

22 August 2025 Te Pūkenga - Proactive release of Regional ITP Viability reports

Purpose

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

Background

The Government via the Minister for Vocational Education announced on 7 December 2023 that the Government had begun its process to disestablish Te Pūkenga. <u>Disestablishment of Te Pūkenga begins | Beehive.govt.nz</u>

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

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

- 2024.06.14-Notice-requiring-Te-Pukenga-to-obtain-specialist-help.pdf
- 2024.07.09-Letter-to-Sue-McCormack-Te-Pukenga-re-specialist-help.pdf

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

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

¹ Institute of Technology and Polytechnic (ITP)

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

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.

<u>Financial information and data</u>

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.

Regional ITP Viability Programme Phase 2B - Financial Improvement Plan

Universal College of Learning Approved

PricewaterhouseCoopers

22 November 2024





John Fisk Partner

s 9(2)(b)(ii)

Richard Nacey Partner

s 9(2)(b)(ii)

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Te Pūkenga Approved

Attention: Gus Gilmore \$ 9(2)(b)(ii)

By email: s 9(2)(b)(ii)

Copied to: s 9(2)(b)(ii)

22 November 2024

Dear Gus and 59(2)(a

New 7ealand

Regional ITP Viability Programme: Phase 2b Report for Universal College of Learning

In accordance with the Consultancy Services Order dated 17 Jul 2024 (CSO) and variations dated 30 Aug 2024 and 12 November 2024 between PwC and Te Pūkenga ('you' or 'the Client'), we present our Phase 2b report - Financial Improvement Plan - for Universal College of Learning (UCOL) for the Regional ITP Viability Programme.

Our key focus has been on the items detailed in Minutes of Consultants from 31 October 2024 provided by Te Pūkenga:

- Current state analysis
- Financial improvement initiatives an overview of key initiatives that need to be undertaken which underpin the financial forecasts, including scale, timing and resources required
- Key modelling assumptions underpinning the financial forecasts (EFTS demand, pricing assumptions, etc)
- Financial forecasting for each year through to 2029, including a full set of financial statements (including cash flows)
- Assessment against the Financial Monitoring Framework
- Sensitivity analyses to the base case
- Performance metrics what are the key performance indicators (KPIs) to measure the success of the Financial Improvement Plan
- How financial management practices will be implemented to ensure the benefits are delivered
- An overview of key risks, assumptions and caveats to the implementation of the Financial Improvement Plan
- Commentary about how robust financial management and controls will be implemented

Please refer Appendix One for further details.

We acknowledge that where information has been supplied to us by Te Pūkenga and / or UCOL this information has not been independently validated or verified by us. In particular, we did not conduct any form of audit in respect of the information and accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we will have relied.

This is a draft report. The comments in this draft report are subject to amendment or withdrawal. Our definitive findings and conclusions will be those set out in the final report. It should be read in conjunction with the Important Notice following, as well as the risks and assumptions included in Section Six and Appendix One of this report.

This report is not intended for general publication or circulation and should not be copied to any party without our prior written consent.

We have appreciated the opportunity to work alongside you and look forward to discussing the content of this report with you.

Yours sincerely

John Fisk Richard Nacey
Partner Partner

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Important notice

Important message to any person not authorised to have access to this Report.

Any person who is not an addressee of this Report or who has not signed and returned to PwC a Hold Harmless Letter is not authorised to have access to this Report.

Should any unauthorised person obtain access to and read this Report, by reading this Report such person accepts and agrees to the following terms:

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- The reader of this Report acknowledges that this Report was prepared at the direction of our addressee client and may not include all advice and / or procedures deemed necessary for the purposes of the reader.
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This document has been prepared for and only for Te Pūkenga, in accordance with the terms of the Consultancy Services Order (CSO) dated 17 July 2024, pursuant to variations dated 30 August 2024 and 12 November 2024, and the Scope of Services and Restrictions set out in Appendix One and for no other purpose.

We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this document is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

This Report may contain information obtained or derived from a variety of sources. PwC has not sought to establish the reliability of those sources or verified the information so provided, nor carried out anything in the nature of an audit. Accordingly, no representation or warranty of any kind (whether express or implied) is given by PwC to any person (except to the extent agreed (or otherwise) with our client under the relevant terms of the CSO) as to the accuracy or completeness of the Report. The statements and opinions expressed herein have been made in good faith and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

Since 2020, there have been a number of factors that have impacted businesses in New Zealand and globally. While the disruption caused by the initial impact of the COVID-19 pandemic has generally passed, in many instances supply chain disruptions followed and may still linger. Disruptions have also resulted from the conflict in Ukraine and related trade constraints. Many economies are also experiencing a period of elevated uncertainty associated with inflation and interest rate movements. While we have sought to factor these matters into our assessment, we suggest an added level of consideration on the part of the reader of this Report as to the impact of wider macroeconomic factors.



Our scope and approach

Our scope Limited Extensive

PwC has undertaken a limited scope assessment of the current state of UCOL operations, extending the analysis undertaking in Phase 1 and 2A. This is focused solely on potential actions and recommendations to achieve financial viability.

As noted throughout this document, a range of limitations apply to our work, including that it has not taken into consideration any desire to maintain a regional or national network of educational provision, and accordingly, that BDs have been considered in isolation. It also does not take into consideration educational performance, obligations under Te Tiriti o Waitangi, or employment legislation requirements. Information on potential future operating model structure and considerations for shared services is limited in scope. Please refer to Appendix One for more details.

Access to client



PwC's work was carried out predominantly on a desktop basis, but was supplemented by engagement with Te Pūkenga and UCOL. This engagement is a continuation of that outlined in our Phase 1 reports, and undertaken in Phase 2A. On the advice of Te Pūkenga, PwC's engagement with BDs took into consideration the high volume of activity being faced by UCOL at present.

Access to information



Information provided in Phase 2B was a continuation of that requested under Phases 1 and 2A. 2B offered an opportunity to further refine understanding of this information. UCOL responded to information requests promptly and fulfilled these within a reasonable timeframe.

Clarity of information



The information provided by UCOL, together with access to Te Pūkenga and key UCOL personnel, has allowed us to gain a high level understanding of some of the more significant risks associated with its current position. However, given the timeframe for this report, the depth of analysis on information provided should be considered limited in nature, and all analysis is based on current operational and policy settings. We have not carried out anything in the nature of an audit. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of the information in this report that has been provided to us and upon which we have relied.



1. Executive Summary





UCOL is based in the lower North Island and has its main campus in Palmerston North, with satellite campuses in Masterton, Whanganui and Levin. UCOL is the primary vocational education provider in the Manawatu-Whanganui region and has a 17% market share of the regions learner market across all tertiary education provision.

UCOL is not financially viable as a standalone institution on 1 January 2026, however, is on a pathway to financial viability over the longer term to FY29 (breakeven in FY28).

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

The scale of change required at UCOL is substantial and the institution has significant property portfolio challenges. UCOL's reduced level of delivery no longer aligns with the size of its campus footprint, with Whanganui and Wairarapa requiring substantial retrenchment, and closure of Horowhenua required.

There is a level of cost required to restructure UCOL, which will need to be funded by Te Pūkenga or the Crown. The cost of change for UCOL may impact the appetite to provide continued support, § 9(2)(b)(ii)

2,831 EFTS

(92% domestic) forecast to be delivered in 2025, with a very high reliance on Nursing delivery.

389 Full Time Equivalent (FTE) staff

470 individual staff, with 65.4% of staff (by FTE) employed through a Collective Employment Agreement (CEA) as at July 2024. 93% of FTE are employed through permanent contracts (7% are fixed term).

4 locations

17 domains and 164 programmes offered in 2024.

Wairarapa Campus

Horowhenua Campus

Palmerston North Campus

Whanganui Campus





Options considered



The options for UCOL are somewhat limited to improve its financial performance, however, a range of options have been considered before providing a preferred option.

		Pathway to financially viability	Impact on provision	Benefits	Challenges
1	Complete seismic and remedial work	Undertaking seismic and remedial work for deferred maintenance does not improve UCOL's financial performance, and has a significant upfront cost.	Provision maintained in the Manawatu-Whanganui region.	Maintain Whanganui City campus s 9(2)(b)(ii) Palmerston North Campus has significantly more space s 9(2)(b)(ii)	Poor return on investment. Potential cost overruns.
2	Lease building in Palmerston North (as opposed to owned)	Leasing premises adds significant annual cost to UCOL and despite maintaining profitable provision, UCOL's financial performance deteriorates.	Majority of provision maintained in Palmerston North. Hairdressing and Hospitality require bespoke learning environments so delivery ceased.	Eliminates the requirement to s 9(2)(b)(ii), s 9(2)(j) and ongoing capital expenditure.	Finding a suitable lease in the vicinity of the Nursing and Trades buildings is likely challenging
3	Reduce provision to Nursing and Trades	UCOL has strong contribution margins across multiple domains - despite also having a significant number of poorly performing programmes - and reducing provision substantially results in insufficient contribution to corporate costs.	Significantly loss of provision to the Manawatu-Whanganui region.	Smaller institution with reduced property footprint. Investment in \$\frac{9(2)(b)(ii)}{not required.}\$	Reduce ability to navigate demand shocks. Significant staff change. Significant property restructure.
4	Material property, programme and workforce restructure, while continuing with S 9(2)(b)(ii)	UCOL is not on a pathway to financial viability but performance improves, with breakeven in FY28.	Majority of provision maintained in the Manawatu-Whanganui region, with removal of poorly performing programmes.	Restructure of property footprint to reduce infrastructure costs and future capital expenditure. s 9(2)(b)(ii)	Significant staff change. Significant property restructure. Poor return on investment. s 9(2)(b)(ii)



which may support EFTS growth.

Summary - Key initiatives and cost of change



Key focus areas/activities needed

UCOL has significant future property portfolio challenges and substantial structural change is required. UCOL's cost saving initiatives can be broken out into the following key focus areas/activities:

Property: UCOL can achieve significant savings through the downsizing of its campus footprint across all locations and exit of minor leases, including the exit of Horowhenua campus.

People: UCOL can achieve significant savings through workforce restructure. However, the required scale of change is substantial and it is not without operational risk.

Programmes: UCOL can achieve significant savings through programme rationalisation. This initiative focuses on removing poorly performing programmes and in the most part provision is maintained across UCOL's campuses.

Debt: UCOL has intercompany debt with Te Pūkenga that generates significant interest costs and needs to be settled as UCOL is not in a position to service this as a standalone institution. UCOL also has Crown debt that needs to be repaid.

