Te Pūkenga

1 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.

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[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 | Southern Institute of Technology

Draft for Review and Comment | 20 November 2024

Strictly Private and Confidential

Contents

Executive Summary

SIT's pathway to viability sets out key initiatives focused on growing EFTS, prioritising provision in the Southland region, improving academic margins and reducing costs. Key activities are targeted to be implemented over FY25 allowing SIT to stand alone in FY26.

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 (ITPs).
- 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 viability for the Southern Institute of Technology (SIT). This report sets out the Financial Improvement Plan for SIT, which has been developed with SIT Management and builds on earlier phases of work completed.
- At a high-level the scope of the Financial Improvement Plan covers:
  - A current state analysis of SIT's performance, highlighting the primary drivers for the recent performance outcomes.
  - The initiatives that support SIT's return to financial viability.
  - Indicative financial forecasts and key performance indicators (KPI's), based on implementing the Financial Improvement Plan initiatives and achieving the forecast equivalent full-time student (EFTS) growth.
  - Sensitivity analysis and consideration of further mitigating actions under a downside reduced EFTS growth scenario.
  - The governance and financial management activities that will support effective implementation of the Financial Improvement Plan.
- 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 SIT's employment obligations and require approval by SIT and/or Te Pūkenga as per delegations of authority.

Current State

- SIT has been successful in the past at differentiating itself from other ITP's and drawing both international and domestic students away from the main cities and to Southland, with its Zero Fees Scheme, extramural delivery mode and attractive international fees.
- SIT's financial performance and liquidity were at or above sector benchmarks with net operating surpluses between 2-5%, the norm across, FY18 to FY21 and net cashflow from operations accumulating to support future investment.
- Operating surpluses however turned to deficits in FY22 to FY24. Key drivers being, ongoing reductions in international EFTS following the COVID-19 pandemic, nationalisation of international fees by Te Pūkenga, removal of zero fees for out of region EFTS for Q1 2024, along with sector wide changes to the Government funding system significantly impacting SIT's extramural delivery. These, coupled with high-cost inflation, has meant that at the current level of EFTS, SIT is not sustainable. Costs are also forecast to increase in FY25 as additional costs from the decentralisation of Te Pūkenga are returned to the business units.

Improvement plan

- A pathway to financial viability has been worked through with SIT to enable it to stand alone on 1 January 2026 following the disestablishment of Te Pūkenga.
- This pathway has been translated into eight key initiatives, as set out on the following page. These initiatives largely focus on growth of EFTS to more sustainable levels, along with associated improvements in contribution margins as more students can be accommodated in programmes without significant increase in costs. Historical poor performing programmes, and where applicable s 9(2)(b)(ii) [redacted] are exited.
- With growth as the primary driver of the return to financial viability the improvement plan carries significant downside risk, particularly in the near term, where substantial increases in EFTS and financial performance is forecast.

No.	Initiative	Description	Targets	Timing	Ease of Implementation
1.	Grow International EFTS	Develop and execute a comprehensive recruitment and pricing strategy to grow international student numbers.	EFTS increase from 336 (FY24) to 848 (FY29)	FY25 – FY29	
2.	Grow Domestic EFTS	Develop and execute a comprehensive recruitment strategy to grow domestic student numbers.	EFTS Increase from 3,629 (FY24) to 4,008 (FY29)	FY25 – FY29	
3.	Exit Provision in Christchurch and Divest Surplus Assets	Transfer the Christchurch trades and MAINZ programmes to Ara Institute of Canterbury (Ara). Divestment of the Christchurch campus and related assets and assignment of the MAINZ lease to Ara.	$9.82m sales proceeds $0.31m annual opex saving	FY25 – FY26	
4. f	s 9(2)(b)(ii), s 9(2)(j) [redacted]	[redacted]	[redacted]	FY25 – FY26	
5.	s 9(2)(b)(ii), s 9(2)(j) [redacted]	[redacted]	[redacted]	FY25 –FY26	
6.	Improve Academic Margins	Exiting identified historical poor performing programmes, along with a review of 2025 enrolments and margins, taking action to cease delivery of programmes where margins are no longer forecast to improve. Ongoing programme review, taking swift action to address sub-optimal programme performance.	Academic EBITDA margin from 24% to +50% Academic SSR from 13:1 to 18:1	FY25 and ongoing	
7.	Right Size Support and Trading Functions	Implement the identified cost savings to right size support and trading functions and reduce costs. Maintain strong cost control over costs, with SIT currently forecasting limited increases in cost relative to volume in EFTS.	Allied SSR improvement from 16:1 to 24:1	FY25 and ongoing	
8.	Rationalisation of Invercargill Campus Footprint	Identify opportunities to optimise space or rationalise the size of the campus footprint to align with forecast EFTS, capitalising on opportunities to divest or lease out additional campus capacity.	Not quantified	FY25 – FY29	

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

Indicative Forecast Financial Performance

- SIT's forecast performance and position is substantially improved from FY26, with SIT returning to profitability (before non-reoccurring items) from realising the outcomes of improvement plan initiatives. SIT could be established as a standalone entity on 1 January 2026 without the requirement for recapitalisation if the forecasts can be met.

Summary Financial Performance ($000)	2024	2025	2026	2027	2028	2029
Total Revenue	49,311	57,595	59,557	62,050	65,281	68,988
Total Direct Expenditure	48,711	49,766	49,134	50,655	52,738	54,792
EBITDA	600	7,829	10,423	11,395	12,543	14,196
EBITDA Margin	1%	14%	18%	18%	19%	21%
EBIT	(9,454)	(1,540)	2,475	4,029	5,288	6,635
Surplus/(Deficit) before Abnormal Items	**(8,738)**	**(986)**	**3,051**	**4,913**	**6,356**	**7,915**
Net Operating Surpus Margin	(18%)	(2%)	5%	8%	10%	11%
Trust and Abnormal Items	(846)	(1,181)	(7,484)	-	-	-
Surplus/(Deficit)	**(9,584)**	**(2,167)**	**(4,434)**	**4,913**	**6,356**	**7,915**

Summary EFTS						
Domestic EFTS	3,629	3,831	3,818	3,910	3,930	4,008
International EFTS	317	497	605	675	771	848
Total EFTS	**3,946**	**4,328**	**4,423**	**4,585**	**4,701**	**4,856**

- As highlighted above, the indicative forecast (base case) is heavily reliant on strong EFTS growth. SIT has forecast the most aggressive growth across all of the Te Pūkenga business divisions, with international growth of 57% in FY25, and a further 22% in FY26 before reducing to annual average of 12%, to return international EFTS to pre-COVID levels by FY29. Domestic EFTS growth of 6% is forecast for FY25 before reducing to an annual average of 1%.
- SIT is confident they can achieve the EFTS targets and associated improvement in financial performance based on:
  - Zero fees being in place for domestic EFTS (excluding Telford).
  - Discounts in FY25 for domestic and international students and further out year international fee reductions.
  - Domestic applications received to date exceeding those of the last three years. As at 11 November 2024, applications for 2025 are 432 EFTS (29%) ahead of the same time last year.
  - International offers of placer as at 1 November 2024, are ~46% higher than the same time over the last two years.
  - The forecast economic conditions, with higher levels of unemployment in 2025 supporting higher enrolments.
  - SIT's domestic EFTS trends not strictly following the historical Ministry of Education (MoE) trends for ITP EFTS, which forecast a contraction in Student Achievement Component (SAC) L3+ EFTS across FY26 to FY28. SIT's zero fees and SIT2LRN (extramural delivery) being key differentiating factors.
- In addition to the EFTS growth the following key assumptions are critical to the achievement of the forecasts:
  - The reinstatement of SAC funding in FY26 which is forecast to increase revenue by ~$1.9m. SIT is the only business unit to model this change due to its materiality to their extramural delivery and zero fee environment. There is downside risk if the SAC changes do not proceed as modelled.
  - s 9(2)(b)(ii), s 9(2)(j) [redacted]
  - The closure of poor performing programmes s 9(2)(b)(ii) [redacted] and forecast growth in on-campus students can largely be accommodated within existing staffing, thereby improving academic staff student ratios from 13:1 to 18:1 by FY29 (when contracted delivery EFTS are excluded) and resulting in improved academic contribution margins.
  - The realisation of identified support function cost savings and ongoing strict cost control.
- Under these assumptions SIT's key profitability metrics are above the sector targets from FY26, with net surplus before abnormal items of $3m (5%).

Risks and Contingency Planning

As EFTS growth is the single largest driver of the improvement in SIT's performance and the biggest risk, SIT must be agile in early 2025, when enrolments are clearer, and responsive to changes in demand. This will require further rightsizing their portfolio of programmes and support service functions if EFTS growth targets are not met.

- To assess the impact of a reduction in EFTS on SIT's pathway to viability a downside scenario has been modelled with flat domestic EFTS and more modest international EFTS growth along with mitigating actions to offset the forecast reduction in revenue.
- To remain on a pathway to viability for 1 January 2026, under this scenario SIT close a further 15 programmes and remove 13.5 additional full time equivalent staff (FTE) across support services roles in FY25.

- The result is while revenue along with the net surplus margin is reduced, SIT can still return to profitability in FY26 and have sufficient cash reserves (ring fenced funds) under this scenario to support it through the lower levels in growth and stand alone on 1 January 2026.

Summary Financial Performance ($000)	2024	2025	2026	2027	2028	2029
Total Revenue	49,311	53,226	54,590	55,943	57,975	60,098
Total Direct Expenditure	48,711	46,999	45,586	46,204	47,482	48,844
EBITDA	600	6,227	9,003	9,738	10,493	11,255
EBITDA Margin	1%	12%	16%	17%	18%	19%
EBIT	(9,454)	(3,143)	1,055	2,372	3,238	3,694
Surplus/(Deficit) before Abnormal Items	**(8,738)**	**(2,543)**	**1,677**	**3,260**	**4,261**	**4,864**
Net Operating Surpus Margin	(18%)	(5%)	3%	6%	7%	8%
Trust and Abnormal Items	(846)	(1,514)	(7,484)	-	-	-
Surplus/(Deficit)	**(9,584)**	**(4,056)**	**(5,807)**	**3,260**	**4,261**	**4,864**
Summary EFTS						
Domestic EFTS	3,629	3,612	3,612	3,612	3,612	3,612
International EFTS	317	400	450	500	550	600
Total EFTS	**3,946**	**4,012**	**4,062**	**4,112**	**4,162**	**4,212**

Governance and Financial Management of the Plan

- A 'Pathway to Viability' Steering Group will be established by SIT to oversee the implementation of the Financial Improvement Plan and associated initiatives. The Steering Group will comprise members of SIT's senior leadership team.
- SIT 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.
- The Operations Lead will have overall responsibility for delivering the plan. Appointing a programme lead, who will report to the Operations Lead, will be required.
- Realisation of the targeted improvements in financial performance will require robust governance along with strong financial and project management.

  This will ensure that initiatives are appropriately resourced, tracked and monitored with accountability assigned for the outcomes.
- 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.
- As part of the focus on expenditure and performance, SIT 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 academic departments 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.

Operating Model

- Implementing the plan will result in a set of changes to the current operating model at SIT. 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 SIT and it will be important that formal consultation processes are worked through as the initiatives commence and transition planning gets underway.

Next Steps

- The focus now needs to be on progressing the implementation of the initiatives. This will require a detailed implementation plan to be developed, confirming project resourcing, including external support where required.
- While some of the initiatives are progressing, others are at risk of missing the implementation deadlines and not achieving full impact of the FY25 and FY26 savings modelled, if urgent action is not taken.

Current State Analysis

Overview

- SIT currently provides vocational education across six locations: Invercargill (main campus); Queenstown; Gore; Telford (rural education campus); Hornby; and at the Music and Audio Institute of New Zealand (MAINZ) in Christchurch.
- Online distance learning is offered through SIT2LRN, and blended delivery is offered through its HyFlex model.
- SIT delivers over 210 programmes across nine departments. Year to date to September 2024, domestic EFTS across all modes of delivery are currently 3,518 and international EFTS are 336.
- Regional workforce analysis captured in 'Beyond 2025 Southland' prioritises Rakatahi (youth aged 15-24), and the Food and Fibre, Manufacturing and Engineering, Health Care and Social Assistance and Tourism and Hospitality Sectors as supporting a thriving Southland.
- SIT is connected to their region through over 40 Advisory Groups.
- Historically SIT has capitalised on its ability to differentiate itself from its fellow ITPs and other competitors through a combination of zero fees drawing learners to the region, extramural delivery attracting learners across New Zealand, an attractive value proposition for international students, along with strong connections to the Southland community.
- Declining EFTS, reductions in funding, higher FTE per EFTS and rising depreciation have seen SIT go from making 5% surplus before unusual items in FY18 ($3m) to losses of up to 31% ($14.1m) in FY23. The FY24 budget forecasts a loss of $10.1m before unusual items. Key drivers of changes are:
  - The introduction of the Government Fees Free scheme (2018), which pays the first year of tuition fees and more recently through the nationalising of international student fees (2023) and removal of Zero Fees for learners studying outside Southland (for Q1 2024), resulting in a decline in EFTS (across all modes of delivery).
  - The introduction of the Unified Funding System in 2023 saw SIT's funding decline (~$2.4M) for extramural delivery through SIT2LRN. SIT's financial viability has a high reliance on SIT2LRN which accounts for $6m (58%) of the FY24 budget contribution margin from academic delivery (58% YTD). SIT2LRN EFTS represent ~46% of the total FY23 and 40% of the year-to-date September FY24 EFTS.
- SIT taking over Telford in 2019, which provides agricultural on farm training to approximately 155 EFTS. At that time, Telford was not financially sustainable, and despite a Government Grant of $5.2m over 2019 – 2023 to support primary industry provision, SIT has not been able to make the campus sustainable. Telford is budgeted to make a 2024 loss of $0.95m.
- Contribution margins from other regional campuses, Queenstown, Gore, Hornby and MAINZ have also declined, s 9(2)(b)(ii) [redacted].
- SIT is currently going through consultation with staff about the transfer of Christchurch Trades and MAINZ programmes to Ara, allowing the divestment of the Hornby campus.
- s 9(2)(b)(ii), s 9(2)(j) [redacted]
- Further key current state observations across performance, programmes, people and property are set out over the following pages,

Current State Analysis | Financial Performance

Operating surpluses have eroded by $11.7m over the last 5 years, with SIT forecasting a $8.7m operational loss in the 2024 forecast prepared in July 2024.

SIT Operating Surplus Bridge FY18A - FY24F

Source: Management Information, Deloitte Analysis

- The main reasons for the impact are:
  - A reduction in Government Funding and other teaching income (domestic EFTS have reduced from 4,167 to 3,629) and international student fees (international EFTS have reduced from 964 to 317);
  - An increase in personnel costs: while FTE numbers have remained static, the impact of salary and wage escalation has had a significant impact on personnel costs since FY18;
  - An increase in depreciation because of a revaluation gain on SIT assets and development of the Te Rau To Te Huia building; and
  - A reduction in interest income earned on ring fenced funds related to a policy change with Te Pūkenga.
- The detailed statement of financial performance over the same period is set out on the next page.

Current State Analysis | Financial Performance

Declining EFTS, reductions in funding, higher FTE per EFTS, and rising depreciation, have turned SIT from a low-medium-risk ITP to one where significant EFTS growth is required to turn it around.

