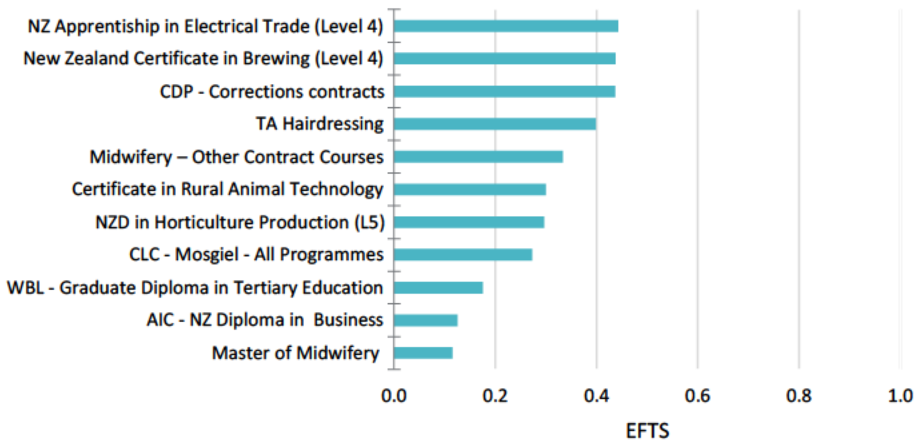
2024 YTD Bottom 10 programmes by total contribution

s 9(2)(b)(ii)

2024 YTD Top 10 programmes by EFTS



2024 YTD Bottom 10 programmes by EFTS



Appendix C | Marketing Plan

OP's marketing team is developing a detailed marketing strategy to support a renewed focus on local and international marketing. The key objectives and measures that will be incorporated into this plan are outlined below.

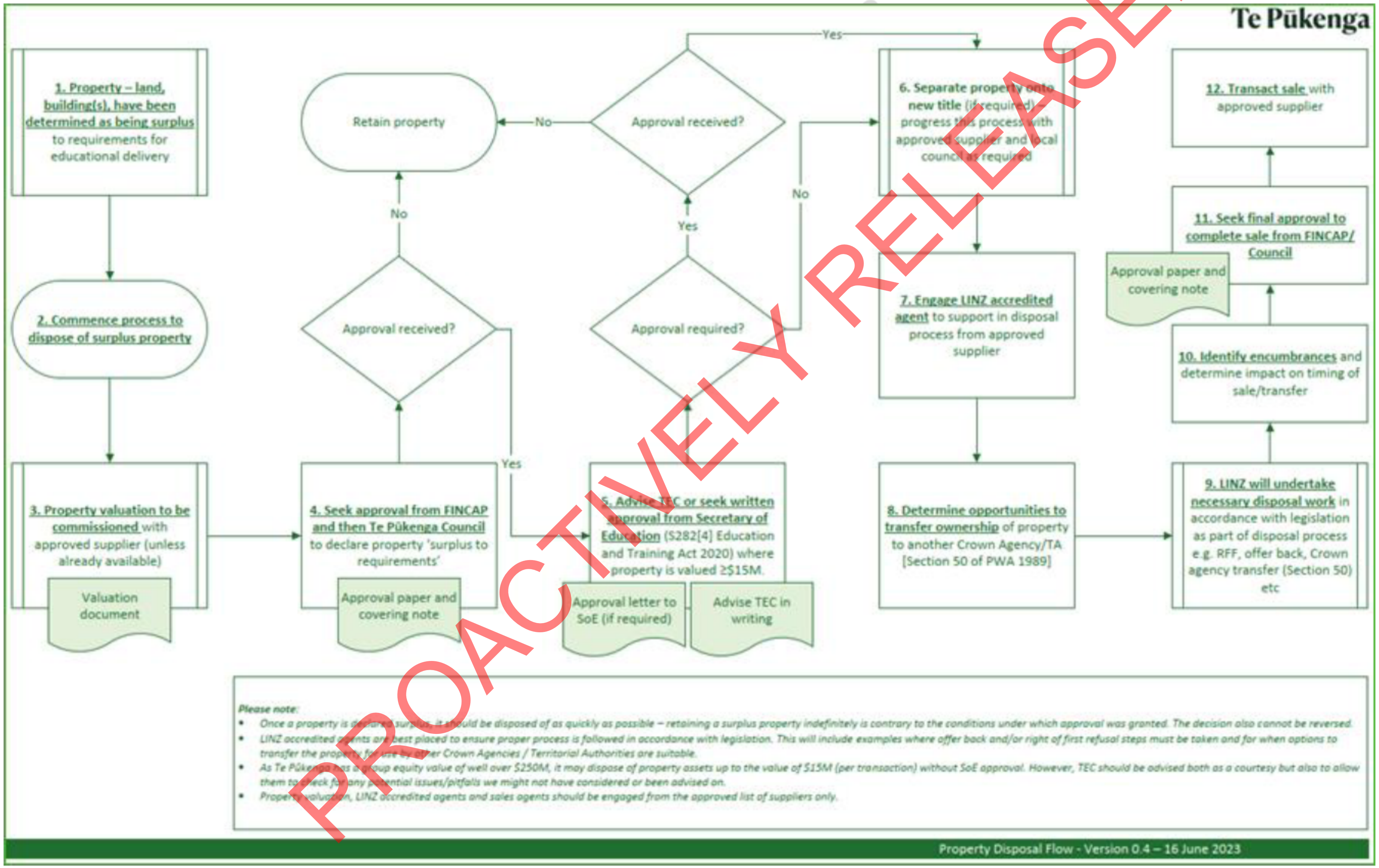
Marketing campaign objectives:

- Increase engagement with school leavers/career choosers
- Profile key programmes that can absorb growth
- Drive traffic to dedicated landing pages to refine post campaign analysis and ROI.
- Position Otago Polytechnic as the number one choice for vocational education, showcasing its reputable programmes, high employment outcomes, relevant skills training, and career-focused connections into the industry.
- Implement a year-round performance marketing program to profile key programmes with growth and revenue potential, to reverse the decline in domestic enrolments.
- Increase international enrolments by 10% by strengthening the appeal of Otago Polytechnic, including strong support for global student communities and optimising the international agent lead referral process.
- Improve awareness of funding options available for both domestic and international students
- Make the digital channel easier for students to find relevant information, explore career paths, and apply online.
- Evolve programme offerings to meet emerging market needs, ensuring Otago Polytechnic remains competitive against other ITP's and private training providers, making it the top choice for students.

Measures

- EFTS gained during campaign time, measured on a weekly basis through the EFTS trend report
- Go to Market (GTM) attribution model for monitoring and optimising ROI is established by the end of March 2025
- 75% of user visits are consistently new users by the end of 2025
- 20% increase in new users to the website by the end of 2025
- 10% increase in total domestic applications by the end of 2025
- 10% increase in applications from priority international markets by the end of 2025
- 20% increase in He Toki applications by the end of 2025
- 10% increase in inquiries from students for payment plans by the end of 2025
- New programme initiatives have been identified and prioritised for viability assessment for the top five programmes by the end of March 2025.

Appendix D | Te Pūkenga Property Disposal Flowchart



Appendix E | Potential Recapitalisation Requirements

Otago Polytechnic	Base Case ($000)	Downside ($000)	Confidence Level	Commentary | Working Assumption
Critical Property needs	2,691	2,384	M	Property capex budget FY25-27 - Per OP management, this is the investment required to avoid a deferred mtce position.
Critical IT Investment	4,380	4,283	M	IT capex budget FY25-27 as provided by TP Rohe 4 Digital Lead - required to avoid deferred mtce position
Leased Property / Buy Out / Make Good / Campus Closures	20	20	M	s 9(2)(b)(ii), s 9(2)(j)
Crown Loans	16,000	16,000	H	Current face value balance
Estimated Redundancy Costs	2,482	3,840	M	Estimate provided by OP HR - based on modelled scenarios regarding potential programme closures, resizing and rebalancing workforce
Est. Teach out costs	-	-		
Change Management / Support	1,065	1,065	M	Estimated change manager, financial oversight, legal fees and HR costs
3 months OPEX - 2026	24,672	23,584	M	
Total Funding Needs	**51,310**	**51,136**		
Funded by:				
Ringfenced Reserves – 31 Dec 2024	-	-		
2025 free cash flow funding	2,817	(2,496)	L	Excluding asset sales (see below). Low confidence level reflects the current uncertainty regarding forecasted enrolments
2026 free cash flow funding	10,574	6,177	L	Excluding asset sales (see below). Low confidence level reflects the current uncertainty regarding forecasted enrolments
2027 free cash flow funding	15,083	8,820	L	Low confidence level reflects the current uncertainty regarding forecasted enrolments
Asset Divestment - 2025	1,332	1,332	M	Two Dunedin properties. Estimate based on TP property team advice and Colliers valuations. Net of associated costs (e.g. valuation, commission and other associated fees per TP guidance).
Asset Divestment - 2026	5,820	5,820	M	Cromwell Central Campus. Estimate based on TP property team advice and Colliers valuations. Net of associated costs (e.g. valuation, commission and other associated fees per TP guidance). s 9(2)(b)(ii), s 9(2)(j)
Asset Divestment - 2027+	-	887	M	s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
Committed Funding Streams	-	-		
Total self-funding	**35,627**	**20,539**		
Total net capital required	**15,684**	**30,597**		
Cash balance (ex-ringfenced reserves) – 31 Dec 2024	3,914	3,914		
Potential net capital requirements	**11,770**	**26,683**		
Intercompany Loans Forgiven Total	8,124	8,124		