The table below summarises the key initiatives identified to improve UCOL's financial performance:

Initiative	Potential savings impact (\$) p.a	Confidence level
Settlement of intercompany debt	n/a - cash balances offset interest costs	High
Leased Property: Exit of Horowhenua Campus s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii)	High
Critical Property need: Campus consolidation and remediation	\$1.1m infrastructure savings	Medium
Programme rationalisation, positive contribution so no teach out costs required to be funded	(\$3,8m) negative impact on contribution margin, includes teach out.	Medium
Staffing - Non Teaching (including Faculty)	\$5.3m savings FY25	Medium
Operating savings	\$1.8m savings FY25	Low

Cost of the change / recapitalisation

UCOL has net change and recapitalisation costs totaling \$ 9(2)(b)(ii), \$ 9(2)(j)

that needs to be funded for UCOL to be

financially viable. UCOL is unable to support any level of debt, however, asset divestment and cash on hand balances support a portion of its change costs. UCOL's change and recapitalisation costs are outlined below:

Cost of Change (FY25 - FY27)	Total	Confidence level
Critical property needs s 9(2)(b)(ii)	5 9(2)(b)(ll), 5 9(2)(j)	Medium
Critical IT investment + other CAPEX	\$7.5m	Medium
Leased property	\$0.4m	High
Intercompany debt	\$26.4m	High
Crown loans	\$3.6m	High
Estimated redundancy costs	\$6.8m	Medium
Estimated teach out costs	-	n/a
Change management / support	TBC	n/a
3 months OPEX - 2026	\$9.9m	High
Total funding needs	s 9(2)(b)(II), s 9(2)(J)	
Funded by:		
2025 free cash flow funding	\$7.7m*	n/a
2026 free cash flow funding	ÅF.6	n/a
2020 free cash flow fullding	\$5.6m	П/а
	\$5.6m \$3.7m	n/a
2027 free cash flow funding	•	•
2027 free cash flow funding Asset Divestment - 2025 (net of costs)	\$3.7m	n/a
2027 free cash flow funding Asset Divestment - 2025 (net of costs) Asset Divestment - 2026 (net of costs)	\$3.7m	n/a n/a
2027 free cash flow funding Asset Divestment - 2025 (net of costs) Asset Divestment - 2026 (net of costs)	\$3.7m \$2.3m - \$7.3m s 9(2)(b)	n/a n/a n/a
2027 free cash flow funding Asset Divestment - 2025 (net of costs) Asset Divestment - 2026 (net of costs) Asset Divestment - 2027+ (net of costs)	\$3.7m \$2.3m - \$7.3m	n/a n/a n/a n/a Medium

Confidence level descriptors:

Low: Preliminary analysis undertaken and/or limited data available to assess; work may be ongoing to validate or quantify **Medium**: Reasonable confidence in the fidelity of the total cost and impact; some further confirmation may be ongoing to validate or quantify

High: Confidence in the fidelity of the total cost and impact; minimal further work required on this topic to validate or quantify.



Indicative financial performance



Financial forecast 2025-2029

UCOL's FY25 Budget has been reviewed in detail and validated. While we have comfort in UCOL's overall budgeting process, in our view there is a medium level of risk in international delivery revenue growth. Accordingly, we have sensitised revenue in the Revised FY25B by \$1m.

UCOL is forecast to generate a surplus from FY28 following the completion of teach-out and continued restructure of its property portfolio (completed in FY29) based on high level financial modelling.

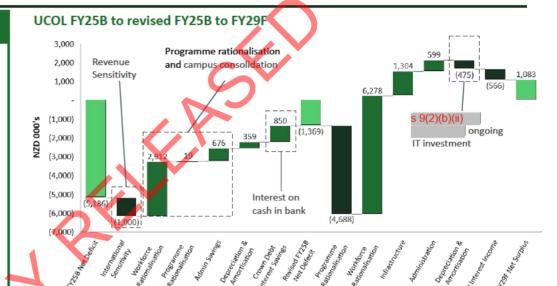
UCOL is forecast to achieve Te Pūkenga's key financial performance indicators (KPI) in out-years, with EBITDA margin percentage of 11% achieved by FY27. However, UCOL's substantial depreciation charge means it still generates a deficit in that year due to \$9(2)(b)(ii)

We outline the key financial statistics for UCOL - including Te Pūkenga's KPIs and the Financial Monitoring Framework (FMF) - following our modelling of the initiatives into the financial forecast, on page 13.

Restructuring initiatives and opportunities have been identified in an attempt to illustrate an appropriate 'right-sized' UCOL. These initiatives are included in the modelling and have been bridged to show the impact when assessing UCOL's long term forecast. We outline the initiatives and opportunities identified and the potential savings impact on pages 14 and 15.

We have included a sensitivity scenario analysis on page 54.

Assumptions and risks (including growth rates) to the FY25 Budget, and FY26 through FY29 long term forecast are discussed on page 50 in Section 6 of this report. Note that for the purpose of this analysis, we have not considered unusual or one off items.



			Revised			70	
UCOL Financial Performance Forecast (\$'000)	FY24F	FY25B	FY25	FY26F	FY27F	FY28F	FY29F
Government Funding	26,255	28,762	28,729	23,398	24,527	23,893	24,370
Domestic Student Fees	11,010	13,000	12,987	11,118	11,291	11,055	11,276
International Student Fees	3,639	6,107	5,107	5,008	5,333	5,500	5,610
Other Teaching Income	2,087	2,319	2,319	2,245	2,291	2,327	2,373
Trading Income	826	827	827	801	817	830	846
Other Income	1,314	624	624	603	6 1 5	624	637
Total Revenue	45,131	51,639	50,593	43,173	44,875	44,228	45,113
Personnel Expenses	(34,490)	(36,881)	(33,969)	(27,045)	(27,586)	(27,149)	(27,692)
Teaching Delivery	(4,256)	(3,731)	(3,666)	(2,775)	(2,820)	(2,817)	(2,874)
Infrastructure	(4,706)	(5,000)	(5,000)	(4,343)	(3,823)	(3,852)	(3,696)
Administration	(5,210)	(6,989)	(6,313)	(5,412)	(5,518)	(5,602)	(5,714)
Total Operating Exp.	(48,662)	(52,602)	(48,948)	(39,576)	(39,748)	(39,420)	(39,975)
EBITDA	(3,531)	(963)	1,645	3,597	5,127	4,808	5,138
Depreciation & Amortisation	(4,589)	(4,055)	(3,696)	(4,262)	(5,045)	(4,367)	(4,170)
Net Interest Income	369	(168)	681	346	(206)	(30)	115
Total Non-Operating Exp.	(4,220)	(4,223)	(3,014)	(3,916)	(5,251)	(4,397)	(4,055)
Surplus / (Deficit)	(7,751)	(5,186)	(1,369)	(319)	(124)	411	1,083
UCOL Forecast KPIs							
Total FTEs	376	376	341	272	272	266	266
Domestic EFTS	2,516	2,602	2,524	1,974	1,970	1,923	1,923
International EFTS	162	229	185	184	192	195	195
EBITDA margin	(8%)	(2%)	3%	8%	11%	11%	11%
Net Surplus / (Deficit) margin	(17%)	(10%)	(3%)	(1%)	(0%)	1%	2%



Indicative balance sheet



Balance sheet 2025-2029

UCOL is unable to support any level of debt and the net change costs of Q(2)(b)(ii) will need to be funded, likely by Te Pūkenga and / or the Crown. Accordingly, change costs are shown via equity injection in the balance sheet, increasing equity from \$ 9(2)(b)(ii) in FY24 to \$ 9(2)(b)(iii) in FY25 Revised.

The forecast change costs include a intercompany loan of \$26.4m and Crown debt of \$3.6m that are unlikely to be 'funded with cash' and repaid (although we have modelled this in Revised FY25 for illustrative purposes). Rather it is our understanding - at least for the intercompany debt - that this will be 'written off', which would obviously reduced the 'cash' change costs, but it is still considered a cost of change from UCOL's perspective.

UCOL and Te Pūkenga have advised that there is deferred technical debt of \$3.0m, which has been modelled in FY25. A comprehensive review of platforms directly supports the required investment for deferred technical debt, however, there remains ongoing future investment, which has been factored into the forecast as an annual BAU investment. We note that UCOL has end-of-life IT systems and infrastructure that requires investment and upgrade, which would also drive additional operating expense savings.

In our view, depreciation and amortisation costs are a suitable proxy for capital expenditure. We have discussed this position with UCOL and Te Pūkenga and agreed it is an accurate position. Please refer table opposite for the capital expenditure included in the financial forecast.

FY24F 7,678	FY25B	Revised FY25	FY26F	FY27F	FY28F	EVOOE
7,678	FY25B	FY25	FY26F	FY27F	EVAGE	EVANE
					F120F	FY29F
	1,624	s 9(2)(b))(ii)			
9,853	9,734	11,076	9,452	9,824	9,656	9,876
1,675	1,675	1.675	1 675	1 675	1 675	1.675
19,206	13,033	s 9(2)(b))(II)			
132,690	131,908					
-	-	1,159	1,159	1,159	1,159	1,159
-	-	- 0/2\/b\/	:::\			-
132,690	131,908	S 9(2)(b)(,II <i>)</i>			
151,896	144,941					
6,054	6,054	6,054	6,054	6,054	6,054	6,054
4,114	4,114	4,114	4,114	4,114	4,114	4,114
9,190	9,190	9,190	9,190	9,190	9,190	9,190
2,018	1,463	1,463	1,463	1,463	1,463	1,463
21,377	20,821	20,821	20,821	20,821	20,821	20,821
26,400	26,400	-	-	-	-	-
3,600	3,600					
253	37	37	37	37	37	37
-	-	0	-	-	-	-
-	-	2	-	-	-	-
30,253	30,037		37	37	37	37
51,630	50,858	20,858	20,858	20,858	20,858	20,858
		0.001.01	· · · ·			
100,266	94,083	_s 9(2)(b)	(11)			
100,266	94,083					
	1,675 19,206 132,690 132,690 151,896 6,054 4,114 9,190 2,018 21,377 26,400 3,600 253	9,853 9,734 1,675 1,675 19,206 13,033 132,690 131,908 151,896 144,941 6,054 6,054 4,114 4,114 9,190 9,190 2,018 1,463 21,377 20,821 26,400 3,600 3,600 3,600 253 37	1,675 1,675	9,883 9,734 11,076 9,452 1,675 1,675 1,675 1,675 1,675 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,159 1,169 1	1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,675 1,159	1,853 9,734 11,076 9,452 9,824 9,656 1,675 1,675 1,675 1,675 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,675 1 1,159 1 1,159 1,1

UCOL capital expenditure requirements for the period revised FY25 to FY29

UCOL CAPEX (\$'000)	Revised FY25	FY26F	FY27F	FY28F	FY29F
IT	\$3,000	\$1,250	\$1,250	\$1,250	\$1,250
Buildings	\$4,308	s 9(2)(b)(II)	\$2,071	\$1,359	\$1,383
Vehicles	\$25	\$25	\$25	\$25	\$25
Library	\$75	\$75	\$75	\$75	\$75
Leasehold Improvements	\$150	\$150	\$150	\$150	\$150
Equipment, Furniture	\$400	\$400	\$400	\$400	\$400
Minor capital Works	\$0	\$0	\$0	\$0	\$0
CAPEX	\$7,958	s 9(2)(b)(ll)	\$3,971	\$3,259	\$3,283



Indicative Cashflow



Cash flow 2025-2029

Following recapitalisation, UCOL has a forecast cash position that decreases from \$7.7m in FY25B opening to \$5.2m in FY29 closing. The closing cash position for each year in FY26 through FY29 does not provide an adequate working capital buffer, and in FY26 and FY27 is negative until property divestment is completed. Accordingly, bridging finance of between \$10m and \$15m will be required over the period FY26 through FY27 due to the timing of asset divestment and erosion of working capital buffer.