SIT - Profit and Loss Statement ('$000)	2018	2019	2020	2021	2022	2023	2024 Budget	2024 7+5 F'cast	2024 Sept YTD
Revenue									
Government Funding	35,124	38,995	43,037	46,197	44,116	31,811	30,833	32,965	26,717
Domestic Student Fees	761	656	455	482	418	455	630	736	694
International Student Fees	11,574	9,568	7,350	5,399	3,053	4,555	7,307	7,312	5,040
Other Teaching Income	7,039	6,447	5,383	5,414	4,549	5,015	5,406	3,913	3,975
Trading Income	2,639	2,561	2,580	2,304	2,884	3,777	3,762	4,199	3,607
Other Income	111	99	44	207	339	809	54	187	289
Total Revenue	**57,249**	**58,327**	**58,849**	**60,003**	**55,359**	**46,422**	**47,992**	**49,311**	**40,322**
Operating Expenses									
Personnel Expenses	28,525	29,549	30,829	32,141	34,081	33,989	32,060	32,524	24,581
Teaching Delivery	10,102	9,150	8,239	7,585	5,685	6,970	7,008	7,043	5,648
Infrastructure	4,724	4,894	4,721	4,434	5,873	6,295	4,299	4,275	3,705
Administration	5,806	7,266	7,632	6,050	5,616	5,699	4,902	4,869	2,992
Total Operating Expenses	**49,157**	**50,859**	**51,420**	**50,209**	**51,256**	**52,952**	**48,269**	**48,711**	**36,925**
EBITDA	**8,092**	**7,468**	**7,429**	**9,794**	**4,104**	**(6,530)**	**(277)**	**600**	**3,397**
Depreciation and Amortisation	6,366	6,582	7,280	7,706	8,484	9,082	9,740	10,054	7,611
Net Interest Income	1,275	1,225	863	282	635	1,426	-	775	525
Operating Surplus Before Unusuals	**3,002**	**2,111**	**1,012**	**2,369**	**(3,745)**	**(14,186)**	**(10,017)**	**(8,679)**	**(3,689)**
Contribution Margin	*5%*	*4%*	*2%*	*4%*	*-7%*	*-31%*	*-21%*	*-18%*	*-9%*
Revaluation and Impairment	-	635	99	268	-	(15,162)	-	-	-
Restructuring	34	285	17	-	66	832	100	100	101
Net Surplus/(Deficit)	**2,968**	**1,190**	**895**	**2,101**	**(3,811)**	**145**	**(10,117)**	**(8,779)**	**(3,790)**
Net surplus (deficit) %	*5%*	*2%*	*2%*	*4%*	*-7%*	*0%*	*-21%*	*-18%*	*-9%*
Domestic EFTS	4,167	4,086	4,278	4,329	4,085	3,831	3,233	3,629	3,518
International EFTS	964	808	761	439	218	342	320	317	336
TOTAL EFTS	**5,132**	**4,895**	**5,039**	**4,768**	**4,303**	**4,173**	**3,553**	**3,946**	**3,853**
FTE	**407**	**414**	**395**	**408**	**424**	**388**		**406**	

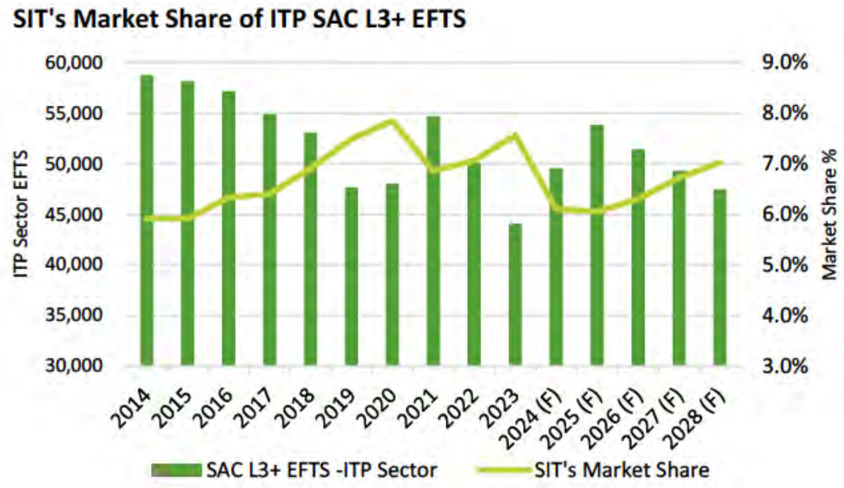
SIT, from a profitability perspective, were low-medium risk, generating net surpluses after unusual items of 2% - 5% over FY18 – FY21, on an EFTS base of 4,900 – 5,100 and ~$50m cost base. This has changed to high risk, largely influenced of the following key factors:

- **Reduced domestic EFTS, partly** due to a loss of competitive advantage with the Government's introduction of Fees Free for first year learners in 2018, competing with SIT's Zero Fee scheme.
- **Reduced international EFTS** through a combination of changes in post study visas, COVID-19, and more recently the 'nationalisation' of international fees.
- **Extramural funding reduction** under the UFS funding model.
- **Telford EFTS declining and grant funding ending** in FY23, which offset operating losses. Telford's operating loss before unusual items was $1.7m in FY23, FY24 is budgeting a loss at $0.95m, increasing to $1.24m year to date to September FY24.
- **FY24 budget reductions** in personnel costs of $2m, infrastructure (R&M costs) of $2m, Admin costs of $0.8m (some of which has been centralised through Te Pūkenga), have not offset the impact of inflation and declining revenues.
- **FTE supporting a smaller number of students**, with a Staff : Student ratio (SSR) reduction from 1:8 in FY18 to 1:5 in FY24 forecast, and Academic Staff: Student ratio of 1:17 to 1:13 (when SIT2LRN and Te Reo EFTS are excluded on basis of their contractor model).
- **Increased depreciation** driven by revaluations and capital expenditure, including the Te Rau To Te Huia building.
- **Lower levels of in interest income** available to support SIT's operations.

Current State Analysis | Domestic EFTS

FY24 EFTS continue to decline while the ITP sector is growing. SIT's forecast return to financial viability assumes SIT can reverse this trend and grow when the MoE forecast that SAC L3+ EFTS will decline from 2026.

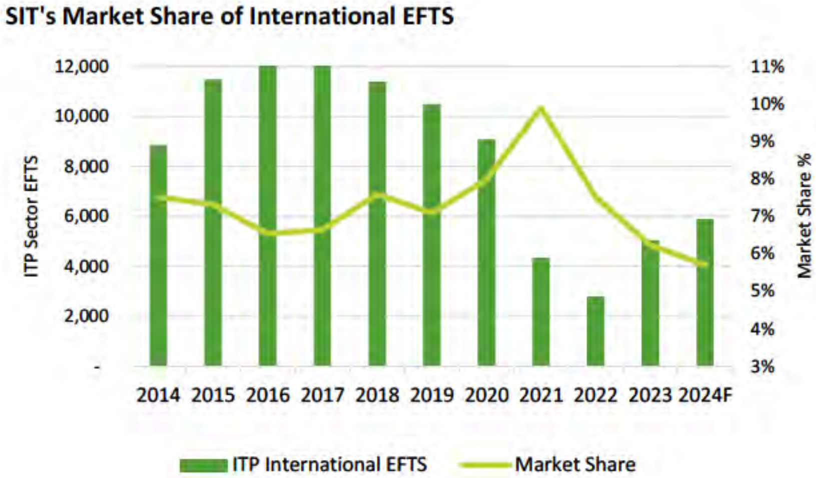
- SIT's domestic EFTS have been declining since FY21. The EFTS are primarily enrolled in qualifications of 1 EFTS or less, meaning that there is a limited pipeline of returning EFTS, and SIT are more significantly exposed to the market conditions each year.
- FY24 year to date to September EFTS are 111 behind the forecast of 3,629, with STAR and ITO EFTS still be recognised in the later part of the year making up majority of the difference.
- The majority (43%) of the domestic YTD FY24 EFTS are extramural, delivered via SIT2LRN, with the balance, 40% on the main Invercargill campus and 16% across the regional campuses. As previously noted, the extramural EFTS are attracting a lower funding rate than provider-based delivery since the introduction of the Unified Funding System (UFS) in FY23.
- Year to date to September ITP domestic EFTS are 52,878, 2.6% higher than the same time last year, whereas SIT's FY24 YTD EFTS are 6.6% lower than the same time. Indicating SIT are losing market share. A key driver of the reduction being the removal of Zero Fees for enrolling 2024 SIT2LRN students, this heavily impacted first semester enrolments, so much so that this was subsequently reversed in Q2 FY24.
- Our analysis of MoE historical EFTS data for SAC L3+ EFTS (refer SIT's Market Share of ITP SAC L3+ EFTS graph) indicates that while total ITP EFTS were declining since FY14, SIT up until FY20, were growing their market share, from 5.9% in FY14 to 7.85% in FY20.
- We also extended this analysis out to FY28 using the MoE's latest New Zealand tertiary education and industry training demand forecasts and the domestic EFTS growth assumptions in the pathway to viability base case financial forecasts.
- The analysis indicates that while the MoE are forecasting an 8.7% increase in SAC L3+ EFTS in FY25, thereafter they anticipate an average annual 4.1% decline. SIT is forecasting an ~ 7% increase in these SAC L3+ EFTS in FY25, and thereafter an annual average 1% increase. Meaning that for SIT to achieve these forecasts they will need increase their market share from ~6.1% in FY24 to 7.0% by FY28.



Current State Analysis| International EFTS

SIT International EFTS have been slower to recover after COVID than the ITP sector. September YTD FY24 SIT's EFTS are up 2% on the prior year vs 32% across the sector. The nationalisation of fees reducing the attractiveness of SIT to international students.

- SIT's have 336 international full fee EFTS YTD to September FY24, this is 65% lower than their FY18 EFTS (59% below FY19). Total ITP international EFTS have recovered quicker and are only 50% below FY18 EFTS (43% below FY19). The reductions are primarily due to:
  - COVID-19 and the closure of the international borders; and policy changes introduced in November 2018 which reduced the post study work rights for international students studying at sub degree levels. In 2018, 51% (487) of SIT's international EFTS were studying at sub degree levels compared to 18% (61) EFTS in 2023.
  - YTD FY24 the EFTS are 19 ahead of budget, and 2% up on the same period in FY23. This however is much lower than the ITP sector which have seen a 32% increase in YTD FY24 EFTS against the same time last year.
  - The slower recovery is attributed to Te Pūkenga's decision to nationalise the international student fees. SIT is therefore competing for international students with the same fee structure as larger cities and regions that are often more attractive to international students.
- SIT is forecasting a return to pre-COVID EFTS by FY29, this representing 152% growth on YTD EFTS. SIT have identified they require future investment in international department FTE to achieve this, noting the current conversion rate on enrolment offers is between 20-25%.
- Analysis of the trends across SIT's historical international EFTS indicate that, in FY23 and YTD FY24, SIT had a 6% market share, down from 10% in FY21. Approximately 60% of the EFTS in 2023 were enrolled in IT and Management and Commerce qualifications, SIT attracts students from a wide citizenship, with 77% from Asia, primarily China (23%), India 14% Indonesia (11%) and Sri Lanka 10%.



Current State Analysis | Divisional Performance FY24 Budget

SIT's financial viability has a high reliance on SIT2LRN with s 9(2)(b)(ii) [redacted] contribution margin from academic delivery forecast from SIT2LRN. The forecast contribution margin (EBIT) from academic delivery of $10.5m covers approximately half of SIT's support costs.

SIT Divisional Makeup on FY24B

Academic Delivery

- SIT's future financial viability is reliant on future retention of SIT2LRN with s 9(2)(b)(ii) [redacted] or s 9(2)(b)(ii) [redacted] of the overall contribution margin from academic delivery derived from SIT2RLN. s 9(2)(b)(ii) [redacted]
- The future of the programmes delivered at the Christchurch campus and MAINZ Christchurch is currently under consultation, with these likely to transfer to Ara (the MAINZ Auckland campus, while marginally negative has closed).
- s 9(2)(b)(ii) [redacted]
- s 9(2)(b)(ii), s 9(2)(j) [redacted]

Trading

- The trading activities, with the exception, of the café are forecast to return a 6-7% surplus before any wider overhead allocation. The café however has generated losses for the last two years. The future operating model of the café is being considered (potentially outsourcing), or alternatively the closure of the café.

Support

- The forecast EFTS of 3,946 cannot support the wider support costs of $20.2m.

Approved

Current State Analysis| Programmes

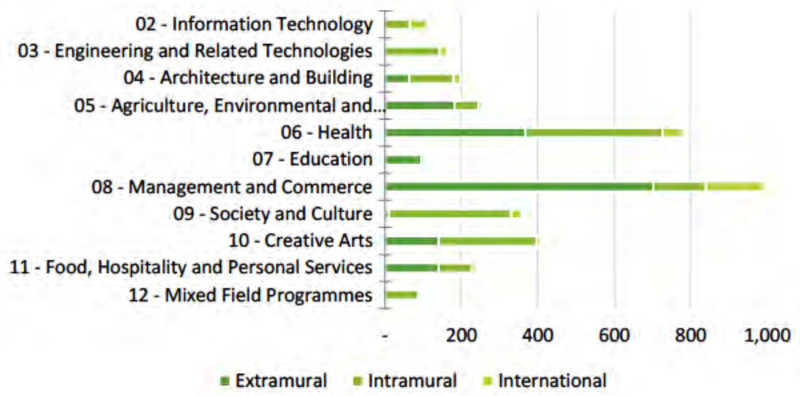
SIT offers a wide range of programmes and caters to a variety of learners through its extramural and HyFlex delivery modes.