Appendix F | Limitations and Restrictions

Introduction

- This Report is provided in accordance with our consultancy service order (CSO) dated 17 July 2024 and the variations dated 10 September 2024 and 31 October 2024 for Te Pūkenga - New Zealand Institute of Skills and Technology (Te Pūkenga) in relation to the ITP Financial Viability programme. The scope of our work is set out in our CSO, as modified here.
- Our work, which is summarised in this Report, has been limited to matters which we have identified that would appear to us to be of significance within the context of that scope.
- This report is intended to provide an overview of the key observations arising from our review.
- Our fieldwork was completed on 15 November 2024.

Use Of and Reliance on the Report

- The Report may only be used and relied on by Te Pūkenga for the purpose of considering the future financial viability of the Otago Polytechnic (OP). The Report is confidential. Te Pūkenga must not:
  - Refer to or use our name or the Report for any other purpose;
  - Disclose the Report, our name, or refer to us or the Report in any prospectus, product disclosure statement or other document; or
  - Make the Report available or communicate the Report to any other party, without our prior written consent.
- No one other than Te Pūkenga is entitled to rely on the Report for any other purpose. We accept no duty of care or liability to anyone else who is shown or gains access to, or uses or relies on, the Report.
- We acknowledge that you may include the outputs and or other supporting information from this review to the Tertiary Education Commission (TEC) on the following terms:
  - The outputs are provided for the purposes of the supporting the ITP Financial Viability programme on a commercial in confidence basis; and
  - Our duty of care for the performance of these services is to Te Pūkenga. We accept no duty of care or liability to TEC or any other party in connection with their use of, access to or reliance on our work / Report.

Restrictions and Limitations

- This Report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than that outlined above without our prior written permission in each specific instance. We do not assume any responsibility or liability for losses occasioned to Te Pūkenga, its Council or shareholders or to any other parties as a result of the circulation, publication, reproduction or use of this Report or any extracts there from contrary to the provisions of this paragraph.
- We reserve the right to review all calculations included or referred to in this Report and, if we consider it necessary, to revise our work in the light of any information existing at the current date which becomes known to us after the date of this Report.

Reliance on Information

- In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that is available from public sources and all information that was furnished to us by Te Pūkenga and OP.
- We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this Report. However, we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of OP in the context of this Report. We do not warrant that our enquiries have identified or revealed any matter which an audit, due diligence review or extensive examination might disclose.
- A review of the arithmetic accuracy, logic and key assumptions that support the Te Pūkenga Financial Viability model is outside the scope of our engagement. The accuracy and integrity of the Te Pūkenga Financial Viability model is reliant on the expertise of Te Pūkenga.
- While we have reviewed the key underlying assumptions of OP's FY25 draft budget, we have not completed a detailed line-by-line review of each budget line item, nor have we completed a detailed review of the FY24 forecast. At the time of drafting this report the FY25 budget had not been finalised and we understand on-going refinements were being made.

- We have reviewed and challenged the proposed investment in capital expenditure for the period to 2029. We have not conducted any detailed asset condition assessments nor assessed in detail the quantum of planned investment across the various assets to assess whether the forecasted level of capital expenditure is appropriate. We have relied on the expertise of the relevant asset owners to make an informed assessment of future capital expenditure needs.
- We have reviewed and challenged key input assumptions, including the staff-to-student ratio, FTE and EFTS growth factors, with management. The input assumptions reflect a position that OP Management is comfortable with. We note that several of these input assumptions are very sensitive to change and can therefore impact the financial outcome significantly.

Indemnity

- We assume no responsibility arising in any way whatsoever for errors and omissions (including responsibility to any person for negligence) for the preparation of this Report, to the extent that such errors or omissions result from the reasonable reliance on information provided by others or assumptions disclosed in this report or assumptions reasonably taken as implicit.

Disclaimer

- This Report has been prepared with care and diligence and the statements and conclusions in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and conclusions are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Te Pūkenga or OP will be achieved.
- Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Te Pūkenga and OP and their respective management teams. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

Approved

PROACTIVELY RELEASED

Deloitte.