Loans

UCOL does not generate the level of surplus required to support any level of debt on its balance sheet. There are \$30m of intercompany loans that relate to historical loans (i.e pre-establishment of Te Pūkenga) and trading losses during the period UCOL has been within Te Pūkenga. We note that UCOL has Crown debt of \$3.6m (included in the intercompany debt). UCOL requires recapitalisation of \$30m (i.e settlement of intercompany debt, including the Crown).

Working Capital

We have modelled working capital requirements to be three months of average operating expenditure (as requested by Te Pūkenga), resulting in required working capital of \$10.2m. We are of the view that two months may be more appropriate to manage UCOL's working capital requirements on 'day one'. In addition to UCOL's high fixed cost base, it has regular and reliable cash inflows. This figure includes a buffer for timing and allows for one off expenditure (i.e. annual insurance and software licenses).

IT

UCOL has a significant 'technical debt' with some critical IT instructure of \$3.0m coming due for replacement and / or out of support that requires funding to reduce the risk of failure. Furthermore, ongoing annual IT investment is required as discussed on the prior page.

UCOL Net Cash Position FY25B to Revised FY25 to FY29



•		Revised				
UCOL Cash Flow Forecast (\$'000)	FY24F FY25B	FY25B	FY26F	FY27F	FY28F	FY29F
Operating Cash Flow						
Operating Inflows	51,759	49,370	44,797	44,502	44,396	44,892
Operating Outflows	(53,157)	(49,504)	(39,576)	(39,748)	(39,420)	(39,975)
One-off Property Cost	-	(521)	-	(878)	(758)	-
Net Interest Income	(168)	681	346	(206)	(30)	115
Net Operating Cash Flow (CFO)	(1,566)	27	5,567	3,670	4,188	5,033
Investment Cash Flows						
Purchase of Assets	(3,273)	(9,341)	s 9(2)(b)	(3,971)	(3,259)	(3,283)
Sale of Surplus Assets	-	2,268	(ii)	-	7,311	-
Net Investment Cash Flow (CFI)	(3,273)	(7,073)		(3,971)	4,052	(3,283)
Financing Cash Flows						
Intercompany Debt	-	(26,400)	-	-	-	-
Crown Debt	-	(3,600)	-	-	-	-
Finance Leases	(216)	(216) s 9(2)(b)(II),	-	-	-	-
Committed Funding	-	s 9(2)(j)	-	-	-	-
Government Cash Injection	-	39,688	-	-	-	-
Redundancy Costs	-	(2,157)	(4,621)	-	-	-
Leased Property	-	(400)	-	-	-	-
Net Financing Cash Flow (CFF)	(216)	s 9(2)	(4,621)	-	-	-
Net increase in cash held	(5,056)	—(b)(ii)				
Opening Cash Balance	7,678					
Closing Cash Balance	2,622					



KPIs and Financial Monitoring Framework



Financial KPIs

The table opposite provides a summary of UCOL's key performance indicators (KPIs) for the period 2024 to 2029. Te Pūkenga has set targets for Personnel cost to Revenue ratio (60%), EBITDA margin (11%), Net Operating Surplus Margin (2%) and Academic Student Staff ratio (SSR) (19:1), with the particular focus on EBITDA margin and Net Operating Surplus Margin.

We note the following in respect of the forecast modeling:

- Personnel cost to Revenue ratio of 60% is not achieved
- Net Operating Surplus Margin target of 2% is achieved in FY29.
- EBITDA margin of 11% is achieved in FY27.
- Academic SSR ratio won't be met during the forecast period. We are of
 the view that this KPI can only be met if there are significant changes to
 UCOL's programme mode of delivery. We note that programmes requiring
 higher safety considerations (such as Trades) adversely impact overall SSR
 ratios.

FMF 2025-2029

The table opposite provides the FMF assessment for UCOL. We note the following;

- Profitability Risk is forecast to reduce from high in FY25 to moderate in FY29, driven by gradually improving operating performance of UCOL over the forecast period.
- Liquidity risk is forecast to reduce from high to moderate in FY29 due to improved cash balances, with negative cash balances in FY26 and FY27 driving the high rating.
- Debt Affordability is forecast to reduce from high in FY25 to low in FY25 revised, which is a direct result of the settlement of intercompany debt.

Refer to page 68 in Appendix Two for further details on the FMF.

UCOL Financial KPIs for period FY25F to FY29F

UCOL Forecast KPIs	FY24F	FY25B	FY25	FY26F	FY27F	FY28F	FY29F
Personnel to Revenue ratio	76%	71%	67%	63%	61%	61%	61%
EBITDA margin	(8%)	(2%)	3%	8%	11%	11%	11%
Net Operating surplus margin	(17%)	(10%)	(3%)	(1%)	(0%)	1%	2%
Academic SSR	12.01	12.70	12.93	13.32	13.34	13.56	13.56
Allied to Academic Staff ratio	0.69	0.69	0.63	0.68	0.68	0.71	0.71
Domestic EFTS	2,516	2,602	2,524	1,974	1,970	1,923	1,923
International EFTS	162	229	185	184	192	195	195
Staff - Academic	223	223	210	162	162	156	156
Staff - Non Academic	153	153	132	110	110	110	110
Staff - Total FTE	376	376	341	272	272	266	266
Total Programmes Retained*	-	354	346	271	269	261	261
Programmes Ceased*	n/a	n/a	8	75	2	8	-

UCOL Financial Monitoring Framework Score FY24F to FY29F

			Revised				
FMF Summary (Risk level)	FY24F	FY25B	FY25B	FY26F	FY27F	FY28F	FY29
Profitability Risk	High	High	High	High	High	High	Moderate
Liquidity Risk	Moderate	High	Moderate	High	High	High	Moderate
Debt Affordability Risk	Low	Low	Low	Low	Low	Low	Low
			Revised				
FMF Summary (Risk level)	FY24F	FY25B	FY25B	FY26F	FY27F	FY28F	FY29
Profitability Risk	-	-	200	0.8	0.8	1.6	2.4
Liquidity Risk	2.0	-	2.0	1.5	1.0	1.0	2.5
Debt Affordability Risk	4.3	4.0	4.3	4.5	4.5	4.5	4.5
			Revised				
FMF Profitability Scores	FY24F	FY25B	FY25B	FY26F	FY27F	FY28F	FY29
Operating Surplus/Deficit - Before Trust and Abnormal							
Items (5 year rolling average)	_		_	1.0	1.0	2.0	3.0
Operating Surplus/Deficit - Including Trust and							
Abnormal Items (5 year rolling average)	-		-	-	-	-	-
Core Earnings (5 year rolling average)	-	-	-	1.0	1.0	2.0	3.0
Weighted Average	-	-	-	0.8	0.8	1.6	2.4
			Revised				
FMF Liquidity Scores	FY24F	FY25B	FY25B	FY26F	FY27F	FY28F	FY29
Liquid Funds ratio (5 year rolling average)	4.0	-	4.0	1.0	-	-	2.0
Net Cashflow From Operations (5 year rolling average)	-		2	2.0	2.0	2.0	3.0
Weighted Average	2	-	2.0	1.5	1.0	1.0	2.5
			Revised				
FMF Debt Affordability Scores	FY24F	FY25B	FY25B	FY26F	FY27F	FY28F	FY29
Debt Affordability (5 year rolling average)	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Interest Strain (5 year rolling average)	5.0	4.0	4.0	4.0	4.0	4.0	4.0
Debt Equity Ratio (5 year rolling average)	2.0	2.0	3.0	4.0	4.0	4.0	4.0
Weighted Average	4.3	4.0	4.3	4.5	4.5	4.5	4.5



Details of key focus areas/activities



Initiatives	Description	Cost of change	Potential impact p.a.	Confidence level	Timing / Milestones
ettlement of intercompany lebt and Crown loan	Reduction in debt servicing requirements through the settlement of forecast \$26.4m intercompany debt and \$3.6m Crown Loan.	\$30m	\$0 as cash in bank offsetting interest cost	High	1Q 2025
xit of Horowhenua lease	Removal of lease obligations. Next lease expiry on 15/07/2025 and final lease expiry on 14/7/2027, so minimal lease liabilities to exit.	s 9(2)(b)(ii)		High	1Q 2026
xit of s 9(2)(b)(ii), s 9(2)(j)		s 9(2)(b)(ii)		High	1Q 2026
Campus consolidation	is required to support campus consolidation, plus BAU forecast investment of \$4.2m for the period FY25-27. \$9(2)(b)(ii) The campus consolidation can achieve \$1.1m p.a of savings in infrastructure costs.	s 9(2)(b)(ii) campus consolidation + \$4.2m BAU	infrastructure	Medium	2026 - 2029
rogramme rationalisation	UCOL has a material number of poorly performing programmes that can be ceased to improve financial performance. Ceasing delivery of poorly performing programmes and better aligning to UCOL's property portfolio generates a contribution margin loss of \$3.8m. This initiative impacts an estimated 700 EFTS and 60 FTE (academic). An additional 5.8 FTE located within the academic office as faculty staff have been identified for reduction. Estimated redundancy cost based on average tenure of UCOL staff and Collective Agreement terms.	\$3.7m + \$0.4m (faculty)	(\$3.8m)	Medium	2025-2027
taffing - Non teaching	Reduction in corporate/non-teaching (including other faculty support) FTE aligned with reduction in delivery. This represents a reduction in 44.2 FTE overall, noting we have proposed disestablishing some roles and creating new roles. Estimated redundancy cost is based on average tenure of UCOL staff and Collective Agreement terms.	\$2.7m	\$4.7m	Medium	Q3 2025
perating savings	Savings of \$0.4m can be achieved from the reduction in programme delivery. These are not direct initiatives that have been identified but instead relate to the assumption that 25% of Administration expenses are variable (i.e 75% are fixed) as EFTS volumes decrease. Savings of \$1.4m can be achieved from direct initiatives relating to operating savings. These are outlined on the following page.		\$1.8m	Medium	2025-2027