- SIT delivers over 210 programmes across nine departments and a wide range of subject areas. The most popular in 2023 being management, commerce and health.
- SIT has an active Advisory Group structure supporting SIT's understanding of workforce needs with a focus on health-kaiawhina, enrolled nursing, nursing provision, construction for housing, environmental management, aquaculture, engineering and IT for new and existing industries.
- Programmes are delivered across three modes of delivery, on-campus, extramural through SIT2LRN and HyFlex. HyFlex is a blended delivery mode that includes both synchronous and asynchronous engagement. There are currently 23 programmes offered this way, with further development planned in 2025.
- Despite the reductions in funding under the UFS and SIT's zero fees, many of their programmes return a margin above the 45% ITP benchmark, bolstered by SIT2LRN programmes with an average margin above 65%.
- Programme performance by department year to date to September 2024:
  - SIT2LRN delivers 63 programmes. 20 programmes represent 75% of the EFTS. s 9(2)(b)(ii) [redacted].
  - Nursing is the prominent programme in Health and Humanities, with s 9(2)(b)(ii) [redacted] of the contribution and 33% of the EFTS. The top ten programmes contribute 75% of the EFTS and represent s 9(2)(b)(ii) [redacted] of the margin.
  - The Master of Applied Management, and Bachelor's in Screen Arts, Information Technology and Commerce account for s 9(2)(b)(ii) [redacted] of the New Media, Arts, Business & Computing margin and 50% of the EFTS. s 9(2)(b)(ii) [redacted]
  - Over 80% of Trades and Technology EFTS are delivered across 10 programmes. s 9(2)(b)(ii) [redacted]
  - The Gore campus primarily delivers trades academy and community courses. s 9(2)(b)(ii) [redacted]
  - Delivery at Queenstown is spread over seven main programmes. s 9(2)(b)(ii) [redacted]

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

- The forecast contribution margins are greatly improved under SIT's FY25 budget with growth in EFTS leaving only s 9(2)(b)(ii) [redacted] after the allocation of academic department support costs.
- Completion rates for SIT overall, since 2019 have been ~71%-76%. However, there are pockets where completion rates are below the expected levels.
- The completion rates were noticeably lower for Māori and Pacifica learners in agriculture and Level 3 courses ranging between 25%-40% over the 2020-2023 period.
- Completion rates of students enrolled have been below those of s 9(2)(b)(ii) [redacted] with FY23 extramural completions (excluding Telford extramural) of 69.2% (and 52% for Māori and Pacifica students), (FY22 63.9%). s 9(2)(b)(ii) [redacted]

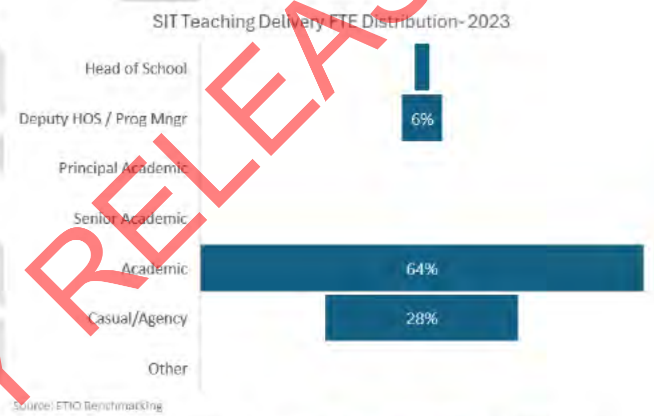
2023 EFTS by subject area (SAC only)

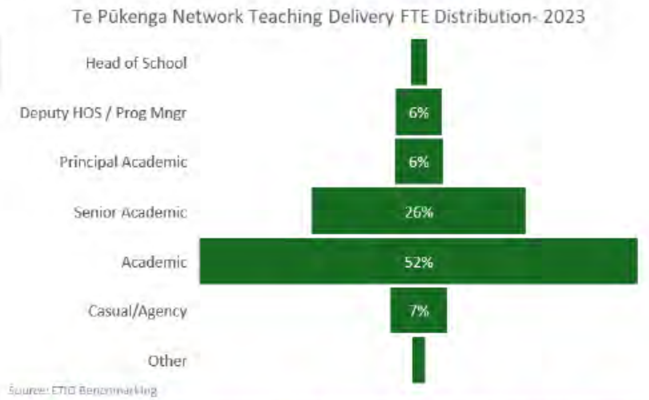


Current State Analysis | People

Personnel costs, which include contracted academic delivery, are SIT's single largest cost. With Zero Fees, costs are closely managed through their academic delivery models to best align with the EFTS.

- SIT's FY24 forecast personnel costs of $32.5m account for 67% of total operating costs. This proportion steadily increasing from 58% in FY18. While the number for FTE remains consistent at ~406, SIT's EFTS have declined from 5,132 to 3,946.
- s 9(2)(b)(ii) [redacted]
- Salary related costs account for $29.2m (90%), with approximately 406 FTE (including casuals) YTD FY24. The academic salary costs are influenced by SIT's total teaching hours model (TTH), which ensures that academic staff utilisation is maximised and drives timetabling. This model is monitored by completion of timesheets and regular reviews.
- TTH, along with SIT contracting a higher a proportion of casual FTE relative to the Te Pūkenga network, gives SIT greater flexibility to adjust to changing EFTS profiles. (Refer the Tribal draft 2023 benchmarking distribution charts, indicating SIT's normalised casual FTE account for 28% of their academic delivery FTE vs 7% across the ITP network.)
- Support FTE have been declining since FY22. The FY22 peak including new roles for pastoral care, the new café, Māori development team and payroll. s 9(2)(b)(ii) [redacted]. Some roles are also under review and will present savings.
- Southern Lakes English College (SLEC) personnel costs and FTE are outside the parent numbers, however a decision to disestablish SLEC Private Training Establishment in August 2024 saw 8 FTE transfer to SIT and rationalisation of the remaining 4 FTE.





Full Time Equivalent Employees (FTE)	2018 Dec	2019 Dec	2020 Dec	2021 Dec	2022 Oct	2023 Dec	2024 Forecast
Academic	189	177	176	193	172	148	158
Support	209	228	210	207	242	221	245
Management	9	10	9	8	10	3	2
Total	407	414	395	408	424	373	406
SLEC	17	16	21	5	10	15	12
Accademic SSR	17:1	17:1	15:1	13:1	13:1	15:1	13:1

Current State Analysis | Property

SIT has a property portfolio valued at $129m. The building condition across the five locations is classed as 'average or below' by Colliers, with no major investment anticipated over the next five years. Some potential divestment opportunities are being explored.

- SIT currently owns land and buildings in Invercargill, Gore, Telford (buildings only), Queenstown (accommodation assets only) and Christchurch.
- The total portfolio has a value of c.$129m, according to Colliers' most recent valuation report completed in December 2023.
- The building condition, as assessed by Colliers, is predominantly classified as 'average or below' (63%) across the five locations.

Property	GFA m^2	Land value $000	Bldg & Imp value $000	Total Value $000
Main Campus- Invercargill	37,631	19,795	83,686	103,481
Gore Campus	1,217	340	1,481	1,821
Telford Campus	10,102	-	6,749	6,749
Queenstown Campus	1,231	2,945	4,320	7,265
Christchurch Campus	5,472	6,160	3,710	9,870
Total	55,653	29,240	99,946	129,186

Source: Colliers Property Valuation

- Capital expenditure on buildings over FY18 – FY23 was ~$26m, with the investment in Te Rau To Te Huia (Creative Centre) of ~$17m representing SIT's most significant investment over the last 10 years.
- No major investment is anticipated in the next five years.
- SIT had forecast seismic strengthening of $8m in their 5-year capital intentions plan, however this is no longer required. SIT advising that all but two Invercargill buildings have now been NBS assessed, and only one, on the Christchurch Campus, requires strengthening, with a high-level estimate of s 9(2)(b)(ii). This isn't urgent (5-10 years), plus SIT are in consultation with staff on a proposed change to transfer the programmes at the Christchurch campus to Ara and divest the campus. The two remining buildings yet to be assessed are considered lower risk, relative to others which have been assessed to date.

Space Requirements

- Analysis of the Invercargill campus footprint relative to EFTS, FTE, the nature of SIT's on-campus programmes (i.e. trades, business, etc) and ITP space benchmarks, indicates that SIT have surplus space, with an efficient use of space at ~11,800m2. SIT's campus-built floor area is ~30,800m2 indicating there is opportunity for SIT to consolidate the campus.
- s 9(2)(b)(ii), s 9(2)(j)

Leased Property

- In addition to the owned property, SIT also have $0.87m of annual lease commitments (excluding any operating expenses components) in the following locations:

Leased Property	Annual Lease ($000)	Expiry	Location
Queenstown Campus	s 9(2)(b)(ii)	5/12/2027	11 Hawthorne Drive
Christchurch - MAINZ Campus		31/08/2025	191 High Street
Christchurch - MAINZ Campus		31/12/2025	19 Kings Edward
Balclutha - Telford Campus		31/07/2029	498 Owaka Highway
Invercargill - Accommodation		31/12/2024	Teviot Street Flats
Invercargill - Radio Tower		31/12/2024	
Invercargill - Car Parks		31/12/2024	
Total	874		

- The MAINZ leases are expected to transfer to Ara along with the programmes.
- The Telford lease is a peppercorn lease for $1, with one year's notice required.
- The Queenstown lease s 9(2)(b)(ii), s 9(2)(j), and on exit we understand there will be a make good obligation, the cost of which is currently unknown.

Financial Improvement Initiatives

A pathway to financially viability has been forecast for SIT that focuses on growing EFTS back to sustainable levels, refocusing provision to the Southland region, improving academic margins, and reducing costs. The key activities underpinning the initiatives are targeted to be implemented over FY25 and FY26, with longer term improvements in margins as growth continues.

No.	Initiative	Description	Targets	Timing	Ease of Implementation
1.	Grow International EFTS	Develop and execute a comprehensive recruitment and pricing strategy to grow international student numbers.	EFTS increase from 336 in FY24 to 848 in FY29	FY25 – FY29	
2.	Grow Domestic EFTS	Develop and execute a comprehensive recruitment strategy to grow domestic student numbers.	EFTS Increase from 3,629 in FY24 to 4,008 in FY29	FY25 – FY29	
3.	Exit Provision in Christchurch and Divest Surplus Assets	Transfer the Christchurch trades and MAINZ programmes to Ara. Divestment of the Christchurch campus and related assets and assignment of the MAINZ lease to Ara.	$9.82m sales proceeds $0.31m annual opex saving	FY25 – FY26	
4.	s 9(2)(b)(ii), s 9(2)(j) [redacted]			FY25 – FY26	
5.	s 9(2)(b)(ii), s 9(2)(j) [redacted]			FY25 – FY26	
6.	Improve Academic Margins	Exiting identified historical poor performing programmes, along with a review of 2025 enrolments and margins, taking action to cease delivery of programmes where margins are no longer forecast to improve. Ongoing programme review, taking swift action to address sub-optimal programme performance.	Academic EBITDA margin from 24% to +50% Academic SSR from 13:1 to 18:1	FY25 and ongoing	
7.	Right Size Support and Trading Functions	Implement the identified cost savings to right size support and trading functions and reduce costs. Maintain strong cost control over costs, with SIT currently forecasting limited increases in cost relative to volume in EFTS.	Allied SSR improvement from 16:1 to 24:1	FY25 and ongoing	
8.	Rationalisation of Invercargill Campus Footprint	Identify opportunities to optimise space or rationalise the size of the campus footprint to align with forecast EFTS, capitalising on opportunities to divest or lease out additional campus capacity.	Not quantified	FY25 – FY29	

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

Initiative 1. International Student Growth

Ease of Implementation: Moderate

Overview

International student numbers have not recovered since the COVID-19 pandemic. Growing SIT's international EFTS is fundamental to improving financial performance.

Initiative

Increase international EFTS towards pre COVID levels as per the targets set out below.

Initiative Owner

International Manager

Resources Required

SIT's International department and business as usual resources and associated enabling budget of $1.2m (FY25). Additional resourcing has been added from 2027 to support the EFTS increase.

Improvement target

Target	FY25	FY26	FY27	FY28	FY29
International EFTS	497	605	675	771	848

Financial Impact

	FY25	FY26	FY27	FY28	FY29
International Fee Revenue	$12.0m	$12.9m	$13.8m	$16.1m	$18.0m
Cumulative increase (from FY24)	$4.6m	$5.6m	$6.5m	$8.8m	$10.7m

KPIs

- International EFTS per Annual Single Data Return (SDR) compared to target international EFTS.
- Maintain international student retention rates (current baseline 97%).
- Year on year increase in offers of place to enrolment conversion rates (current baseline 1,394 offers of place for 2024 year of study and 25% conversion).
- Study Aboard: year on year increase in total study abroad EFTS (current baseline 6.5 EFTS)

Key Assumptions

- Reduction in international fees by 10% for FY26 to $19k per EFTS and further 5% reduction in FY27 to $18k per EFTS.
- Return of zero fee English programmes in FY26.
- Phased increase in international team capacity from FY27 to FY29 totalling 2.5 FTE to accommodate EFTS growth.
- Increase in marketing spend $50k per annum from FY26.
- Revenue is modelled on the assumption that growth in international EFTS is proportionate across programmes, relative to the FY25 budget EFTS.

Key Dependencies

- Autonomy to make key decisions, including development of marketing materials, attendance of expos, international travel, scholarships, and setting of fees.
- Effective marketing strategy.
- Competitive pricing strategy.
- Sufficient student accommodation – SIT own apartments, with domestic use to reduce as international enrolments increase. SIT is working with the ILT (Invercargill Licensing Trust) on availability of accommodation at their Kelvin hotel – no commitment is required by SIT.
- Sufficient resources within the international team to support recruitment plans.

Key Risks and Mitigations

- High risk from external factors, including changes to visa regulations, fluctuations in the New Zealand dollar, country of origin economic and political factors. *Mitigate by ensuring diversification of source countries, extending SIT brand and reputation through SIT's in-country staff, agents and partnership relationships.*
- Increased competition from other institutions in New Zealand and overseas all trying to secure international students. *Mitigate by building strong agent and partner relationships and ensuring programmes are competitively priced to attract students to Southland.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· International Manager	· Finance – SIT · Student Accom.	· Heads of Faculty	· Senior Leadership Team

Key Activities

#	Actions	Responsible	Timing
1.1	**Recruitment Strategy:** • Approval of the international recruitment strategy, ensuring this sets out proposed target countries and approach to deliver the targeted international growth. • The strategy should include clear targets by year and the current baseline for activities so that achievement of the strategy can monitored and there is accountability for the results. Key enabling actions under the strategy are included below.	Operations Lead / International Manager	Dec 2024
1.2	**Pricing Strategy:** • Develop an international pricing strategy to reduce fees across 2026 and 2027, to make study in the Southland region an attractive proposition. This is dependent on approval from Te Pūkenga in 2025 that SIT can set its own prices in 2026.	Operations Lead / International Manager	May 2025
1.3	**Brand:** • Promote SIT's brand and unique strengths, distinguish it from the Te Pūkenga, and develop marketing plans and resources for target markets.	International Manager	Immediate and ongoing
1.4	**Agents:** • Review existing agent relationships, streamlining these from those on Te Pūkenga database to selected agents with a proven track record. • Execute new agent agreements for SIT as a standalone entity and set agents target in line forecasts (contracts will transition from Te Pūkenga during 2025 and renew annually). • Introduce KPI's to assess agent performance, including the offers of place, visa approval rates and EFTS enrolments by agent. • Provide training to agents on Immigration New Zealand visa requirements for New Zealand to improve visa approval rates.	International Manager	Complete by Dec 2025

1.5	**MOU's and Agreements:**
	• Increase the number of Memorandums of Understanding's (MOU's) SIT has in place with partner institutions and the number of EFTS enrolled from the MOU's:
	  ◦ Baseline: 1 active MOU's (Korea) and 8 EFTS (articulation agreement EFTS)
	  ◦ Target 2025: 7 MOU's (3 China, 4 Latin America) and 11 EFTS
	  ◦ Target 2026 onwards: TBC MOU's, +5 EFTS annually
	• Commence work in new dual degree partnership pathway with Hubei University of Education (the current approval with China Ministry of Education end in 2031, initial discussions have commenced, with the requirement to have the degree structure to be in place by the end of 2026, and documentation in place by 2028 and submitted by 2029).
		International Manager	As per targets

#	Actions	Responsible	Timing
1.6	**Zero Fees English Language Programme:** • Re-launch the zero fee English programme, in 2026 for students enrolling in multi-year degree programmes, to support attainment of English language entry requirements and growth of international students.	Operations Lead / HOF's	2026

1.7	**Study Aboard:**
	• Re-establish Study Aboard partnership memorandums, with the initial 2024 / 2025 focus being on the primary US and German market where students are required to complete one semester aboard as part of their degree. The focus from 2025 onwards is on making connections with new partner institutions.
	  • Baseline: 7 EFTS, TBC the number of partnership agreements
	  • Target 2025: 10 EFTS and 2 new partnership agreements per year each in Europe and the USA
	  • Target 2026 +5 EFTS per annum to ~20 EFTS per year pre-COVID levels
	• Increase study aboard offerings to include selections from more degrees along with tuition only, and tuition and accommodation package options.
		International Manager	Underway and as per targets

1.8	**People:** • Increase international team capacity to support recruitment and pastoral care of students as EFTS (current forecasts include 1 additional FTE in both 2027 and 2028 and 0.5 FTE in 2029).	International Lead	Commencing 2027
1.9	**Processes Improvements:** • Streamline the application process by working with the digital and administration teams to create an application that can completed digitally and emailed. • Work with digital on improving offer of place data analysis.	International Lead	Complete by Feb 2025
1.10	**Monitoring and Reporting** • Monthly monitoring and review by international team of progress against the strategy, targets and this plans activities. • Quarterly reporting of improvement initiative benefits, KPI's, risks, and dependencies to the SIT 'Pathway to Viability' Steering Group. • Annual review of international recruitment and pricing strategies and associated marketing plans and agents' contracts (or more frequent in response to market conditions).	International Lead	 Monthly Quarterly Annually

Initiative 2. Domestic EFTS Growth

Ease of Implementation: Simple

Overview

SIT's domestic EFTS have been declining since 2021, but while the sector also declined, year to date SIT remains 6.6% behind of the same time last year, when the ITP sector is 2.6% ahead. The removal of zero fees for SIT2LN in Q1 2024 is considered a key reason for the decline.