Details of key focus areas/activities



Initiatives	Description	Cost of change	Potential impact p.a.	Confidence level	Timing / Milestones
T Helpdesk	Transition from an outsourced helpdesk to in-house. This would require 4.5 FTE at an estimated cost of \$0.4m versus the current outsourced contract of \$800k p.a.	n.a	\$400k	Medium	2026
Computer leases	Replace leased computer equipment with owned equipment. However this will drive capital expenditure costs and depreciation.	Included in Capital Expenditure requirements	\$262k	Low	2025
Consultants and Contractors	Focus reduction of 50% on spend on consultants and contractors across all business units and bring work in house with current workforce.	n.a.	\$200k	Medium	2025
Student Success	A 10% saving across the student success budget line by refining the way this is delivered and what needs to be delivered.	n.a.	\$70k	Medium-High	2025
Campus hours	Reduction in campus hours. Currently the campuses are open from 7.30am to 6pm weekdays, and students can access with their ID card from 6pm to 10pm (closes 11pm weekdays). Reducing opening hours drives additional infrastructure and workforce savings.	n.a.	\$250k	Medium	2026
Security	Reduction in campus hours has flow on affect to overall needs.	n.a.	\$45k	Medium	2026
Marketing and Advertising	A reduction on planned spend in relation to marketing and advertising	n.a.	\$125k	Medium	2025
Total Direct Operating Savings		n.a	\$1.4m	Medium	2025 - 2026



2. Property





Overview





39,200 sqm GFA

20,600 sqm GFA

Current total (usable GFA) Footprint reduction

18,600 sqm GFA

Future total (usable GFA)

Current	Future (estimate)	Change
21,600 sqm GFA General teaching space	6,500 sqm GFA General teaching space	-70% Change
10,100 sqm GFA Specialist teaching space	9,300 sqm GFA Specialist teaching space	-8% Change
5,200 sqm GFA Admin office space	2,600 sqm GFA Admin office space	-51% Change

Note these components do not include 'other' (e.g. storage and space leased out) and as such will not sum to the overall total above.



Investment in change

\$1.1m p.a. from 2027

Infrastructure costs avoided

\$9.6m

\$13.1m

Net asset sales revenue

Gross asset sales revenue

Asset sales revenue (Net includes estimated costs of sale and Gross reflects anticipated asset value in the market before estimated costs of sale).

\$3.9m p.a.

Current infrastructure costs

\$2.8m p.a.
Future infrastructure costs

-28%

Change

\$109k p.a.

Current third party lease revenue

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

s 9(2)(b)(ii)

Change



Future State Overview



Current state

Consists of four campuses totalling c. 43,900 sqm gross floor area

Manawatū Campus, Princess St, Palmerston North

Owned (1 Lease) | 26,200 sqm | 1,986 EFTS

The main campus consists of 14 buildings providing facilities for administration and teaching. The location is in the central city with seven different car park areas around the campus. There is more space than is required and multiple buildings with known seismic issues (not meeting 34% NBS).

2 Whanganui Campus, Rutland Street, Whanganui

Owned (2 Leases) | 13,600 sqm | 366 EFTS

There is more space than is required \$ 9(2)(b)(ii)

3 Wairarapa Campus, Chapel Street, Masterton

Owned (1 Lease) | 3,600 sqm | 305 EFTS

The buildings are considered to be in reasonably good condition and fit for purpose.

4 Horowhenua Campus, Oxford Street, Levin

Leased | 370 sqm | Lease expiry July 2027 | 58 EFTS

This lease of a former bank building provides teaching on a hub and spoke basis at a 9(2)(b)(ii), 9(2)(j)

Future state

Consists of three campuses, each reduced in size and totalling c. 18,900 sqm gross flor area

Manawatū Campus

Owned (1 Lease) | 15,000 sqm | 1,112 EFTS

The main campus will consist of six buildings including the existing lease for nursing provision.

s 9(2)(b)(ii)

Whanganui Campus

3 Leases | 2,000 sqm | 97 EFTS

s 9(2)(b)(ii)

3 Wairarapa Campus

Owned | 1,900 sgm | 43 EFTS

s 9(2)(b)(ii)

Horowhenua Campus

4 Lease exited | 0 sqm | 0 EFTS

s 9(2)(b)(ii), s 9(2)(j) and exit lease by the end of 2025.



Key activities / opportunities



	Manawatū	Whanganui	Wairarapa	Horowhenua
Challenges	The Manawatū campus has more space than is required. Several buildings have been classified as earthquake-prone and require structural remediation by May 2029.	The Whanganui campus has more space than is required \$ 9(2)(b)(ii)	The Wairarapa campus has more space than is required, s 9(2)(b)(ii), s 9(2)(g)(i), s 9(2)(j)	A preliminary profitability review has identified that the Horowhenua campus is not profitable once lease and non-teaching overheads required to support this location are factored into account.
Opportunities	Divest excess land and buildings, utilise the sales revenue to invest in retained buildings and consolidate. A secondary opportunity is avoiding future infrastructure costs relating to the divested buildings, including seismic remediation works.	Consolidate, divest excess land and buildings and utilise the sales revenue to pay for ongoing lease costs. A secondary opportunity is avoiding future infrastructure costs relating to the divested buildings, s 9(2)(b)(ii)	Consolidate, divest excess land and buildings and utilise the sales revenue to invest in retained buildings. A secondary opportunity is avoiding future infrastructure / lease costs relating to the divested buildings.	Close the Horowhenua campus and exit the lease at the next lease expiry on 15/07/2025. Operations could shift to the Manawatū campus or, if there is a high need to provide education in Levin, Horowhenua Learning Centre could take over.
Proposed changes	Divest buildings and carparks already identified as surplus. s 9(2)(b)(ii)	Establish longer term lease agreements for 31-33 Hatrick Street s 9(2)(b)(ii), s 9(2)(j)	Refurbish lower campus buildings A and D s 9(2)(b)(ii) s 9(2)(b)(ii), s 9(2)(j) s 9(2)(b)(ii)	s 9(2)(b)(ii), s 9(2)(j) exit lease.



Activity description and cost of change



Overall, there is around \$\frac{s \ 9(2)(b)(ii)}{2}\$ that needs to be invested within the next five years in order to support new developments, refurbishments and footprint consolidation in order for UCOL to be fit for the future.

Manawatū Campus s 9(2)(b)(ii) central buildings at UCOL's Manawatū Campus. Various capital works and improvements need to be made to support footprint consolidation and the redistribution of some administration staff. s 9(2)(b)(ii) Improvements and changes include: s 9(2)(b)(ii) the central buildings. Refurbishment of the student services area in Block 10 to supplement the hub and library/resource centre \$ 9(2)(b)(ii) Relocation of retained programmes from the S 9(2)(b)(II) Relocation of some administration staff from the central buildings into level 2 of Block 15. Relocation of any non-fixed assets being retained. Divestment of properties already declared surplus and \$9(2)(b)(ii) Investment required Asset sales nfrastructure savings s 9(2)(b)(ii), s 9(2)(j) s 9(2)(b)(ii) ~\$580k p.a.

	Whanganui Campus						
	s 9(2)(b)(ii)						
		_	Hatrick Street will be required for				
		•	s delivery respectively. Some er to support consolidation.				
	capital improvements wi	ii be required in orde	er to support consolidation.				
	Improvements and chang	ges include:					
	5-9(2)(b)(II)						
			teach out requirements that				
			qm have been assumed for a				
	simple fitout of the site based on an open plan office style fitout. s 9(2)(b)(ii)						
V	Extension of existing leases at 31-33 Hatrick Street for provision of						
	trades delivery.						
	Minor works to 31-33 Hatrick Street to support relocation of trades						
	teaching. • Relocation of trades to 31-33 Hatrick Street.						
	s 9(2)(b)(ii)						
	Investment required	Asset sales	Infrastructure savings				
	investment required	Asset sales	infrastructure savings				
	~\$2.6m	s 9(2)(b)(ii), s 9(2)(j)	~\$280k p.a.				

Activity description and cost of change



Wairarapa Campus Various capital improvements need to be made in the lower campus in order to support s 9(2)(b)(ii) Buildings retained for teaching purposes include s 9(2)(b)(ii) Building I needs to be relocated to the lower campus s 9(2)(b)(ii) Improvements and changes include: Refurbishment of the student services area in Building D^{S 9(2)(b)(ii)} Upgrades to Building A to improve condition and quality, and some administrative services. Relocation of retained programmes \$ 9(2)(b)(ii) s 9(2)(b)(ii) to create room for the relocation of Building I Create a building pad and relocate Building to the lower campus. s 9(2)(b)(ii), s 9(2)(j) Relocation of s 9(2)(b)(ii) into Building A. Relocation of any non-fixed assets being retained. Infrastructure savings Investment required Asset sales ~\$1.3m ~\$410k p.a.

Horowhenua Campus

The key dates for exiting the leased Horowhenua campus are the requirement to teach out in 2025, the next lease expiry on 15/07/2025 and the final lease expiry on 14/7/2027.

Exiting the Horowhenua campus lease will require the following actions:

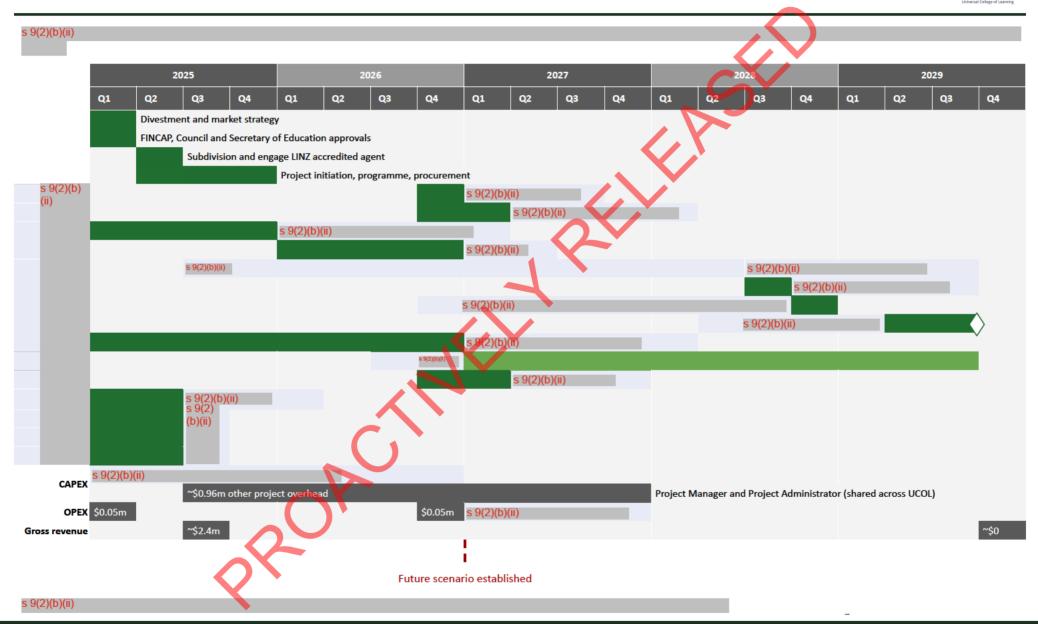
- Notice of lease renewal is required 3 months before the next lease expiry on 15/7/2025. Due to UCOL's teach out requirements, negotiations with the landlord need to commence before April 2025.
- Notice should be given to the landlord of UCOL's intention to exit the lease at the end of 2025. This will require agreement to extend the expiry date to 31/12/2025.
- Exit the lease on 31/12/2025 (there are no teach out requirements beyond the exit date).
- If required, relocate operations to the Manawatū campus.
- s 9(2)(b)(ii)
- s 9(2)(b)(II), s 9(2)(J)

Investment required	Asset sales	Infrastructure savings
s 9(2)(b)(ii)	s 9(2)(b)(ii), s 9(2)(j)	s 9(2)(b)(ii)



Manawatū campus indicative programme





Manawatū Campus map

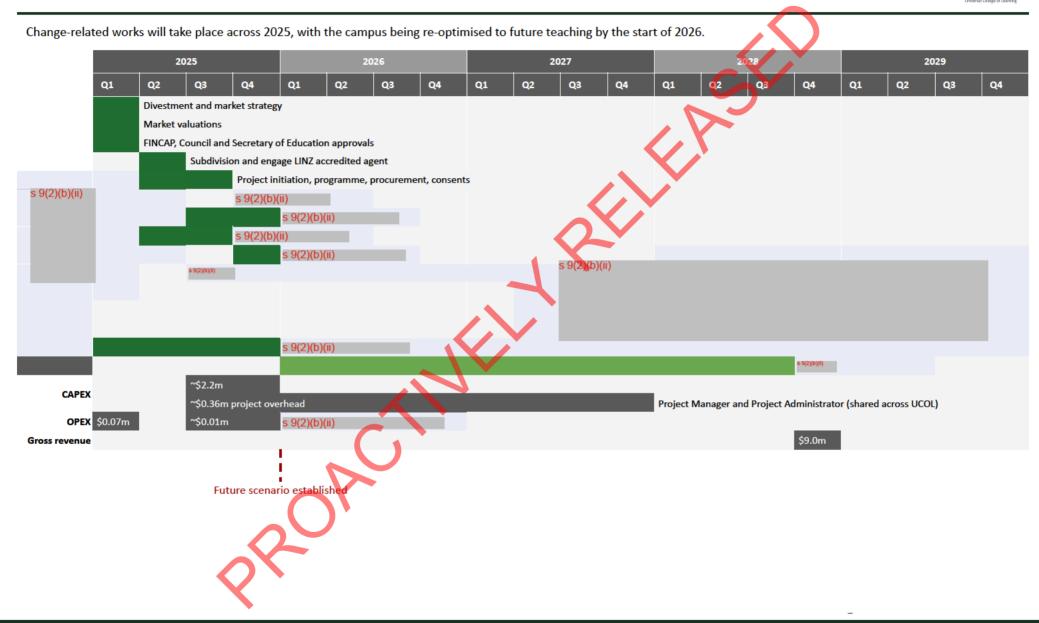


s 9(2)(b)(ii) s 9(2)(b)(ii), s 9(2)(j) the King St carpark have already been identified as surplus and will be divested. s 9(2)(b)(ii), s 9(2)(j)



Whanganui campus indicative programme





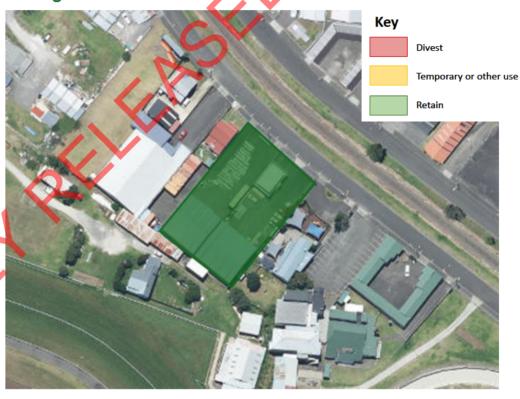
Whanganui campus map



Whanganui - Main campus



Whanganui - 31 & 33 Hatrick Street leases



s 9(2)(b)(ii)

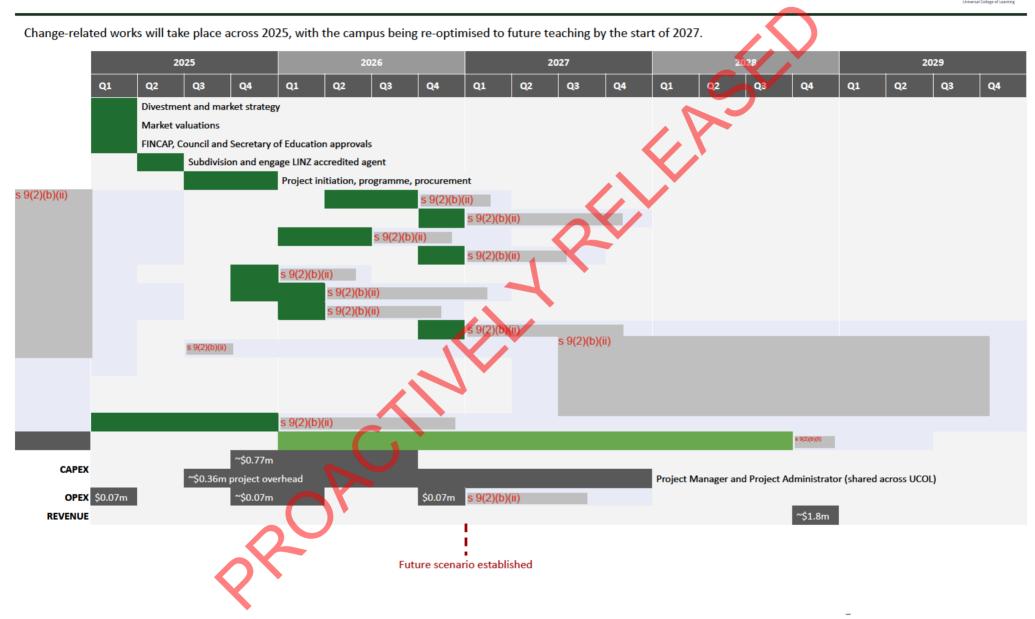
Improvement works will be completed at 31-33 Hatrick Street, and remaining trades will be relocated before the start of 2026.

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



Wairarapa campus indicative programme





Wairarapa and Horowhenua campus maps







Key next steps



Manawatū	Whanganui	Wairarapa	Horowhenua
return. This will inform the expected return,	gy to determine highest and best use, target b key risks and strategies to support the LINZ accation confirmation of surplus status and appr s 9(2)(b)(ii) s 9(2)(b)(ii) Negotiate longer term lease agreement for 31-33 Hatrick Street. Fitout the buildings for ongoing trade provision. Secure Project Manager and Proj	credited agent.	The centre has already been identified as sub-economic. Next steps include: • \$ 9(2)(b)(ii), \$ 9(2)(j) • Exit lease at the end of 2025.
s 9(2)(b)(ii)	Consolidate delivery into 31-33 Hatrick Street \$ 9(2)(b)(ii), \$ 9(2)(j) \$ 9(2)(b)(ii)	Undertake a timetabling/utilisation analysis. s 9(2)(b)(ii)	



3. Programmes





Overview



Overview UCOL delivers 164 programmes under 17 domains and is forecast to generate revenue and solution margin in FY25B. Four core domains s 9(2)(b)(ii) - represent 47% of revenue and 71% of contribution margin. that is by far its largest domain and UCOL is heavily reliant on its \$ 9(2)(b)(ii) represents 28% of UCOL's total contribution margin, despite delivering only 17% of its EFTS. Furthermore, UCOL is able to achieve a 74% contribution margin percentage on its \$ 9(2)(b)(ii) domain, well above what would be considered average across the sector / Rohe 3, and UCOL's other domains. We note that UCOL utilises blended / facilitated delivery for its \$ 9(2)(b)(ii) provision, driving higher contribution margin percentages. UCOL has a material number of poorly performing programmes that can be ceased to improve financial performance. 50% of UCOL's provision (on an EFTS basis based on NZQA qualification code) has no alternative regional or extramural provision. **UCOL Programme Delivery Alternatives (by EFTS)** Extramural Delivery ■ No Alternative Delivery ■ Regional Delivery Option 18,44% 50.07% 31.50% 0% 20% 60% 80% 100% **EFTS**





Locations



Locations

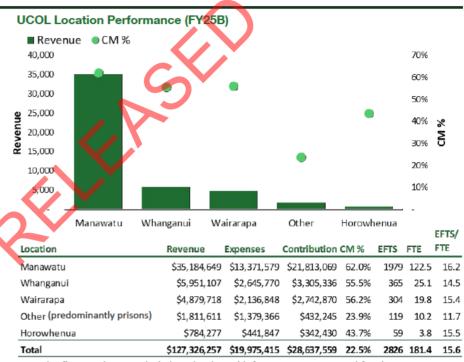
UCOL delivers from four campuses, however, its primary Manawatu (Palmerston North) campus represents the majority of its delivery (72% of revenue in FY25B) and also contribution margin (76% in FY25B). UCOL's Manawatu campus is forecast to deliver a contribution margin percentage of 56% in FY25B.

UCOL's Horowhenua campus is not profitable once lease and non-teaching overheads required to support that location are factored into account. UCOL's leadership is attempting to optimise delivery locations in an attempt to make it viable, however, UCOL has previously exited (and reentered) Levin as it struggled to make delivery financially viable.

Alternative modes of delivery or less frequent delivery, amongst other options would improve programme financial performance across UCOL. As noted earlier, UCOL utilises blended / facilitated delivery for its Nursing provision, driving higher contribution margin percentages.

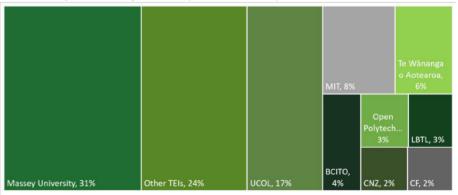
UCOL has 17% of the market for tertiary education in the Manawatu-Whanganui region.