While zero fees for SIT2LRN domestic EFTS have been reinstated and are expected to result in an increase in FY25 semester one EFTS, SIT still require growth of 5.5% in FY25. This is below the MoE ITP sector FY25 forecast of 8.7%, but assumes EFTS lost from the proposed closure of Christchurch, MAINZ [redacted] campuses (325 FY24 forecast EFTS) can be made up for in other programmes.

The FY25 growth for Invercargill, Queenstown and SIT2RLN is 14.5% when closed campus EFTS are excluded. SIT is also forecasting an average annual 1% increase in EFTS over FY26 to FY29 when the MoE are forecasting an average annual 4% decline in ITP SAC L3+ EFTS over FY26 to FY28, meaning that SIT will have to gain market share.

Initiative

Increase domestic EFTS as per the targets below.

Initiative Owner

GM Digital, Marketing & Administration.

Resources Required

SIT's marketing and administration department, business as usual resources and associated enabling budget.

Improvement Targets

Measure	FY25	FY26	FY27	FY28	FY29
Domestic EFTS	3,831	3,818	3,910	3,930	4,008

Financial Impact

Measure	FY25	FY26	FY27	FY28	FY29
Government Funding	$33.3m	$35.6m	$37.1m	$38.0m	$39.5m
Cumulative increase (from FY24)	$0.4m	$2.6m	$5.1m	$5.0	$6.6m

KPIs

- Domestic EFTS per SDR compared to target Domestic EFTS
- Year on year increase in domestic applications, and enrolment conversion rates.
- Maintain domestic student retention rates year on year (current baseline 80%).
- Increase in pathway programmes (STAR and Trades Academy) EFTS and conversion rates (current baseline conversion rate: 10% STAR and 42% Trades Academy).

Key Assumptions

- All domestic EFTS are funded, with a 2% increase in funding per annum.
- Zero tuition fees for all Invercargill and Queenstown domestic EFTS.
- Transition to SAC in FY26, increasing funding by ~$1.9m per annum.
- Growth in domestic EFTS is assumed to be proportionate across programmes, relative to the FY25 budget EFTS.

Key Dependencies

- Autonomy to make decisions on SIT's 'fees free' structure.
- Retention of SIT2LRN.
- Effective marketing strategy and resources to execute the strategy.
- TEC funding decisions.
- Attractive modern curriculum, for students, future employers, and industry.
- Modern effective pedagogy.

Key Risks and Mitigations

- External Risks: Risk that TEC do not fund all EFTS, or other external factors impacting students' choice to study at SIT, reducing forecast EFTS numbers. *Mitigate by SIT wide review of programme and delivery sites contribution margins and support services requirements. The downside scenario modelled no domestic growth from the 2024 and identified a further 15 programmes for closure and 13.5 FTE to mitigate the reduction in EFTS growth.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· GM Digital, Marketing & Administration	· Finance · Administration · Academic Operations	· Heads of Faculty (HOF)	· Senior Leadership Team

Key Activities

#	Actions	Responsible	Timing
2.1	**Strategy** • Develop and execute SIT's schools' engagement and recruitment strategy.	GM Digital, Marketing & Administration	By June 2025
2.2	Marketing • Deliver the activities under the 'Semester One 2025 Strategic Campaign and Implementation Plan'.	GM Digital, Marketing & Administration	By Feb 2025
2.3	• Measure effectiveness, during the campaign, based on the identified key performance indicators, amending the campaign as required on the basis of the outcomes.	GM Digital, Marketing & Administration	Weekly Aug 2024 – March 2025
2.4	• Post campaign, measure and report on the campaign's effectiveness, highlighting lessons learnt. • Leverage lessons for the semester two and for future campaigns and implementation plans. • Including: developing increasingly more sophisticated marketing campaigns, which include the use of AI.	GM Digital, Marketing & Administration	March 2025 and ongoing
2.5	Processes Improvements • Review and simplify the enrolment processes, along with improve the turnaround time for application processing. • Improve monitoring of conversion rates, by creating a dashboard to track applications, enrolments, and retentions in PowerBI.	GM Digital, Marketing & Administration	By Sept 2025
2.6	Retention and student success • Improve SIT's retention rates and learner success through executing the Blackboard LMS improvements project which includes a workstream on digital engagement and support. This project will track various student metrics such as attendance, participation, completion of assignments to provide early warning of students falling behind, and at risk of not completing their programme. This will allow early intervention and tailored academic support.	Academic Operations	By June 2025
2.7	Programmes • In tandem with Initiative 6 (Improve Academic Margins) review SIT's programme offerings to ensure these align with student demand and regional needs and skills shortages. In addition, develop new programmes / products to attract new markets of learner, i.e. expansion of HyFlex, online delivery and micro credentials.	GM Strategy HOF's/ eLearning & Academic Operations	Ongoing
2.8	Monitoring and Reporting • Weekly monitoring of domestic applications. • Monthly monitoring and review of progress against initiative activities and targets. • Quarterly reporting of improvement initiative benefits, KPI's, risks, and dependencies to the SIT Pathway to Viability Steering Group.	GM Digital, Marketing & Administration	Weekly Monthly Quarterly

Initiative 3. Exit Provision in Christchurch and Divest Surplus Assets

Ease of Implementation: Moderate

Overview

SIT is consolidating their focus for on-campus provision to the Southland region and are seeking to exit provision of Christchurch trades and MAINZ portfolio of programmes through the transfer to Ara by 31 December 2024. The expectation is the Christchurch trades campus land and buildings in Hornby will be divested, along with other surplus assets, and the MAINZ leases will be assigned to Ara.

SIT offer 15 programmes and employ ~26 FTE on the trades campus and 6 programmes and ~6 FTE through MAINZ.

Initiative

Transfer programmes to Ara, with SIT ceasing delivery in Christchurch by 31 December 2024 and divest surplus assets by 30 June 2026.

Initiative Owner

Operation Lead - SIT

Resources Required

Executed using existing SIT resources: Senior Leadership, Head of Faculty (HOF), HR and Facilities, along with support from Te Pūkenga property and legal. External consultants will be engaged as and when required i.e., real estate agents.

Financial Impact

- $9.82m net proceeds from the sale of land and buildings and other assets.
- $0.59m annual saving ($0.31m operating expenditure and $0.28m capital expenditure) from the closure of programmes and exiting the campus.

KPIs

- Actual vs target realisation of indicative benefits.
- Progress against the transition plan milestones and initiative activities.

Key Assumptions

- SIT programme related revenue and costs of Christchurch and MAINZ cease by 31 December 2024 saving $0.31m.
- Severance allowances of $0.17m estimated for 4 FTE (FY24).
- $9.87m proceeds of sale of land and buildings – based on the Colliers 31 December 2023 valuation.
- $0.23m land and buildings disposal costs (as advised by Te Pūkenga Property Advisor).
- $0.11m property holding costs across FY25 and FY26 (18 months) for ongoing rates, insurance, security, electricity, R&M.
- $0.18m proceeds from the sale other surplus campus assets based on 50% of FY24 net book value for equipment, 20% NBV for all other assets.
- No capital expenditure required prior to the sale of assets and no make good costs associated with the MAINZ leases on transfer to Ara. Annual capital expenditure savings of $0.28m.

Key Dependencies

- Consultation outcomes with staff.
- Decisions (Ara/Te Pūkenga) on programmes and staff to transfer and date delivery ceases in Hornby, with house builds now likely to remain after 31 December 2024.
- Approval timelines for the sale of surplus assets.

Key Risks and Mitigations

- Delay, and agreement not reached between SIT and Ara prior to the commencement of the 2025 academic year to exit programmes and campus, reducing benefits. *Mitigation: Discussions with SIT and Ara have commenced, along with consultation with staff. A MOU between Ara and SIT is expected to be executed following the completion of consultation in November 2024.*
- Higher severance costs, as Ara work through the transition planning (4 FTE forecast from total of 32.6 FTE). *Mitigation: Nil, this is beyond SIT's control, however SIT is advocating for staff to transfer.*
- Increased cost of maintaining the surplus property assets for longer than forecast e.g., further maintenance and other operating costs. *Mitigation: 18 months of property holding cost allowances for the Christchurch campus i.e., rates, insurance and security have been allowed for based on advice from Te Pūkenga, and the timing for obtaining necessary approvals for sale.*
- Seismic issues limit realisation proceeds from the Hornby campus. The proceeds are based on the Colliers 31 December 2023 Valuation Report, with Colliers confirming they had information on the seismic issues at the time of the valuation. *Mitigation: A revised valuation will be sought to establish current market value. SIT is not dependent on the proceeds from the sale for the pathway to viability.*
- MAINZ leases are not taken over by Ara, or a cost of make good is passed on to SIT reducing the net benefit received from transfer. *Mitigation: The draft MOU sets out that Ara will take on the leases. Ara was also party to discussions for the recent 1-year renewal of the King Edward lease of* [redacted] *per annum into 2025. The High Street lease is* [redacted] *per annum and expires on 31 August 2025.*

RASCI/RACI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· HOF CHC/ MAINZ	· Finance · HR · Te Pūkenga Property	· Staff · Union · Te Pūkenga	· Students · Senior Leadership Team · TEC

Key Activities

#	Actions	Responsible	Timing
3.1	**Programmes, People and Property** • Engage with Ara and draft an MOU for future provision of SIT's trades and MAINZ programmes in the Christchurch region.	Operations Lead	Oct – Nov 2024
3.2	• Assess the impact of changes on existing roles, engage early and the Union on any proposed change, develop consultation packs, letters to employees, frequently asked questions and scripts for discussions.	Operations Lead	Oct – Nov 2024
3.3	• Consultation and engagement with staff and the Union on transfer of programmes to Ara.	Operations Lead	Closes 7 Nov 2024
3.4	• Review staff and stakeholder feedback, prepare outcome packs and communications for announcement of the final decision.	Operations Lead Final approval: Te Pūkenga CE	7 – 19 Nov 2024
3.5	• Communicate final decisions.	Operations Lead	19 Nov 2024
3.6	• Jointly with Ara, develop a transition plan to deliver the outcomes, with detailed activities across people, programmes, and property.	Operations Lead / Ara	Dec 2025
3.5	• Divest the Christchurch campus and associated surplus other assets • Refer to Te Pūkenga property disposal flow chart in Appendix B for key activities for disposing of property.	Operations Lead	By June 2026
3.7	**Monitoring and Reporting** • Monthly monitoring and review of progress against the initiative's activities and transition plan • Quarterly reporting of improvement initiative benefits, KPI's, risks, and dependencies to the SIT Pathway to Viability Steering Group	Operations Lead	Monthly / Quarterly

Initiative 4. s 9(2)(b)(ii), s 9(2)(j)

Ease of Implementation: Moderate

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

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

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead SIT	· s 9(2)(b)(ii), s 9(2)(j)	· Finance · HR · Te Pūkenga Property and Legal team	· Staff · Union · Community	· Students · Senior Leadership Team

Key Activities

#	Actions	Responsible	Timing

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

[redacted]

Initiative 5. s 9(2)(b)(ii), s 9(2)(j) [redacted]

Ease of Implementation: Complex

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

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

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· s 9(2)(b)(ii), s 9(2)(j) [redacted]	· SIT2LRN · Finance · HR · Te Pūkenga	· Staff · Union · Community · TEC · Minister Tertiary Education · NZQA · s 9(2)(b)(ii), s 9(2)(j) [redacted]	· Students · Senior Leadership Team · s 9(2)(b)(ii), s 9(2)(j) [redacted]

Key Activities

#	Actions	Responsible	Timing

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

[redacted]

Initiative 6. Improve Academic Margins

Ease of Implementation: Moderate

Overview

SIT's programme contribution margins and academic departments margins have weakened, with the reduction in EFTS and changes in funding. Programme viability monitoring is part of SIT's business as usual operations, with established guidelines in place. However, active and ongoing review and management of programme and academic department contribution margins and rightsizing the programme portfolio in response to changes in demand is critical for SIT's pathway to financial viability, particularly given their zero domestic fee offering.

Initiative

This initiative focuses on the realisation of forecast savings from the closure low performing programmes, savings in academic support costs and ongoing improvement in margins through improvements in SSR's and contribution margins as EFTS grow.

Initiative Owner

Operations Lead and Heads of Faculty

Resources Required

BAU resources

Improvement Targets and Financial Impact

Target	FY25	FY26	FY27	FY28	FY29
Academic SSR*	1.15	1.16	1.17	1.18	1.18
Academic Contribution Margin (EBITDA) **	$22.2m	$25.7m	$27.5m	$29.7m	$32.1m
Academic Contribution %	43%	48%***	49%	50%	52%

*SSR excludes SIT2LRN and Te Reo contracted delivery EFTS.
**Includes [redacted] of annual savings for exiting [redacted] programmes identified for closure from FY25, further benefits may follow review of enrolments in Jan 2025.
s 9(2)(b)(ii) [redacted]

KPIs

- Actual vs target SSR
- Actual vs target margin

Key Assumptions

- Closure of [redacted] programmes resulting in savings of [redacted] per year by FY27 post completion of teach out.
- Growth of domestic and international students as per initiative 1 and 2.
- 80-90% fixed personnel costs to support improvements in the SSR to 1.18 (excludes contracted programmes which are 100% variable). 100% variable teaching delivery costs, 95% fixed administrative costs and 100% fixed infrastructure costs.
- Cost inflation does not exceed revenue inflation (2%).

Dependencies

- International and domestic EFTS growth (high dependency for margin improvement).
- EFTS growth is all funded.
- SAC funding increases in 2026 ($1.9m forecast impact).
- Growth can largely be accommodated within programmes existing resource allocations resulting in SSR increases.