It is apparent that financial improvements are available through optimisation of location of delivery (or method of delivery).



Note: The figures above exclude location based infrastructure costs and faculty costs

UCOL Competitor Analysis 2023 (% of Total EFTS)





Programmes



Programmes

UCOL has a material number of poorly performing programmes that can be ceased to improved financial performance. There exists a significant opportunity to rationalise its programme offering across all campuses.

The table below shows the proposed level of change that is in-scope and being considered for divestment at a programme level in the modelling, however, it is noted that there is likely to be a high degree of impact on the community from the proposed cessation of provision, especially the low level delivery.

We have not taken a blank approach to ceasing programmes under specific contribution margins or EFTS level, rather undertaken detailed analysis and worked with management to identify opportunities. Unless there is a sound strategic rationale for continuing to offer the programmes identified, UCOL's financial performance improves, once support costs are taken into account. UCOL Programme Level of Change

	Ceased	Delivered	AcademicFJE		
	Programmes	Programmes	EFTS Teachout	Teachout	
Horowhenua	10	-	58	4	
Manawatu	29	78	192	19	
Whanganui	30	11	219	17	
Wairarapa	15	17	111	10	
Other	9	-	120	10	
Total	93	106	700	60	

Note: Faculty FTE not included

Further detailed list of both retained and ceased programmes is provided at page 69 through 72 in Appendix Three.

We are comfortable there is limited contagion risk to other programmes from ceasing delivery despite the scale of programme rationalisation. We have not considered any opportunities created through a change to delivery mode.

We have not overlaid community or societal demand or need for this delivery.

Programme Phasing

Due to enrollments for FY25 being already well established, the modelling and assumption is that all delivery continues for FY25, excluding mid-year enrolments that can be ceased (i.e not opened) without a direct impact on learners. These enrollments would represent downside to the scenario in FY25.

UCOL has teach out requirements for delivery of programmes that have a duration of greater than 12 months (i.e goes beyond FY25). In order to manage this teachout, these programmes have assumed to be taught out in FY26 and FY27 (there are some programmes that have a duration of over 36 months). Furthermore, a key assumption is that part-time students within these programmes are offered to complete the programmes within the period offered to the full time students. This reduces teach out requirements from a potential five years to three years maximum.

We have assumed that no provision is transitioned to an alternative provider or campus and accordingly, all teach out is completed by UCOL where currently delivered and the programme ceased. As such, if students showed a willingness (which may be unlikely due to distance between campuses) to shift locations, this would provide upside to the analysis.

Outlined below is the teachout requirements / programming phasing included in the modelling, with the revenue and cost removed the year after the teach-out is completed:

	Revised				
UCOL Programme Phasing (\$'000)	FY25	FY26F	FY27F	FY28F+	Total
Revenue Lost	(46)	(7,677)	(391)	(1,897)	(10,011)
Teachout Cost	337	3,995	236	989	5,557
Contribution	291	(3,682)	(155)	(908)	(4,454)
Programmes Dropped	8	75	2	8	93
Academic FTE Teachout (Programme Level)	13	48	2	6	67
EFTS Teachout	83	560	6	51	700

Note: Programme phasing excludes faculty FTE reductions and addition academic FTE savings from workforce optimisation not related to programme closures.



4. Operating Model





Operating model considerations



Future effort will be essential to refine UCOL's operating model and organisational structure

In Phases 2A and 2B, our primary focus has been on identifying the essential business capabilities that ITPs will need to function as viable, standalone entities in the future. The accompanying high-level thematic view (at right) of a prospective operating model for ITPs has served as a framework for our structural design work, detailed on the following pages.

While broader strategic decisions for the future ITP sector are pending, our efforts have concentrated on core business capabilities at level three of the proposed model. These capabilities include critical functions such as finance, human resources, student support, teaching and learning, administration, and IT. Our structural design approach presumes that capacity equates to capability, with further discussion on internal capability to manage significant changes at UCOL elaborated on page 41. Where possible, we have minimised changes to the academic office (beyond those necessitated by potential programme closure). Further work may be required by UCOL to refine which roles should sit within its back office, as opposed to being classified as academic delivery.

Our work has been influenced by elements of the delivery model, including UCOL's staffing profile, property portfolio, and its mix of provision (level two). We have also considered critical functional enablers at level four of the model, such as infrastructure, workforce, and organisational design. Although we have not delved into the legislative framework of UCOL, we have identified financial arrangement changes necessary to achieve viability (level five).

On pages 36 to 39 following an outline of our ITP operating model, we have stated how well the proposed structural design of UCOL (included on page 44 onwards) is likely to be able to deliver against each stated function. Where a function is excluded, we provide justification for its omission, or options for its delivery. We also note where functions are outsourced.

The structures presented shows what UCOL would look like post-teach out, and that it will take some time to transition towards this state. Discussions on potential phasing are included on page 48, but independent employment advice will need to be sought, along with considerable work to undertake role mapping, union engagement, and design. UCOL's journey towards a viable future will involve **significant transformation in its operational strategy, necessitating both immediate and longer-term adjustments.** We note that for UCOL this is not just around people, but is also closely linked with its property portfolio and programme offering. Future effort will be essential to refine UCOL's operating model and organisational structure, so that it can achieve not just financial viability, but financial sustainability. Adoption of changes from Phases 2A /2B, whether partially or fully, will still offer a significant deviation from existing operations. We do not provide a perspective on the achievability of this, but not that it would be a challenge for any organisation - to fundamentally change how it operates at pace. The sheer scale of potential change may result in additional uncertainty and capability loss.

We note that any FTE reductions presented in this document have been calculated using a starting point of Budget FY25 FTE figures. The total FTE for Budget FY25 does not align to payroll data received as at July 2024; this difference likely represents changes to personnel undertaken by UCOL following our receipt of payroll data. This difference in FTE is assumed to be spread across the organisation and not isolated to one specific function. UCOL did provide information on potential future structural change to us; this has been considered throughout preliminary design, but would need to be overlaid against potential change outlined in this document for completeness. In Section Seven, we have noted that (depending on the level of change adopted) further support may be required to drive transformation.

Strategy

Delivery model

Functional capabilities

Functional enablers

Legislative and corporate structure

4

5

Operating model considerations



The fundamental strategic role of, and differentiator for, each ITP, plus their role in the community

The ways in which the ITP intends to deliver its 'offering', tertiary education.

The baseline functional capabilities required for a standalone ITP.

The enabling factors that will support effective operations and delivery.

The legislative structure and arrangements that will allow an ITP to function.



			F	unctional capa	abilities				
Finance		Procurement	Facilities (strategic and management)				ement)		
Student sup	port	Student administration inc. enrolments/registry			Academic quality Cur			ırriculu	ım/course design
People & HR payroll	inc.	International Strategy			Equity/Māori and Pasifika support		a support	Library	
Print/Repr	ographic	Administrative supp	ort	Teaching and	d learning		Research		ІТ
Faculty supp	Faculty support Information and business Community			y engagement		Market	ting an	d communications	



Legislative and corporate structure

Legal and regulatory structure/s

Capital structure

Cash, banking, tax and treasury structure



Functional capability assessment (1/4)



Function	Included elements	In structure?	Outsourced?	Notes
Finance	Includes strategic finance and accounts management functionality	V		Team retained within structure with small reduction in FTE.
Procurement*	Contract assessment, contract review	V	V	Minimal capacity retained in structure; likely to require outsourced support in future.
Legal*	Legal advice, legal review			Not within current structure. Likely to require outsourced support in future.
Facilities (strategic and management)*	Facilities management, facilities operations, maintenance, security			Team retained within structure with reduction in FTE to account for smaller number of campuses.
Student support	Māori/Pasifika student support, student health, careers advice, student engagement, mentoring, learning support			Team retained within structure with small reduction in FTE. Flexibility exists as to the focus of individual student support needs in accordance with UCOLs learner cohorts.
Student administration	Enrolment administration functions, enrolment data management, enrolment advice	V		Team retained within structure. This area has seen an overall decrease in FTE given it was proportionally larger than other support functions.
Academic quality	Includes quality assurance, academic data management	~		Team retained within structure with small reduction in FTE.

^{*} In Appendix Six we note a range of functions that may be able to be delivered through some sort of shared services functionality. This function is included on that list.



Functional capability assessment (2/4)



	<u> </u>		·	
Function	Included elements	In structure?	Outsourced?	Notes
Curriculum/course design*	Includes instructional design, course design	~	•	There are no explicit curriculum/course design roles in the UCOL structure. The proposed future structure had an Instructional Designer, this has been included in the structure in this document In addition, this functionality may be split across different roles; there is a chance that UCOL will be required in outsource this functionality in future. This may also be delivered by academic states part of their roles.
People & HR inc. payroll*	Payroll, recruitment, employment relations, functional HR, health and safety	V	2	Team retained within structure with small reduction in FTE.
International education	International education advisors, international education strategy and recruitment	V	7,	Team retained within structure with small reduction in FTE.
Strategy	Strategic development, planning and reporting			Leadership structure has been designed to create optimum spans of control, within reason, to allow for strategic delivery. Roles nested under the Director of Operations will be expected to suppose some strategy delivery, page 41 notes that further support may be required to drive transformation.
Equity/Māori and Pasifika support	Student support tailored to Māori and Pasifika, Māori and Pasifika strategy	~		Pou Ārahi role included in structure, we have not explicitly which student support roles would be tailored to support Māori and Pasifika students. An opportunity exists to nest specific roles unde the Pou Ārahi, this has not been explored at present.

^{*} In Appendix Six we note a range of functions that may be able to be delivered through some sort of shared services functionality. This function is included on that list.



Functional capability assessment (3/4)



Function	Included elements	In structure?	Outsourced?	Notes
Library	Library staffing	V		Team retained within structure with small reduction in FTE.
Print/Reprographic*	Printing and graphic design		~	Not within current structure. Likely to require outsourced support in future.
Administrative support	Non-academic support roles	~		Roles retained with some reductions within the structure.
Teaching and learning	All academic roles	~		Reductions only made in accordance with potential programme closures.
Research	Research roles	×	1	No specific roles in current or future structure - expectation that it will be incorporated into academic roles.
IT*	Helpdesk, technology function and support, technology maintenance			Team retained within structure with small reduction in FTE. We acknowledge ongoing conversations about maintaining IT 'in house' at UCOL, and further work may be required to understand the most effective means of managing IT going forward.
Faculty support	Academic (faculty) and non-academic support roles			While we have reduced back office support roles in accordance with programme closures, there may be scope for further rationalisation of faculty support roles in relation to administration support roles, but the structure developed represents a starting point for consideration that needs to be overlaid against the practical operations of UCOL and its future needs. We consider some educational delivery areas that have seen academic staff reductions (including ECE, ICT, Social Services and Hospitality may be required to reduce or adjust faculty support accordingly.