Risks and Mitigations

- Loss of regional provision and perceptions of learners, business and industry *Mitigation: Regional needs are assessed as part of the programme reviews.*
- Domestic EFTS will not all be funded, funding rate increases are not as forecast, or do not keep up with cost inflation. *Mitigations: Annual budgeting and quarterly forecasting processes, along monthly review of income and expenditure against forecasts / budget. Delegated Financial Authorities in place to keep expenditure within budgets.*
- SIT's EFTS growth targets will not be achieved. *Mitigations refer Initiative 1 and 2.*
- EFTS growth cannot be accommodated within existing FTE allocations, increasing staff costs beyond the indicative forecast. *Mitigation: Hiring freeze, with new FTE, casuals/ contractors signed off by the Operations Lead with justification of resource allocation and consideration of impact on the pathway to viability.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· HOF NMABC / H&H, SIT2LRN, Trades, s 9(2)(b)(ii) [redacted]	· Finance · HR	· Staff · Union	· Students · Senior Leadership Team · NZQA

Approved

Key Activities

#	Actions	Responsible	Timing
6.1	**Programmes and People** • Implement a hiring freeze, with new FTE and contractors, approved by the Operations Lead, after assessment of the impact of viability, and confirmation within forecasts limits.	Operations Lead	In place
6.2	• Review the 2025 budget portfolio of programmes in light of 2025 enrolments and in accordance with SIT's Programme Review Guidelines. (Refer Appendix C). [redacted] Programmes identified to date with further review in January 2025. A further [redacted] programmes were identified under the downside scenario if forecast EFTS growth is not realised.	HOF's	Commenced Sept 2024
6.3	• Submit recommendations for closure of programmes to Operations Lead for approval.	HOF	Jan 2025
6.4	• Assess the impact of proposed programme closures and engage early with the Union on any proposed change, develop consultation packs, letters to employees, frequently asked questions and scripts for discussions.	HR and HOF's	Jan 2025
6.5	• Staff consultation and engagement on the outcomes of the programme review.	HOF's	Jan / Feb 2025 (8 weeks)
6.6	• Stakeholder consultation and engagement where required on the outcomes of the programme review.	HOF's	Jan / Feb 2025 (8 weeks)
6.7	• Review staff and stakeholder feedback, prepare outcome packs and communications for announcement of the final decisions.	HOF's	March (2 weeks)
6.8	• Communicate decisions and close poor performing programmes prior to the commencement of the new academic year or semester. The decision not to run a programme must be made no less than two weeks prior to the start of a programme (Semester 1: 10 February 2025).	HOF's	By 24 Jan 2025 (can be prior to staff consultation)
6.9	• Revise 2025 financial forecasts for outcomes of the Programme Review.	Finance e	March / April 2025
6.10	• Post programme closure where applicable exit property, leases and divest any surplus assets associated with the programmes following completion of any teach out.	HOF's	Programme dependent
6.11	**Monitoring and Reporting** • Faculty total teaching hours model (TTH) ensure TTH targets are being met (in place).	HOF's and Programme Managers	Monthly and annual
6.12	• Annual review of the portfolio of programme and activities for poor performing programmes as set out above.	HOF's	Annual
6.13	• s 9(2)(b)(ii), s 9(2)(j) [redacted]	Operations Lead	Annual
6.14	• Monthly financial reporting and monitoring of academic performance. • Annual budgeting and quarterly forecasting processes.	Finance	Monthly
6.15	• Monthly monitoring and review of progress against the initiative's activities and targets. • Quarterly reporting of improvement initiative benefits, KPI's, risks, and dependencies to the SIT Pathway to Viability Steering Group.	Operations Lead	Monthly / Quarterly

Initiative 7. Right Size Support and Trading Functions Savings

Ease of Implementation: Simple

Overview

SIT's support departments, including the likes of Finance, Facilities, International and HR, net costs currently exceed the net contribution from academic departments and EFTS that they support.

SIT's pathway to viability is dependent on reducing support functions costs to improve profitability and exiting any trading activities that are not making a positive contribution margin.

Initiative

This initiative focuses on implementing the proposed FY25 and FY26 cost savings, maintaining strong cost control, with limited increases in costs relative to volume in EFTS, as a result of efficiency gains. The initiative excludes academic support departments which are part of the academic margin improvement initiative.

Initiative Owner

Department / Section Managers

Resources Required

BAU resources – no additional resources required to implement.

Improvement Targets / Financial Impact

	FY25	FY26	FY27	FY28	FY29
Allied FTE*	203	191	194	199	201
Allied Staff SSR*	1:21	1:23	1:24	1:24	1:24
Allied: Academic Staff*	1.5:1	1.5:1	1.6:1	1.6:1	1.6:1
Support & Trading EBITDA	$15.0m	$15.3m	$16.0m	$16.8m	$17.4m

*Allied FTE metrics includes Allied FTE from the academic departments, whose costs are within the improve academic margin initiative EBITDA targets in Initiative 6 above.

KPIs

- Actual vs target FTE, Allied SSR, Allied: Academic Staff ratios and forecast EBITDA
- Actual vs target realisation of indicative benefits by department

Key Assumptions

- Rightsizing support departments ~12 FTE, saving $0.73m in FY25 and ongoing.
- Reducing other support costs, saving $0.21m in FY25 and ongoing.
- Exiting marginal trading activities saving $0.05m per annum (including depreciation).
- Largely fixed cost structure relative to revenue, with some FTE and marketing increases to support initiative 1 and 2. The 1:24 allied staff ratio FTE benchmarks with SIT in 2018.
- Cost inflation does not exceed revenue inflation (2%).

Dependencies

- Negotiations with staff and unions, and personnel cost inflation not exceeding 2%.
- The 2025 rightsizing provides sufficient support resources to accommodate future demands on support staff relative to EFTS growth.

Risks and Mitigations

- External risks: Inflation increasing at higher rates than modelled. *Mitigations: Annual domestic students' materials fees and international fees setting will consider current rates of cost inflation when setting prices (relative to fee maxima).*
- Existing support and trading FTE and other cost forecasts cannot support the increases in EFTS / activity, increasing costs beyond the indicative forecast. *Mitigations: Hiring freeze, with new FTE, casuals / contractors signed off by the Operations Lead with justification of resource allocation and consideration of impact on the pathway to viability; and*

  Annual budgeting and quarterly forecasting processes, along with monthly review of income and expenditure against forecasts / budget. Delegated Financial Authorities in place to keep expenditure within budgets.

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· Department Managers	· Finance · HR	· Staff · Union	· Senior Leadership Team

Key Activities

#	Actions	Responsible	Timing
7.1	**People and Operating Expenditure** • Implement a hiring freeze, with any new FTE and contractors approved by the Operations Lead.	Operations Lead	In Place
7.2	• Review the support and trading areas and right size FTE and other operating costs to support a pathway to viability.	Operations Lead	Oct / Nov 2024
7.3	• 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.	Operations Lead	Feb 2025
7.4	• Staff consultation and engagement on the outcomes of the support and trading staffing reviews.	Operations Lead	March / April 2025
7.5	• Review staff feedback, prepare outcome packs, and communications for announcement of the final decision.	Operations Lead	April 2025
7.6	• Revise FY25 budget / forecasts to in incorporate forecast savings.	Finance Manager	Feb 2025
7.7	• If the FY25 EFTS growth is not achieved, take further action to right size support functions, noting that the downside scenario with modest international growth removed a further 13.5 FTE from support areas.	Operations Lead	Feb 2025
7.8	• Maintain strict cost control in FY25 and beyond with annual budgets and forecasts incorporating planned targets and savings. Using delegated financial authorities (DFA's) for expenditure with budget limits (DFA's are in place).		Ongoing
7.9	**Monitoring and Reporting** • Annual budgeting and quarterly forecasting processes, monthly financial review and monitoring of support and trading departments performance. • Quarterly reporting of improvement initiative benefits, KPI's, risks, and dependencies to the SIT Pathway to Viability Steering Group	Operations Lead	Monthly Quarterly

Initiative 8. Optimise and Rationalise the Invercargill Campus Footprint

Ease of Implementation: Complex

Overview

SIT has 58,000m2 of land on their Invercargill campus and ancillary childcare and accommodation sites, with a built floor area of ~31,000m².

A high-level estimate of the space required, based on the on-campus EFTS between 2,200 – 2,500, ~400 FTE, the nature of SIT's programmes (trades, business etc) and ITP space benchmarks, estimates efficient use of space is ~11,800m². Indicating there is opportunity for SIT to rationalise some of their campus.

Opportunities to rationalise the campus have not been modelled in the pathway to viability, however SIT is considering opportunities with subleasing space to Otago University, the future of E block and how a future commitment to space in a community facility maybe be utilised. s 9(2)(b)(ii), s 9(2)(j) [redacted]

Initiative

Continue to identify opportunities to optimise space or rationalise the size of the campus footprint to align with forecast EFTS, capitalising of opportunities to divest or lease out additional campus capacity.

Initiative Owner

Operations Lead

Resources Required:

BAU resources – no additional resources required to implement

Financial Impact

Not quantified

KPIs

- GFA / EFTS
- Timetabling space utilisation data

Key Assumptions

- No assumptions have been made within the pathway to viability modelling on either the optimisation or rationalisation of the campus footprint.
- The estimated efficient space metric is based on demand and supply of space using 2019 EFTS and FTE data, being a normalised year pre-COVID. It also assumes the implementation of best practice asset management and constraints-based timetabling approach, representing an operating model shift from a traditional 50 hours per week / 42 weeks per year timetable to 60 hours per week and 44 teaching weeks per year over a 5-year period. Greater space efficiency could be achieved moving to a 70-hour week and 48 teaching weeks over the longer term. If a traditional timetabling system is maintained, it is estimated that efficient use of space would be ~21,000sqm.

Key Dependencies

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

Key Risks and Mitigations

- Crowded spaces impacting the student experience or limiting future capacity and programme offerings. *Mitigation: Any actions taken will consider both the current and forecast needs of the campus.*

RASCI

Responsible	Accountable	Supportive	Consulted	Informed
· Operations Lead - SIT	· Facilities Manager	· Finance · Te Pūkenga Property		· Senior Leadership Team

Key Activities

#	Actions	Responsible	Timing
8.1	**Property** • Explore opportunities for subleasing surplus campus accommodation. SIT is currently exploring an opportunity with Otago University for leasing space (~100m of office space and 3 dedicated classrooms) to support delivery of Otago University programmes delivered in Invercargill. s 9(2)(b)(ii), s 9(2)(j) [redacted]	Operations Lead	November 2024 & Ongoing
8.2	• Review the existing campus footprint and consider how the campus could be reconfigured to optimise space and divest surplus property assets as part of campus master planning. *Opportunities include:* s 9(2)(b)(ii), s 9(2)(j) [redacted]	Facilities Manager	By Sept 2025
8.3	• Consider how SIT will utilise space at Grace Street, assuming the Community Project funding is obtained and completed. s 9(2)(b)(ii), s 9(2)(j) [redacted]	Operations Lead	Upon confirmation of build of the facility (2 yrs. + away)
8.4	**Monitoring and Reporting** • Quarterly reporting of improvement initiative activities and along with identified benefits to the SIT Pathway to Viability Steering Group.	Operations Lead	Quarterly

Initiative Implementation Timelines

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

	2024		2025				2026			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

Initiative 1: Grow International EFTS
- Develop and execute a comprehensive recruitment and pricing strategy
- Streamline the application process
- Review existing agent agreements, streamlining these and introducing KPI's to assess performance
- Increase the number of MOU's with partner institutions
- Re-launch the zero fees English language programme for 2026 enrolments
- Increase capacity of the international team in line with targeted EFTS growth to support

Initiative 2: Grow Domestic EFTS
- Develop and execute a comprehensive recruitment strategy
- Leverage lessons learned for semester two and future recruitment campaigns
- Review and simplify the enrolment process and applications turnround times
- Implement the LMS improvements project to improve retention and learner success
- Ensure programme offerings are aligned with student, regional and industry needs

Initiative 3: Exit Provision in Christchurch and Divest Surplus Assets
- Engage with Ara on the transition of trades and MAINZ programmes
- Consult with staff on proposed changes
- Communicate final decisions based on consultation and feedback
- Develop and execute a transition plan to deliver the outcomes
- Initiate the sales process to divest the Christchurch campus and other surplus assets

Initiative 4: s 9(2)(b)(ii), s 9(2)(j) [redacted]

Initiative 5: s 9(2)(b)(ii), s 9(2)(j) [redacted]

On-going monitoring and reporting on progress with each initiative

Initiative 6: Improve Academic Margins
- Implement a hiring freeze
- Review 2025 programmes in light of 2025 enrolments and submit recommendations for closures
- Consult with impacted staff
- Communicate final decisions based on consultation and feedback
- Update FY25 forecasts in light of changes
- Monitor total teaching hours to ensure efficient allocation of staffing and maintain strict cost control
- Exit, where applicable, any property, leases and divest surplus assets following teach out

Initiative 7: Right Support and Trading Functions
- Implement a hiring freeze
- Review support and trading areas, right size FTE and operating costs to support the pathway to viability
- Consult with impacted staff
- Communicate final decisions based on consultation and feedback
- If 2025 EFTS growth is not achieved, take further action to right size support functions
- Update FY25 forecasts in light of changes
- Maintain strict cost control

Initiative 8: Property Rationalisation
- Explore opportunities for subleasing surplus campus accommodation
- As part of the campus master planning review the Invercargill campus footprint to identify opportunities for property consolidation overtime
- Consider how SIT's commitment to space in community facilities will be utilised

On-going monitoring and reporting on progress with each initiative

Base Case Indicative Forecast | Financial Performance

Assuming implementation of the improvement initiatives, SIT's indicative forecasts, underpinned by strong EFTS growth, show a return to surplus in 2026, which indicates that SIT could be established as a standalone entity on 1 January 2026. There is risk associated with the forecast EFTS which would require further cost reductions if the forecast EFTS growth is not achieved.

Summary EFTS	2024	2025	2026	2027	2028	2029
Domestic EFTS	3,629	3,831	3,818	3,910	3,930	4,008
International EFTS	317	497	605	675	771	848
Total EFTS	**3,946**	**4,328**	**4,423**	**4,585**	**4,701**	**4,856**
Profit and Loss Statement ($000)						
Revenue						
Government Funding	32,965	33,325	35,557	37,061	37,991	39,526
Other Government Funding	-	2,721	2,965	3,063	3,132	3,229
Tuition Fees - Domestic Students	736	102	106	112	115	119
Tuition Fees - International Students	7,312	11,958	12,486	13,095	15,114	16,882
Other Teaching Income	3,913	5,531	5,278	5,484	5,624	5,852
Trading Income	4,199	3,673	2,893	2,951	3,010	3,070
Other Income	187	285	272	285	296	309
Total Revenue	**49,311**	**57,595**	**59,557**	**62,050**	**65,281**	**68,988**
Operating Expenses						
Personnel Costs	31,792	31,681	30,820	31,658	32,762	33,806
Teaching Delivery	7,789	7,803	8,375	8,795	9,370	9,981
Infrastructure	4,261	4,204	3,741	3,711	3,787	3,864
Administration	4,869	6,077	6,198	6,490	6,819	7,141
Total Operating Expenses	**48,711**	**49,766**	**49,134**	**50,655**	**52,738**	**54,792**
EBITDA	**600**	**7,829**	**10,423**	**11,395**	**12,543**	**14,196**
EBITDA Margin	1.2%	13.6%	17.5%	18.4%	19.2%	20.6%
Depreciation and Amortisation	10,054	9,370	7,948	7,366	7,255	7,560
EBIT	**(9,454)**	**(1,540)**	**2,475**	**4,029**	**5,288**	**6,635**
Net Interest Income	715	555	576	884	1,068	1,280
Net Surplus Before Unusual Items	**(8,738)**	**(986)**	**3,051**	**4,913**	**6,356**	**7,915**
Net Operating Surplus Margin	-17.7%	-1.7%	5.1%	7.9%	9.7%	11.5%
Unusual Items						
Gain / Loss on disposal of PPE	-	31	(7,374)	-	-	-
Other Unusual or Non Recurring items	(846)	(1,212)	(110)	-	-	-
Total Unusual Items	**(846)**	**(1,181)**	**(7,484)**	-	-	-
Net Surplus/(Deficit)	**(9,584)**	**(2,167)**	**(4,434)**	**4,913**	**6,356**	**7,915**

- The indicative financial forecasts, show a return to profitability in FY26, predicated on strong domestic and international EFTS growth, the return of SAC funding and the implementation of the Financial Improvement Plan initiatives focused on achieving the EFTS growth, improving academic margins, exiting the Christchurch, MAINZ, s 9(2)(b)(ii), s 9(2)(j) [redacted] and rightsizing support costs.
- The Financial Improvement Plan savings are largely realised by the end of 2026, with further improvements in EBITDA over FY27 to FY29 from the ongoing annual impacts of the savings, further EFTS growth, with internationals returning towards pre-COVID levels by FY29, and SIT maintaining a relatively fixed cost structure across personnel (excluding contracted delivery), infrastructure and administration costs.

Key assumptions underpinning the indicative financial forecasts include:

- **Domestic EFTS growth** of 5.5% in FY25, which while below the FY25 MoE SAC L3+ ITP sector forecast of 8.7%, assumes EFTS lost from Christchurch, MAINZ s 9(2)(b)(ii), s 9(2)(j) [redacted] campuses (325 FY24 forecast EFTS) will be replaced with Invercargill EFTS. Domestic EFTS growth across FY26 to FY29 is reduced to an average 1% per annum but is contrary to the MoE's forecast for a contraction of ITP EFTS across the sector of ~4% per annum (FY26 – FY28). As set out in the current state analysis, historically SIT have been able to increase market share in a declining market with their zero-fee programme across all years of study (vs the Government's one year of free fees) and SIT2LRN delivery mode differentiating it from other ITP's.
- **International EFTS growth** of 57% in FY25, from the FY24 forecast (48% from the YTD EFTS of 336), based on increased offers of place received to date and recent in-country marketing initiatives by SIT. Significant EFTS increases are also forecast for FY26 to FY29, with 22% in FY26 supported by reductions in SIT's international fees to encourage more students to Southland. The annual average EFTS growth reducing to 12% per annum FY27 to FY29, with EFTS returning to pre-COVID levels by FY29.
- **Inflation:** FY26 to FY29 - 2% per annum across both revenue and expenditure.

- **Government Funding** in FY25 at UFS transitional funding rates per domestic EFTS, with a shift to SAC funding rates in FY26, increasing revenue ~$1.9m. In addition, ~$0.2m (20% Learner Component funding) is returned to SIT in FY26 from Te Pūkenga. SIT is the only business unit modelling the change to SAC funding due to its materiality in relation to SIT's extramural delivery and zero fees environment. There is downside risk if SAC changes do not proceed as modelled.
- **Tuition Fees – International Students:** on a per EFTS basis reduce from FY26 with the introduction of fee discounts from FY26 (13%) and FY27 (5%) to reduce international fees to ~$18k/EFTS. In addition, SIT re-establish their zero fee English programme to support students who do not meet the required level of English language for entry into mainstream study of multiyear diploma or degree programmes. If students subsequently met the English language requirements the English language tuition fee is credited off their first year of study. Fee credits of $0.25m in FY26 increasing to $0.6m in FY29 have been forecast.
- **Other teaching Income:** comprising SIT's direct materials fees (in charged in lieu of student fees), Industry Training Organisation (ITO) and STAR funding are 100% variable with growth in EFTS across relevant programmes.
- **Trading income:** reduces from FY24 with the proposed closure of the café in FY25 [redacted] s 9(2)(b)(ii) [redacted]
- **Collectively these assumptions result in an increase in revenue from $43.9m FY24 forecast to $68.9m in FY29.**
- **Operating expenditure increases in FY25** by $1.05m, despite the initiation of the Financial Improvement Plan, as a result of negotiated personnel cost increases and previously centralised costs for the likes of insurance, marketing, software licenses, internal audit returning from Te Pūkenga.
- **Personnel costs**, SIT's largest cost is largely constrained within the indicative forecasts. This is on the assumption that:
  - SIT's academic SSR (excluding SIT2LRN and Te Reo contracted delivery) improves from the current 13:1 (FY24) to 18:1 by FY29. This is considered achievable by SIT, based on previous pre COVID ratios (17:1 FY18/FY19), s 9(2)(b)(ii) [redacted] and international students typically being attracted to programmes that support larger class sizes (i.e. commerce, management, information technology). Academic personnel costs are modelled as 10- 20% variable with EFTS for on-campus programmes and 100% variable with EFTS for programmes where delivery is contracted.
  - Allied / non-academic personnel costs are also constrained with savings identified in FY25 as part of the academic margin improvement, right sizing of support functions and closure of campus initiatives. After the realisation of savings, FTE is largely held constant, with the exception of targeted growth across the likes of the international, marketing and administration teams from FY26 to accommodate the increase in EFTS. In total 12.5 allied FTE are phased in from FY26 to support step changes in growth.
- **Teaching delivery costs** are 100% variable with EFTS across the academic departments and 50% variable with EFTS for the support departments, based on SIT's analysis of the variability of the expenditure.
- **Infrastructure and administration** costs are largely fixed (up to 5% variable with EFTS). Infrastructure costs reduce in FY27 following the expected sale of the Christchurch s 9(2)(b)(ii), s 9(2)(j) [redacted] campus in FY26. Step changes in administrative costs are also added for additional domestic and international marketing from $0.1m in FY26 to $0.48m in FY29 to support the EFTS growth initiatives.
- **Collectively these assumptions result in an improvement in SIT's EBITDA margin from 1.2% forecast in FY24 to 20.6% in FY29.**
- **Depreciation reduces over the forecast period** due to both the divestment of assets and capital expenditure, with business-as-usual expenditure decreasing as the campuses are divested and no major project spend forecast. No assumption on future asset revaluations is incorporated within the forecasts.
- **Net interest income increases as EBITDA increases**. Interest rates are forecast decrease from 3.92% in FY25 to 2.67% in FY29.
- s 9(2)(b)(ii), s 9(2)(j) [redacted]
- **Non-Recurring Items:** $2.18m, including $1.97m of transformation costs related to HR and legal transformation support ($0.36m) and redundancy payments ($1.6m) for initiatives modelled. $0.75m of the redundancy payments is expected to occur in FY24 and is the only adjustment made to the FY24 forecasts.

Base Case Indicative Forecast | Performance Metrics

With strong EFTS growth and implementation of cost saving initiatives, SIT is forecast to exceed the ITP sector target performance metrics by FY26, with headroom in EBITDA margin if cost and revenue inflation do not align as forecast or additional step changes in costs are required to align with volume.

SIT - Base Case	Target	2024	2025	2026	2027	2028	2029
Personnel to Revenue ratio	<60%	64%	55%	52%	51%	50%	49%
EBITDA Margin	11%+	1.2%	13.6%	17.5%	18.4%	19.2%	20.6%
Net Operating Surplus Margin	2+%	-17.7%	-1.7%	5.1%	7.9%	9.7%	11.5%
Academic SSR	19:1	24:1	33:1	35:1	37:1	37:1	38:1
Academic SSR excl. contracted delivery	19:1	*13:1*	*15:1*	*16:1*	*17:1*	18:1	*18:1*
Allied to Academic Staff Ratio		1.5:1	1.5:1	1.5:1	1.6:1	1.6:1	1.6:1
Domestic EFTS		3,629	3,831	3,818	3,910	3,930	4,008
International EFTS		317	497	605	675	771	848
Total EFTS		3,946	4,328	4,423	4,585	4,701	4,856
Staff – Academic Total		162	132	128	125	126	128
Staff – Non Academic Total		243	203	191	194	199	201
Staff – Total FTE		406	336	318	320	325	329
Total Programmes delivered		210	176	170	169	169	169
Programmes discontinued			34	40	41	41	41
Investment in PPE/Depreciation		197%	50%	59%	71%	76%	74%

- SIT's performance against the ITP sector key performance metrics is summarised in the table to the left.
- SIT achieve the financial metrics by FY26 through growth in EFTS and savings under the Financial Improvement Plan.
- Margins continue to improve with forecast EFTS growth and tight cost control. There is headroom within the margins should cost inflation increase at a greater rate than revenue inflation or if additional step changes in cost is required to accommodate the volume of EFTS. Refer the sensitivity analysis and downside scenario sections below for how this may vary under differing assumptions.
- The target sector academic SSR is 19:1, which includes the impact of extramural delivery by SIT2LRN and Open Polytechnic which have higher EFTS to academic staff ratios.
- SIT's Academic SSR is above the sector average of 19:1 due to the impact of SIT2LRN and Te Reo contracted delivery programmes which have zero academic FTE and ~2,300 FY25 forecast EFTS. When adjusted for these EFTS, SIT's Academic SSR reduces from 24:1 to 13:1 in FY24. As noted previously above, the ratio is forecast to improve to 18:1 by FY29, which while better than SIT's historical FY18 and FY19 rate of 17:1, s 9(2)(b)(ii) [redacted]
- An investment in property plant and equipment (PPE)/Depreciation metric has been included, as an indicator of capital spend. SIT's ratio increases over the forecast period, with the annual average business as usual investment in PPE at ~$5.2m per annum, over a reducing depreciation balance.

Base Case Indicative Forecast| Balance Sheet

SIT has sufficient ring-fenced funds to support it being stood up as a standalone entity on 1 January 2026, with up to $6.5m of funds in excess of capitalisation requirements at risk of being returned to Te Pūkenga.

Balance Sheet	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29
Assets						
Cash and Cash Equivalents	16,097	12,181	28,231	35,144	43,098	52,790
Trade & Other Receivables	2,708	3,171	3,279	3,417	3,585	3,799
Other Current Assets	1,511	1,511	1,511	1,511	1,511	1,511
Total Current Assets	**20,316**	**16,863**	**33,021**	**40,072**	**48,195**	**58,100**
Property, Plant and Equipment	139,310	134,095	113,504	111,366	109,599	107,610
Total Non-Current Assets	**139,310**	**134,095**	**113,504**	**111,366**	**109,599**	**107,610**
Total Assets	**159,625**	**150,959**	**146,525**	**151,438**	**157,794**	**165,709**
Liabilities						
Trade & Other Payables	901	901	901	901	901	901
Employee Entitlements	2,913	2,913	2,913	2,913	2,913	2,913
Revenues in Advance	10,277	10,277	10,277	10,277	10,277	10,277
Other Current Liabilities	275	275	275	275	275	275
Total Current Liabilities	**14,367**	**14,367**	**14,367**	**14,367**	**14,367**	**14,367**
Employee Entitlements	401	401	401	401	401	401
Total Non-Current Liabilities	**401**	**401**	**401**	**401**	**401**	**401**
Total Liabilities	**14,768**	**14,768**	**14,768**	**14,768**	**14,768**	**14,768**
Net Assets	**144,857**	**136,191**	**131,757**	**136,670**	**143,026**	**150,941**
Equity						
General Funds	144,857	142,691	138,257	143,170	149,526	157,441
Return of Funds to TP	-	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)
Total Equity	**144,857**	**136,191**	**131,757**	**136,670**	**143,026**	**150,941**

Key assumptions underpinning the indicative balance sheet include:

- **Net assets** increasing from $144.8m to $150.9m in FY29 with the balance sheet assumptions largely consistent year on year, 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.
- **Property Plant and Equipment** reduces over the forecast period with the divestment of assets worth $17.4m (FY24 net book value), and lower required capital investment. Capital expenditure represents business-as-usual capital expenditure s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted], with no major projects forecast over the period. The forecasts include no assumptions on future asset revaluations, or their impact on depreciation.
- **Trade and Other Receivables** assume 20 days in receivables.

Base Case Indicative Forecast | Cashflow

Net cashflows are forecast to be positive in all years, prior to the potential return of excess funds to Te Pūkenga. Cash balances increase by $36m over the forecast period with $10.5m for the sale of assets and the balance for improved performance.

Cash Flow Statement	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29
Operating Cash Flows					
Operating Inflows	57,132	59,449	61,913	65,113	68,774
Operating Outflows	(49,766)	(49,134)	(50,655)	(52,738)	(54,792)
Unusual & Non-recurring Items	(1,212)	(110)	-	-	-
Net Interest Income	555	576	884	1,068	1,280
Net Operating Cash Flow (CFO)	**6,708**	**10,781**	**12,142**	**13,443**	**15,262**
Investment Cash Flows					
Purchase of Assets	(4,687)	(4,717)	(5,229)	(5,488)	(5,571)
Sale of Surplus Assets	562	9,986	-	-	-
Other Investment Cash Flows	-	-	-	-	-
Net Investment Cash Flow (CFI)	**(4,124)**	**5,269**	**(5,229)**	**(5,488)**	**(5,571)**
Financing Cash Flows					
Commercial Debt	-	-	-	-	-
Crown Debt	-	-	-	-	-
Finance Leases	-	-	-	-	-
Other Financing Cash Flows	(6,500)	-	-	-	-
Net Financing Cash Flow (CFF)	**(6,500)**	**-**	**-**	**-**	**-**
Net Increase in Cash Held	**(3,916)**	**16,050**	**6,913**	**7,955**	**9,691**
Opening Cash Balance	16,097	12,181	28,231	35,144	43,098
Closing Cash Balance	**12,181**	**28,231**	**35,144**	**43,098**	**52,790**

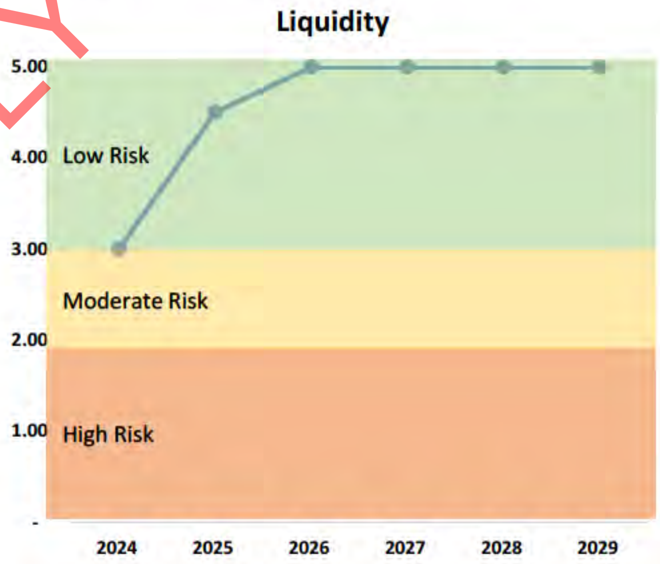
Key assumptions underpinning the indicative cashflow include:

- Closing Cash in FY25 includes forecast year-end ring-fenced funding of ~$10.3m (~$9.9m 2024), and $10.5m from the divestment of assets across FY25 and FY26. SIT's positive free cashflows are not dependent on realising the funds from asset sales.
- Day one capitalisation requirements are nil on the basis SIT has ring fenced funds of ~$10.3m and working capital requirements do not exceed this amount, with timing of cash inflows reasonably matching the outflow (i.e. government funding is received monthly, international fees are received in advance of study and domestic student material fees at the commencement of study). This position is unchanged under the downside scenario, with sufficient cash balances to fund losses while further mitigations / improvements are made.
- At Risk Cash / Return of Funds to TP under the base case scenario, SIT is forecast to have ~$18.6m of cash and cash equivalents at the end of 2025, meaning that ~$6.5m is potentially available to return to TP. This ~$6.5m has been removed from the base case scenario cash forecasts. Should the full cash be retained by SIT, additional interest income would be derived at ~$0.19m at a 2.85% interest rate. Refer Appendix D for the potential recapitalisation calculation.