^{*} In Appendix Six we note a range of functions that may be able to be delivered through some sort of shared services functionality. This function is included on that list.







Function	Included elements	In structure?	Outsourced?	Notes	
Information and business analysis	Planning, reporting, business analysis, KPI tracking, Government reporting and monitoring, Investment Plan development	×	~	will be incorp	oles in current or future structure - expectation that it porated across specific management roles. UCOL may tional support in this area in future.
Community engagement	Engagement with employers to support job brokering, connections with schooling system, connection to iwi/hapu and Pasifika communities	V		Team retaine	ed within structure with small reduction in FTE.
Marketing and communications*	Marketing, international marketing, social media, communications (internal and external	~	1	Team retaine	ed within structure with small reduction in FTE.

^{*} In Appendix Six we note a range of functions that may be able to be delivered through some sort of shared services functionality. This function is included on that list.



Functional capability assessment



An approximate summary of capability/capacity by FTE count

For each functional capability area, we have shown the indicative permanent and fixed term FTE headcount currently within UCOL and the potential FTE in future. Detailed organisational design decisions will determine possible future FTE headcount levels. Note that this table does not tally with the existing or future FTE structure, as there are some FTE that are currently employed that do not align to core business functionalities or span multiple functions in management positions. FTE count is approximate and based on July 2024 payroll; the starting point does not incorporate the realisation of any headcount reduction anticipated through Budget FY25B, and includes proxy values of 0.2 FTE and 0.63 FTE for casual and fixed-term roles within FTE information in payroll data. Functional analysis has been made based on payroll data and may not reflect true FTE as at the publishing of this report (for example, it will not reflect current vacancies). It is recommended any FTE reductions follow a full organisational design process to ensure functions are appropriately sized for the BDs strategic ambitions.

Function	Current FTE within UCOL	Potential future FTE level
Finance	10 FTE	7.5 FTE
Procurement	0.5 FTE	0.5 FTE
Legal	0 FTE	0 FTE
Facilities (strategic and management)	6.5 FTE	2.5 FTE
Student support	20.7FTE	12.4 FTE
Student administration	28.7 FTE	10.2 FTE***
Academic quality	17.4FTE	9.8 FTE
Curriculum/course design	No explicit role, likely split across roles	No explicit role, likely split across role
People & HR inc. payroll	6.9 FTE	5.1 FTE
International education	2.4 FTE	1.8 FTE
Strategy	Likely to be incorporated into executive roles, no explicit strategy roles	Likely to be incorporated into executive roles, no explicit strategy roles
Equity/Māori and Pasifika support	Included in student support	Included in student support, also Pou Ārahi (depending on intended focus for role).

printery sized or the best strategic ambitions.					
Function	Current FTE within UCOL	Potential future FTE level			
Library	7.3 FTE	4.8 FTE			
Print/Reprographic	0 FTE	0 FTE			
Administrative support	~13.5FTE*	10.1 FTE			
Teaching and learning	181.3FTE	121.3FTE			
Research	Incorporated into academic roles	Incorporated into academic roles			
п	15 FTE	10 FTE			
Faculty support	~29.8 FTE**	24 FTE			
Information and business analysis	No explicit role, likely split across roles	No explicit role, likely split across roles			
Community engagement	3.6 FTE	2 FTE			
Marketing and communications	5.4 FTE	4 FTE			
Governance	Te Pükenga hosted overall Governance functions	UCOL wil be required to provide own governance, please see Appendix Four.			

^{*} Includes Administrators, Programme Managers and Executive Assistants - note that general administration staff nested in other teams will typically be counted under the Administration headcount



^{**} Includes Executive Deans, APM's, Coordinators, Facilitator, Operations Managers and Technicians

^{***} Includes Lead Transition Coordinator, Transition Coordinators, U-Skills Operations Officer, Raukura Engagement Coordinator and Student Support and Employability Coordinator

Business capabilities within UCOL



Capability assessment in a readiness construct

Our Phase 1 report provided a brief change readiness assessment for UCOL. This has been updated noting we have not witnessed any significant change from our original assessment (noting no in-depth analysis has been performed). We acknowledge the limited engagement with UCOL during this review and that this assessment should serve as a foundation for further discussion and validation regarding readiness between Te Pūkenga and UCOL. Appendix Three of our Phase 1 report sets out the descriptors used to evaluate BD acceptance of and preparedness for change, illustrating what PwC considers 'best-in-class' for an engaged and change-ready organisation. The rating provided offers a comprehensive overview of both acceptance and preparedness. Please note that this assessment does not take into consideration any readiness related to core systems; basic information on core systems were included in Phase 2A reports as provided by Te Pūkenga, and information on funding to achieve core system functionality has been incorporated into this report.

Summary of assessment

- UCOL has continued to work collaboratively with PwC over the course of the creation of this document.
- Our original position stands that UCOL must restructure or discontinue low-margin programs to enhance financial performance, and rationalise its property portfolio. This will be a significant undertaking given the reliance on such a small number of profitable programmes.
- While UCOL's leadership appears to have accepted the need for change, \$5 9(2)(g)(i)

 It has, however, identified a range of recommendations to support some level of change; it will likely require additional leadership support and a stronger change focus to achieve a pathway to viability.
- We reiterate that robust financial management will be essential for comprehensive rationalisation and profit
 improvement, and will require strong financial leadership. This will also require strong experience in managing
 property divestment strategies and transactions.
- UCOL is a comparatively small ITP from a FTE perspective; it will need to ensure that roles nested under the
 Director of Operations demonstrate the requisite capabilities to support overall change. In addition, we
 acknowledge that transformation support may be required; the form of a potential transformation
 management office is outlined on page 57.
- Conversations about potential inclusion within another BD or as part of the federated model have not progressed through Phase 2B. Our focus, therefore, has been on the ability of UCOL to standalone as an organisation. However, any further EFTS decline may push UCOL into a space where there is a need to look at closer strategic alignment to other operators. Given the small number of profitable programmes within UCOL, it will need to ensure it is able to embed agility into its operating model, as any decline in student interest or enrolment in these programmes will have a disproportionate impact on profitability.
- With a significant reduction in FTE, there is a strong need to review the operating and delivery model of UCOL
 in a more detailed manner, to to ensure that it remains financially viable beyond any cost reduction exercise.

Overall rating

Limited readiness



UCOL has proactively identified potential change to shift towards viability. However, the path to reaching viability appears will require significant change, support for which may need to be sought externally given the scale and scope of transformation required.



5. People and workforce



Introduction to potential structure



Overview of changes considered

UCOL has the functions necessary for a standalone institution. However, to achieve financial viability we have identified potential FTE reductions.

Management has budgeted 376.4 FTE in its FY25 budget across academic (211.1) and non-academic (165.3) staff. In order to achieve financial viability, and to reflect reduced academic delivery and some changes to its campuses, UCOL require a reduction in FTE to reflect the new operating environment and circumstances. We have identified potential FTE reductions across both academic and non-academic roles outlined below:

Function	Location	FTE reduction	Est. Savings p.a	Est. Redundancy
Academic	Various	60 teaching + 5.8 faculty	\$5.6m teaching + \$0.6m faculty	\$3.7m + \$0.4m faculty
Non-academic	Various	44.2	\$4.7m	\$2.7m
Total		110	\$10.9m	\$6.8m

Please note that the above also includes casual and fixed term staff. We discuss our approach to redundancy calculations on pages 47 and 52.

Academic staff - 60 teaching FTEs have been identified through the programme profitability analysis, directly relating to programmes budgeted with negative or low contribution margins. An additional 5.8 academic FTE located within the academic office as faculty staff have been identified for reduction. As noted on the following page, redundancy for some of these staff may be delayed due to teach out.

Non-academic staff - We have taken a simplified approach to identifying which functions are essential for BD delivery, and have attempted to adapt the UCOL non-academic staffing profile in accordance with the reduction in academic roles identified. Through this high-level approach, we have identified a net reduction in 44.2 FTE overall, noting we have proposed disestablishing some roles and creating new roles, with estimated annual remuneration savings of \$4.7m (excluding redundancy costs). We note that further reductions may be achievable across faculty staff (particularly in the areas of ECE, ICT, Social Services and Hospitality) but this would require detailed role analysis.

The illustrative structure size is 266 FTE, following the above potential FTE reductions identified.

UCOL organisational structure - methodology and limitations

To achieve our indicative FTE numbers, we have focused on potential reductions to academic delivery, and then have apportioned non-academic reductions across remaining staff. PwC undertook this work independently. It is acknowledged that the structure presented in this document is intended as indicative; further analysis (including role mapping and impact assessment) will be required before determining a potential future structure. We have also taken into consideration some changes proposed by UCOL over the past few months; but have focused on what we think an appropriate 'lean' management structure for UCOL could look like. This has involved some changes to senior roles.

We have used July 2024 payroll information provided by UCOL for costing. This is based on preliminary role analysis (without job description assessment) to determine which roles may remain within the structure. We have not held information on vacant roles. Our estimated savings values use average salary values to indicate the potential value of savings. Our redundancy calculations are also based on average values. Please see page 52 for more information. Future costs have been inflated by 2% to account for salary increases in line with our modelling assumptions.

There is not an exact correlation between teaching FTE and structural FTE (i.e. a role may contain 0.3 FTE teaching time and 0.2 FTE administrative duties, and therefore we cannot assume a 1:1 reduction in FTE); our structure has tried to take this into account.

The proposed structural design will be required to be adjusted over time, should economic and organisational conditions allow, and on the basis of ongoing work on the strategic role of the future ITP sector. It has been assumed that the structure goes live in mid-2025. Please refer to programme phasing in Section 3 to understand how teach out may occur.

This work is presented as only one potential structure; noting that detailed organisational design work (including detailed job mapping and impact analysis) would be required before any decision on a future structure is determined. Information on a process to achieve this is noted on page 48.