Base Case Indicative Forecast |Financial Monitoring Framework

SIT's financial risk, as measured under TEC's Financial Monitoring Framework, is forecast to reduce from high profitability risk in FY24 to low risk by 2026, as SIT's net surplus and core earnings profitability ratios improve. Liquidity risk remains low over the forecast period.

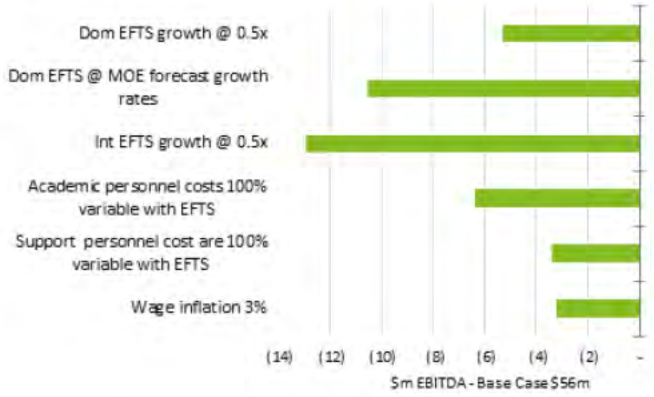
- TEC's Financial Monitoring Farmwork (FMS) is used to assess financial risk of tertiary education institutions (TEIs). The FMS calculates a low, medium and high-risk rating across three profitability, liquidity and debt affordability measures. Debt affordability is not relevant to SIT who have no debt.
- The profitability risk rating represents a weighted rolling average of both historical and forecast profitability across three profitability ratios. It highlights that SIT will transition from a high risk to low risk by 2026 with forecast EFTS growth and savings the key drivers of the change in risk rating.
- Liquidity risk remains low over the period to FY29 as SIT continue to have sufficient net cashflows and liquid assets to cover operations.



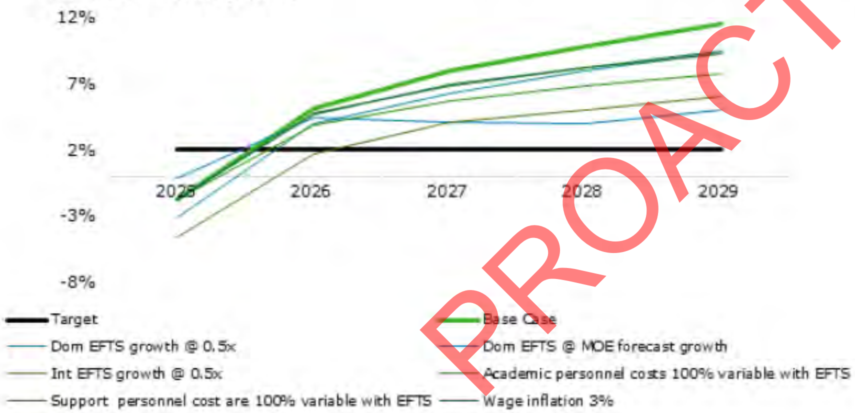
Base Case Indicative Forecast | Sensitivity Analysis

SIT's financial performance was tested for sensitivity to changes in EFTS and personnel costs. EFTS drive ~90% of revenue, while personnel costs account 60% of operating expenses. The sensitivities below highlight that reductions in international EFTS will have the most impact with SIT falling below the 2% net surplus target in FY26 when international EFTS growth is halved each year.

FY25-FY29 EBITDA



FY25 - FY29 Net Surplus %



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

1. **Domestic EFTS growth each year is half of the base case**
   - Cumulative EBITDA across FY25 to FY29 reduces by $5.3m, SIT still returns to profitability in FY26 with a 3.9% net surplus margin vs 5.1% in the base case.
2. **Domestic EFTS growth at MoE forecast rates for the ITP sector**
   - The MoE forecasts 8.7% growth in the ITP sector SAC L3+ EFTS in FY25 and then a contraction in EFTS at an average annual rate of -4.1% per annum across FY26 to FY28. The MoE growth rates result in a cumulative $10.5m reduction in EBITDA over FY25 – FY29, however the FY25 net surplus margin of -0.2% is improved relative to the base as the MoE's forecast growth is higher than the base case by ~315 EFTS.
3. **International EFTS growth each year is half of the base case**
   - Cumulative reduction in EBITDA of $12.9m, and reduction in net surplus margin 1.6% in FY26, below the 2% sector target. The impact of a reduction in international EFTS is further tested in the downside scenario.
4. **Academic personnel costs are 100% variable with EFTS**
   - Reduces cumulative EBITDA by $6.4m over FY26 to FY29 and drops the academic SSR from the base case 18:1 to 15:1. The net surplus margin reduces to 3.9% from 5.1% in base case when costs are only 10-20% variable for on-campus programmes and 100% variable for contracted delivery.
5. **Support personnel costs are 100% variable with EFTS**
   - Reduces cumulative EBITDA by $3.4m when costs are adjusted from 2% variable with EFTS to 100% variable with EFTS. The net surplus margin in FY26 remains above the 2% sector target.
6. **Wage inflation at 3% per annum**
   - Wage inflation increases from 2% per annum to 3% per annum, reducing EBITDA by $3.4m over FY26 to FY29, the net surplus margin remains over the target 2% from FY26.

Downside Indicative Forecast | Summary Financials

The downside scenario, with flat domestic and modest international EFTS growth, demonstrates that with additional rightsizing of poor performing programmes and support costs, SIT can still return to profitability in FY26 and could be standalone on 1 January 2026 with sufficient ring-fenced funds available to support these downside levels of growth.

Summary Financial Performance	2024	2025	2026	2027	2028	2029
Total Revenue	49,311	53,226	54,590	55,943	57,975	60,098
Total Direct Expenditure	48,711	46,999	45,586	46,204	47,482	48,844
EBITDA	600	6,227	9,003	9,738	10,493	11,255
EBITDA Margin	1%	12%	16%	17%	18%	19%
EBIT	(9,454)	(3,143)	1,055	2,372	3,238	3,694
Surplus/(Deficit) before Abnormal Items	(8,738)	(2,543)	1,677	3,260	4,261	4,864
Net Operating Surplus Margin	-18%	-5%	3%	6%	7%	8%
Trust and Abnormal Items*	(846)	(1,514)	(7,484)	-	-	-
Surplus/(Deficit)	**(9,584)**	**(4,056)**	**(5,807)**	**3,260**	**4,261**	**4,864**
Summary Financial Position						
Cash and ST Investments	16,097	14,482	29,191	34,514	40,439	47,166
Total Debt	-	-	-	-	-	-
Summary Free Cashflow						
Cashflow from Operations		5,059	9,440	10,552	11,413	12,298
Less Capital Expenditure		(4,687)	(4,717)	(5,229)	(5,488)	(5,571)
Plus Proceeds from Asset Sales		562	9,986	-	-	-
Free Cashflow		**935**	**14,709**	**5,323**	**5,925**	**6,728**
Cash in excess of capitalisation requirements		(2,550)	-	-	-	-
Net Cashflow		**(1,615)**	**14,709**	**5,323**	**5,925**	**6,728**
Summary EFTS						
Domestic EFTS	3,629	3,612	3,612	3,612	3,612	3,612
International EFTS	317	400	450	500	550	600
Total EFTS	**3,946**	**4,012**	**4,062**	**4,112**	**4,162**	**4,212**

Key assumptions

- This scenario reduces SIT's EFTS growth, holding domestic EFTS flat at 3,612, being SIT's latest 9+3 2024 forecast, international EFTS include a modest increase to 400 in 2025 (336 YTD September 2024), and incremental increases of 50 EFTS per annum thereafter.
- The downside includes the base case improvement initiatives of exiting Christchurch, MAINZ, s 9(2)(b)(ii) [redacted], closing identified low performing programmes and delivering the identified trading and support services cost savings.

- The scenario assumes the reduction in domestic and international EFTS is from:
  - Closure of a further [redacted] programmes which are either budgeted s 9(2)(b)(ii) [redacted] These programmes have 155.8 EFTS (2025 budget - 133 domestic and 22.8 international). s 9(2)(b)(ii) [redacted] 13 FTE are impacted through the programme closures (no redundancy is assumed on the basis FTE are short term causal FTE).
  - Reduced growth across SIT2LRN programmes, equating to 86 EFTS in 2025 and a loss of $0.558m of contribution margin.
  - Reduced international EFTS growth across all programmes, equating to 74 EFTS in 2025 and a loss of $1.560m of contribution margin.
- Further mitigations have been identified by SIT under the downside scenario and are incorporated within the modelling. This includes:
  - 13.5 FTE reduction across support functions, with 75% of the savings, ($0.712m), realised in 2025. 2025 savings are partially offset by redundancy costs of $0.33m.
  - $0.15m of direct costs savings across information technology, marketing and facilities (a further $0.1m of depreciation savings are expected but not modelled).
- All other assumptions are consistent with the base case, however stepped changes in FY26 to FY29 for international, marketing and administrative FTE do not occur with EFTS levels triggering the changes not reached, stepped increases in marketing spend are also reduced.
- This scenario highlights, that with reduced growth, SIT returns to profitability in 2026. Free cashflows are positive in all years, with ~$2.55m assumed to be returned to TP at the end of 2025 as cash in excess of capitalisation requirements (Refer Appendix D for the downside potential recapitalisation calculation).

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 SIT '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 responsible for delivering 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 Operations Lead will have overall responsibility for delivering the plan. Appointing a programme lead, who will report to the Operations Lead, 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 Financial 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.
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 Operations Lead, GM Strategy, Chief information Officer Digital, Finance Manager, Human Resources Manager, and Heads of Faculty.
  - 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 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 Improvement Plan, and what external support will be required, including from Te Pūkenga change management, HR and property teams, to support the various Improvement Plan workstreams.

Financial Management Practices and Controls

- A structured approach to financial management will be key over the next period as SIT 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 academic departments, support functions, and other trading activities.	Ongoing	Finance Manager
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 Operations Lead (supported by a strong justification for the request).	Ongoing	Operations Lead and HR
	• Monitor and review the impact of hiring freezes on staffing needs and workload.	Monthly	Operations Lead and HR
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	International Manager and GM Digital Marketing and Administration
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	Facilities Manager, Finance Manager

Area	Activity	Frequency	Responsibility
	• 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. 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 benchmarks (sourced from comparable ITP's and the Tribal/ETIO Benchmark tool), to identify areas for on-going improvement / streamlining.	Quarterly	Heads of Faculty and Finance Manager
6. 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
7. Accountability from the academic departments for their financial outcomes	• Elevate financial and commercial literacy throughout the organisation, particularly the academic departments. • Finance to work closely with academic departments and programme heads to ensure a sound understanding of financial management and reporting.	Quarterly	Finance Manager
	• Hold monthly meetings with the Heads of Faculty 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 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, on changes to programmes, people, or property, are subject to consultation and requirements under SIT's employment obligations and require approval by SIT and/or Te Pūkenga as per delegations of authority.

Growth in international EFTS

- The Plan assumes reaching a target of ~500 international EFTS for 2025. This is supported by activities including:
  - International fee reductions – noting Te Pūkenga approval for this is required.
  - Study grants for selected bachelor programmes.
  - Limited accommodation scholarships for engineering students.
  - Increase in marketing staff located in international markets.
- As a result of the significant focus on increasing international EFTS to support the plan, SIT is reporting a ~46% - 48% increase in offers of place when compared to the prior two years (586 year-to-date 1 November vs 396 last year). These increases have been attributed to an earlier start in marketing as well as the study grants available.

Domestic growth initiatives

- SIT also assumes growth in domestic EFTS on the basis of:
  - Additional intakes for SIT2LRN in 2025;
  - Early bird (50%) discounts on materials fees for SIT2LRN;
  - Zero Fees availability for all SIT2LRN and on-campus study s 9(2)(b)(ii) [redacted]; and
  - Brand refresh and increased marketing activity.
- SIT is reporting an increase of 432 in domestic applications compared to the same time last year.
- SIT assumes greater growth potential than the school leaver data the MoE publishes would suggest, due to a higher proportion of learners being in-work or non-school leavers. This contributes to ongoing optimism in meeting the domestic EFTS growth required. SIT's Graduate Survey (October 2023) shows that 77% of graduates were in paid work during their study, with 52% working full time.

Other assumptions:

- **Programme review:** all programmes reviewed will be subject to staff consultation.
- s 9(2)(b)(ii), s 9(2)(j) [redacted]
- s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted]

Key Risks and Issues

Funding

- There is a risk the return to SAC funding and ~$2m uplift in 2026 does not materialise as modelled. Approximately $1.1m of the increase relates to SIT2LRN extramural delivery, which has lower course completions (~69%, FY23) relative to SIT's intermural delivery (FY23 81%), s 9(2)(b)(ii) [redacted].
- There is a risk from 2025 (and outyears) that not all EFTS are fully funded and as there is no domestic fee buffer (due to Zero Fees) SIT will not be able to meet its growth targets that underpin this plan.

Campus closures

- s 9(2)(b)(ii) [redacted] To meet the 2026 timeframes for viability, activity will need to be undertaken at pace. However, if these are not carefully sequenced and managed there is a risk that the current human resources capacity available at SIT will be insufficient to support the programme of work, given the consultation processes and potential scale of impacted staff.

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

[redacted]

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.

Capacity and capability to deliver the viability plan

- If investment in change and HR support is not made there is a risk that, due to the lean model SIT runs, it will not have the capacity to continue to deliver the BAU activities while delivering the range of viability initiatives required in the next 12 months.

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

Asset risks

- There are two buildings yet to be assessed for seismic risk on the Invercargill campus, as such the capital expenditure requirements are unknown until this occurs.

  No allowance has been made in the financial modelling to address seismic remedial work for these two buildings.

- No key technology risks were identified by the Digital Lead for Rohe 4 from an infrastructure and support perspective. In addition, management are of the view that there is sufficient capability, capacity and funding in the 2025 budget that no additional investment will be required in SIT2LRN.

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 transition / 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 SIT's reputation and key stakeholders are not correctly informed as to the rationale / need for the change to be implemented.

  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.

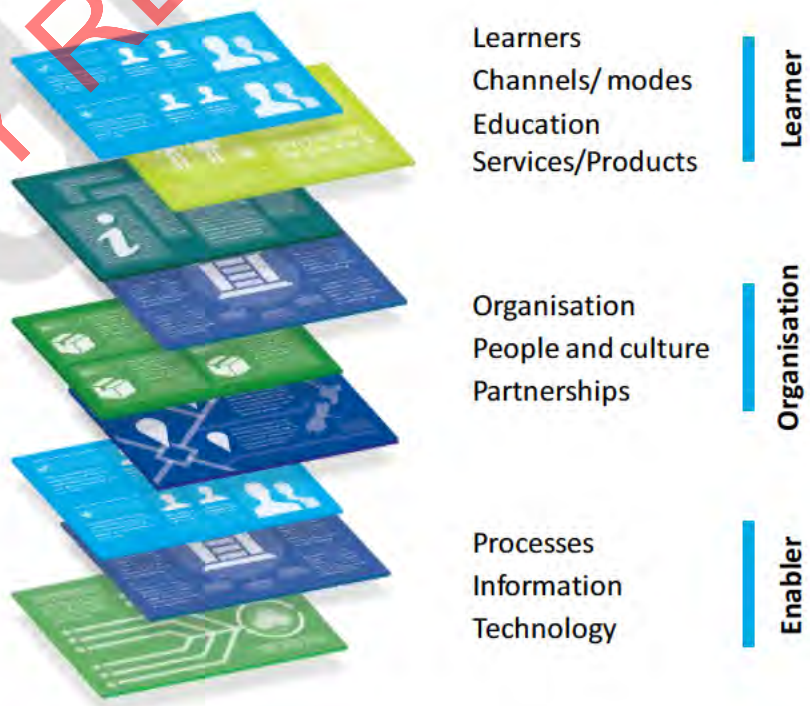
During the implementation planning phase, a detailed programme risk register will be developed that will incorporate the above risks (and other key risks associated with specific initiatives) and the agreed mitigations. This risk register will be regularly updated to reflect the status of each risk.

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.

Overview

- An operating model describes how the different dimensions or layers of SIT 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 as a result of the initiatives that have been developed to return SIT to stand alone on 1 January 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 delivering to a greater number of students through a smaller number of campuses and technology-enabled extramural delivery, re-focusing programme delivery to better reflect learner demands, setting SIT up for success as a cost-efficient stand-alone entity. Taken together these form our design principles for the operating model changes that result from the viability 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.
- New processes and financial controls are set out on pages 43-44 of this report.



Key Shifts

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

ACADEMIC SERVICES

1 Rationalisation of Programmes

- Streamlined programme offerings to align with learner demand
  - Closure of low viability programmes or delivering a negative contribution margin.
  - Pro-active decision to offer programmes that provide a pipeline for future learners into SIT.
  - Focus on in-regional campus-based delivery.

2 Reduced campus footprint

- On-campus delivery prioritised within the Southland region
  - Divestment of campuses no longer required in Christchurch [redacted] s 9(2)(b)(ii), s 9(2)(j)
  - s 9(2)(b)(ii), s 9(2)(j) [redacted]
  - Continued delivery through distance and hyflex delivery modes to attract out of region learners.

3 Investment in EFTS growth

- A learner profile that reflects significant growth in international and domestic EFTS
  - Enhanced international recruitment capacity and mechanisms in market.
  - Increased fee-based incentives to support student attraction and recruitment.

4 Workforce alignment

- An academic workforce that reflects the portfolio of programmes offered and the modes of delivery
  - Reduction of the academic workforce to align with programmes no longer offered.
  - Right-sizing the academic workforce in under-enrolled programmes and 'volume-based' service areas.

SUPPORT SERVICES

5 Changes to Existing Back Office and Trading Functions

- Support functions are enabling a positive financial contribution
  - Reduced support function costs driving improved profitability.
  - Exiting trading functions that cannot deliver a positive contribution margin.
  - Cost control measures are in place and actively monitored.

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

- Domestic EFTS represent 92% of total EFTS at SIT.
- EFTS have been declining since 2021.
- 336 international full fees EFTS (Sept YTD) ~60% below pre-covid levels.
- MOUs in place in Korea with Partner institutions.

PROGRAMMES

- 210 Programmes across nine departments.
- Online Delivery through SIT2LRN and flexible delivery offered through the Hy-Flex model.
- 46% of EFTS are delivered extramurally through SIT2LRN.

WORKFORCE

- A relatively flat academic teaching structure, supported by casual teaching staff.
- A low SSR of 13:1 in 2024 excluding SIT2LRN and Te Reo delivery.
- Academic staff utilisation maximised through the Total Teaching Hours (TTH) model.

INFRASTRUCTURE

- Education delivered across six locations – Invercargill, Queenstown, Gore, Telford, Hornby and the MAINZ campus in Christchurch.
- An underutilised campus at Invercargill.

FUTURE

LEARNERS

- Stem the decline in EFTS and return to pre-covid international and domestic EFTS levels.
- Clear international strategy, target geographies and new MOUs in place in China and Latin America.

PROGRAMMES

- 169 Programmes across five departments.
- Increase in the programmes offering HyFlex model.
- SIT2LRN grows in-line with growth in domestic EFTS

WORKFORCE

- Workforce composition the supports improved academic margins and improved staff to student ratios.
- Academic and support staff costs in-line with relevant sector benchmarks of 18:1. Continued use of TTH to maintain focus on utilisation.
- A streamlined management structure reflecting the scale of SIT's operations.

INFRASTRUCTURE

- s 9(2)(b)(ii) [redacted]
- Reduced campus footprint in Invercargill driving greater utilisation of facilities.

Base functional view (capability map)

The proposed functional view enables us to ensure we have the right capabilities, noting this is not a view of the proposed structure, but focused capabilities.

Schools and departments

Student services

- Student marketing & recruitment
  - Domestic
  - International
- Student administration
  - Planning
  - Timetabling
  - Alumni
- Student health and wellbeing
- Career and academic support management
- Learner Support
- 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 Pūkenga) .
- Property management right-sized reflecting reduction in campus footprint and divestment.
- Re-establishment of Governance and some leadership functions as SIT develops into a stand-alone entity.
- Additional learner support and pastoral care with increases in domestic and international EFTS

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

Changes to the current functions of the SIT Business Division

Approved

Current State Indicative Proposed Impacts

Pathway to Viability initiative impacts – 2025 only

Operations Lead

Academics
- Academic Operations
- Academic Support Unit
- Library
- Bookstore

Reduction FTE	0
New FTE	0
Net Difference	0

Student Services
- Communications
- Student Services

Reduction FTE	0
New FTE	0
Net Difference	0

Māori Development
- Māori Engagement
- Māori Partnerships

Reduction FTE	0
New FTE	0
Net Difference	0

International
- Accommodation
- International Marketing
- International Operations/Support

Reduction FTE	0
New FTE	0
Net Difference	0

Finance, Facilities & Other
- Finance
- Facilities, Care & Cleaners
- Childcare
- Publishing Services
- Kahu Ariki Cafe

Reduction FTE	4.8
New FTE	0
Net Difference	-4.8

Planning, Development, Innovation & People
- People
- Planning
- Development
- Innovation
- Health & Safety

Reduction FTE	0.4
New FTE	0
Net Difference	-0.4

Administration, Marketing and E-learning
- Administration
- E-Learning
- Marketing

Reduction FTE	9.5
New FTE	0
Net Difference	-9.5

Information Technology & Printery
- Printery
- ITS
- BI & Reporting
- Digital Business Solutions
- IT Ops & Project Management

Reduction FTE	1
New FTE	0
Net Difference	-1

The above does not include the budget changes proposed for 2025.

KEY

- NO CHANGE
- REDUCE WORKFORCE
- INCREASE WORKFORCE
- REMOVE WORKFORCE

Current State Indicative Proposed Impacts

Pathway to Viability initiative impacts – 2025 only

Faculty Leadership

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

[redacted]

KEY

NO CHANGE

REDUCE WORKFORCE

INCREASE WORKFORCE

REMOVE WORKFORCE

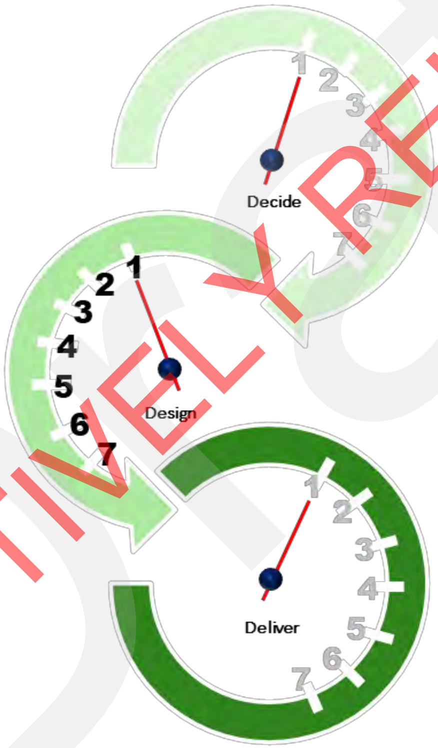
Overall Reduction of 48.3 FTE FY25

Overall Reduction of 20.6 FTE FY26

Overall Reduction of 3.3 FTE FY27

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 SIT and adjust the structure to support the adjusted future state. We recommend the below process for activating and delivering the change safely and effectively.



Leverage the viability analyses and Polytech's objectives
Understand how value will be generated
Conduct current state assessment
Confirm design principles
Leverage the Operating Model to support decisions
Agree on approach and pace
Understand conditions for success and non-negotiables

Agree on capabilities grouping in the Op Model
Early Union Engagement
Draft high level Organisation Design
Complete detailed Organisation Design
Design decision rights, governance and interaction model
Prepare for Consultation
Complete Consultation and Feedback

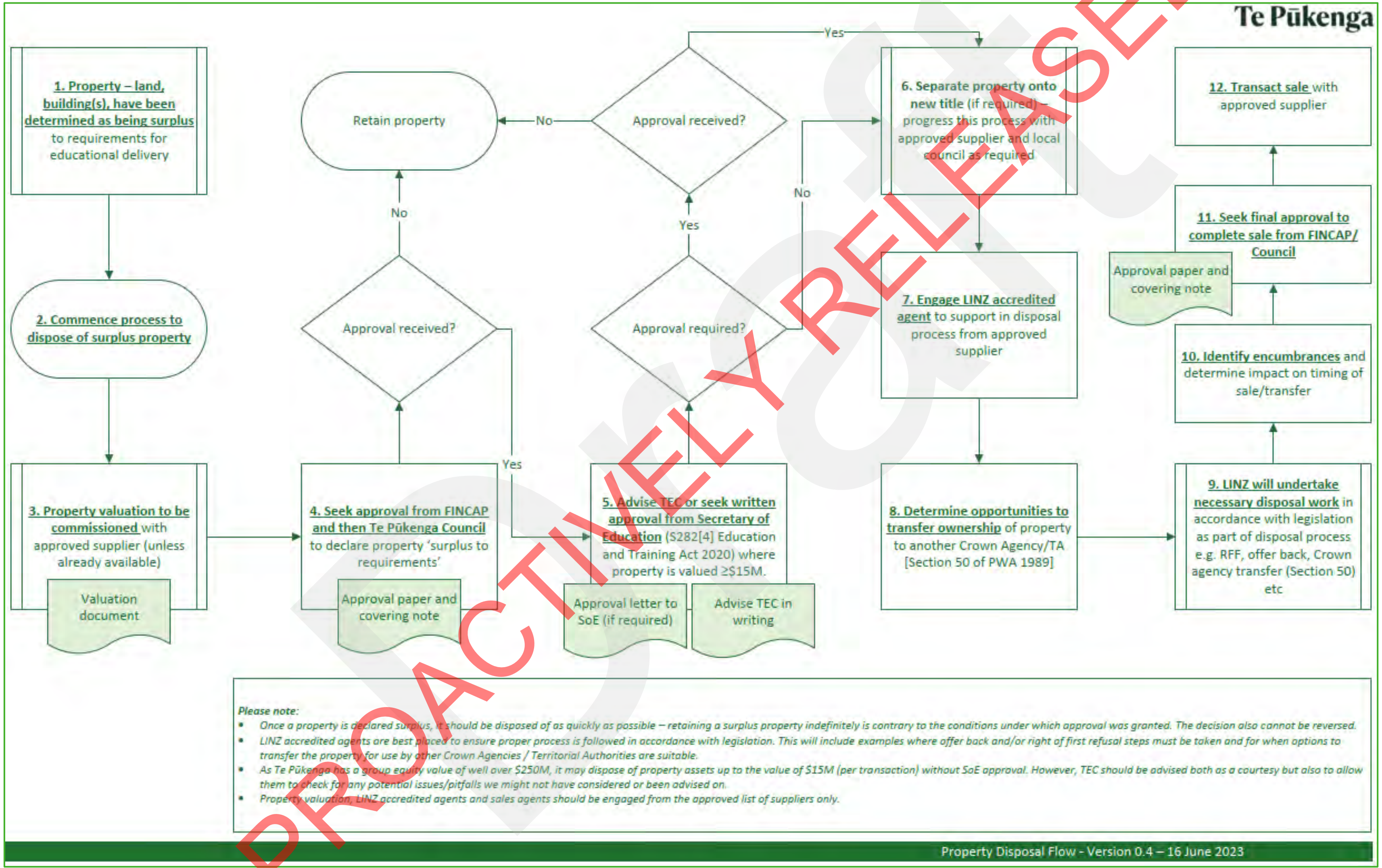
Prepare for and make final decision
Establish governance for implementation
Drive organisation readiness
HR to complete any selection and recruitment
Build on-going capability
Transition leaders and team
Implement any required changes to ways of working

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 | Te Pūkenga Property Disposal Flowchart



Appendix C | SIT Programme Review Guidelines

- Programme viability monitoring begins in September of the previous year.
- The decision 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.
- Staffing review would be undertaken over the following 8 weeks.
- The following table is intended to be a set of guidelines to consider when evaluating programme viability. There are many factors to be considered and not all factors would necessarily be relevant for all programmes. Marketing initiatives, to grow specific areas, may not align to these guidelines.

Criteria	Considerations

s 9(2)(b)(ii)

Appendix D | Potential Recapitalisation Requirements

Southern Institute of Technology	Base Case ($000)	Downside ($000)	Confidence Level	Commentary | Working Assumption
Critical Property needs	2,355	2,355	M	Property and leasehold improvements capital expenditure budget FY25-27 - Per SIT management, this is the business-as-usual investment required to avoid a deferred maintenance position.
Critical IT Investment	4,590	4,590	M	IT business as usual capital expenditure budget FY25-27 as provided by TP Rohe 4 Digital Lead - required to avoid deferred maintenance position
Leased Property / Buy Out / Make Good / Campus Closures	-	-	M	s 9(2)(b)(ii), s 9(2)(j) [redacted]
Crown Loans	-	-	H	
Estimated Redundancy Costs	1,610	1,942	M	FY24 to FY26 Estimate provided by SIT CFO - based on modelled scenarios potential site and programme closures etc.
Est. Teach out costs	1,540	1,496		Net costs of programmes teaching out over FY25 and FY26
Change Management / Support	360	360	M	Estimated change manager, legal fees and HR costs
3 months OPEX - 2026	12,284	11,397	M	Base Case: 2026 OPEX of $49.1m. Downside $45.6m OPEX
Total Funding Needs	**22,739**	22,140		
Funded by:				
Ringfenced Reserves – 31 Dec 2024	9,935	9,935	H	Estimated 2024 closing balance provided by the SIT CFO, which includes interest from August 2024
2025 free cash flow funding	2,022	373	L	Low confidence level reflects the current uncertainty regarding forecasted enrolments
2026 free cash flow funding	6,064	4,723	L	Low confidence level reflects the current uncertainty regarding forecasted enrolments
2027 free cash flow funding	6,913	5,323	L	Low confidence level reflects the current uncertainty regarding forecasted enrolments
Asset Divestment - 2025	562	562	M	Based on SIT's Operations Lead's estimate of the realisable value of non-property assets
Asset Divestment - 2026	9,986	9,986	M	Estimate includes proceeds, based on Collier's valuations, net of associated costs disposal costs per Te Pūkenga guidance and non-property assets proceeds based on SIT's Operations Lead's estimate of the realisable value.
Asset Divestment - 2027+	-	-		
Committed Funding Streams	-	-		
Total self-funding	**35,482**	**30,902**		
Total net capital required	**(12,743)**	**(8,762)**		
Cash balance (ex-ringfenced reserves) – 31 Dec 2024	6,162	6,162		
Potential net capital requirements	**(6,581))**	**(2,599)**		( ) represents potential funds in excess of capital requirements returned to Te Pūkenga
Intercompany Loans Forgiven Total	-	-		

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Appendix E | 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 Southern Institute of Technology (SIT). 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.

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- 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 SIT.
- 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 SIT 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 SIT'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 SIT 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 SIT will be achieved.
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