Management structure

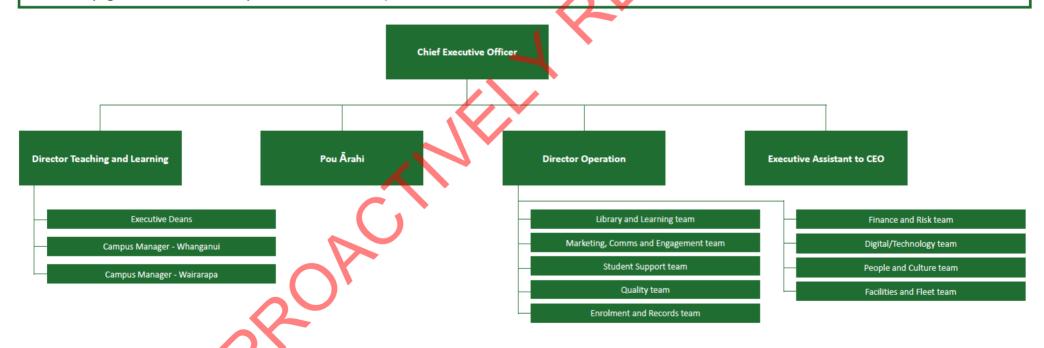


Proposed management structure

The management layer structure (Tiers 1 and 2) presented below indicates potential Tier 1 and 2 roles within UCOL in the future state, plus L3 functional areas. An expansion of the full non-academic (back office) structural chart is included on the following page. All management roles listed sit in the non-academic office. A potential faculty structure is included on page 46.

As a consistent taxonomy of academic roles within the former ITP sector does not appear to exist and classification differs across BDs, we have maintained the classification provided to us by UCOL via payroll data. However, we note there may be errors or inconsistencies in this approach. Values represented in our organisational charts are approximate and representative only. Full organisational design will confirm final FTE numbers, classifications and roles. UCOL will need to determine if the structure accurately reflects potential delivery needs and people requirements.

Please see page 52 for further assumptions on this structure, and risks identified.

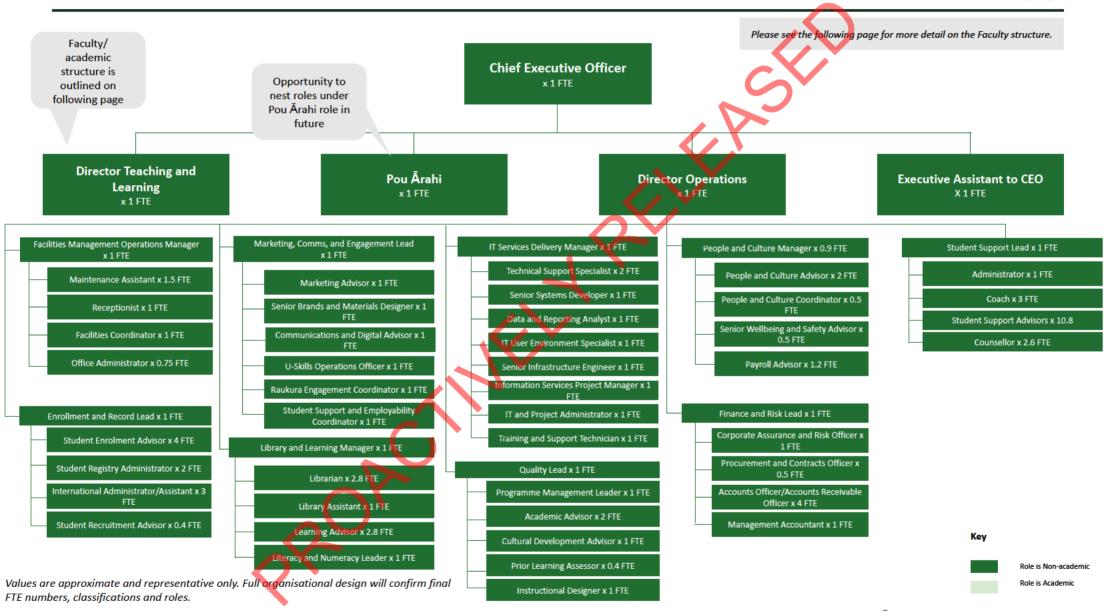


Values are approximate and representative only. Full organisational design will confirm final FTE numbers, classifications and roles.



Potential organisational structure - mid-2025

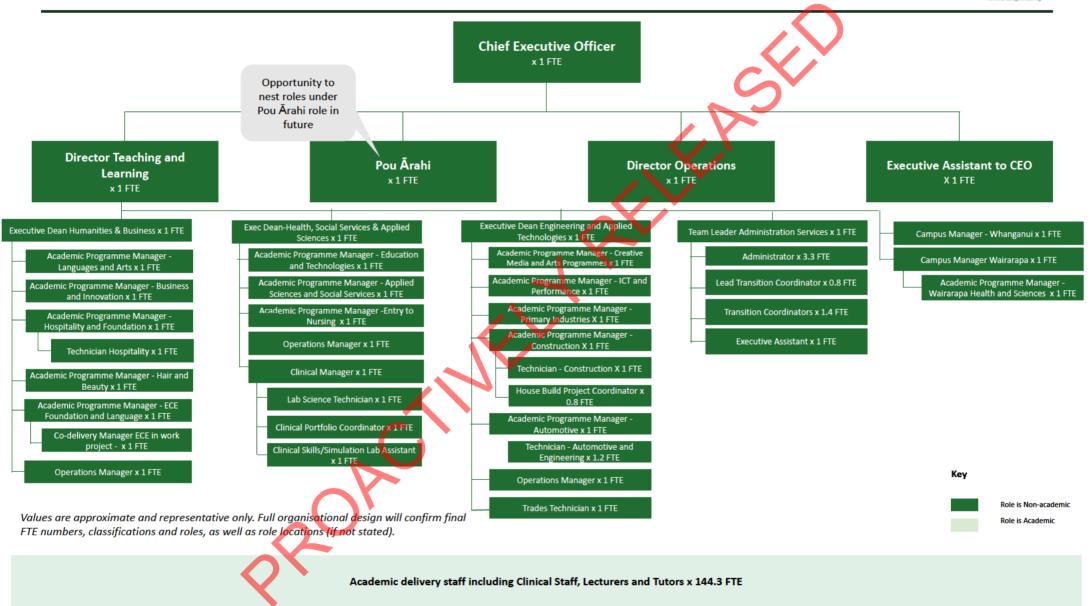






Potential UCOL faculty structure - mid-2025





Structure costings



Cost of the potential new UCOL structure

The savings demonstrated at right are based on a simple calculation that considers the value of programme delivery change, and the theoretical non-academic FTE reduction that could be reduced within UCOLs structure. Potential savings for academic staff are based on the value of programme delivery data associated with FTE, and savings for non-academic staff are based on an average salary times number of potential FTE reductions. Average tenure was calculated separately for academic and non-academic staff. Average salaries were derived from UCOL's July 2024 payroll information, and Budget FY25. We acknowledge that the payroll information on which we have undertaken assessment is out of date, information is available on page 52 that discusses how we have used proxy values when data was not available. We have also apportioned a theoretical savings in relation to the reduction in Kiwisaver payable.

We note that we have used a conservative approach to cost redundancy. This includes all fixed term and casual staff who may not be eligible for redundancy. Operational decisions by UCOL will likely reduce this value; we would anticipate reductions to fixed-term and casual staff ahead of permanent staff members where possible, potentially reducing the overall redundancy cost.

Further work is required by UCOL to undertake detailed assessment to support costing. This work must be undertaken prior to Te Pūkenga considering consultation, and will likely need to be undertaken alongside unions. This will considerably alter the cost of the new structure, because decisions will need to be made around which specific roles may grandparent into any new structure, and these may be at a higher salary level. There are contracted terms within the CEAs of both TIASA and TEU that require Te Pūkenga to pay an equalisation allowance for two years, or of an equivalent lump sum, where an individual is confirmed in a role at a salary level lower than their old role.

CEA terms state that reconfirmation into a new role can only occur if the position responsibilities are the same or very similar to those of a current position, and the salary range can be no less than the current position, which may result in higher than intended redundancy costs even if it a 'similar' position exists in any new structure. We have not had access to job descriptions during this process, nor have we undertaken any detailed job design.

It is anticipated that the staffing profile described on the previous few pages will be realised by the middle of FY25. Any redundancies required for FY25 (after potential restructure), FY26 and FY27 teach out would be deferred redundancies. Programme phase out is described in Section 3.

We have not considered potential governance costs, given a need for legislative confirmation. More information on governance and potential costs are included as Appendix Four.

	Summary of people change	
	Total FTE reduction compared to Budget	110
ı,	New structure back office size	122
	New structure academic office size	144
	New permanent/fixed term FTE size	266
	Potential savings Academic + Faculty	\$5.4m + \$0.6m
	Potential savings Non-academic	\$5.1m
	Savings from KiwiSaver reductions (approximate)*	\$0.3m
	New positions cost	(\$0.8m)
	Total remuneration savings	\$10.9m
	Total potential cost of change including 50% contingency**	\$6.8m
	0 /	

^{*} Estimated reduction based on FTE reduction.



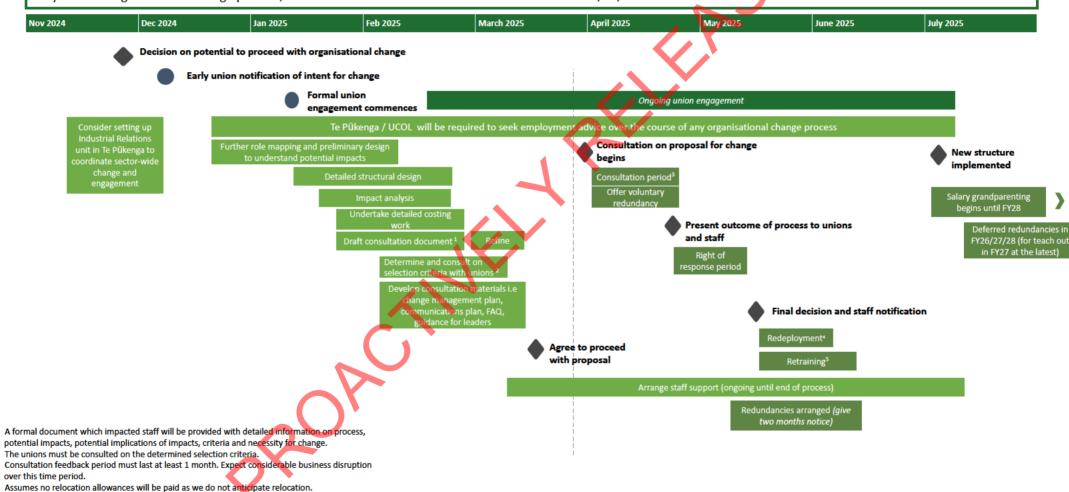
^{**} The 50% contingency applied to 'cost of change' (i.e. redundancy payments) is included to help mitigate the impact of unassessed major change, as identified at left. Please see page 52 for more information on these costings.

Potential pathway for organisational change



The timeline below presents a perspective on the minimum steps to deliver organisational change

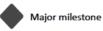
Below, we have created a high level timeline showing the minimum steps required to deliver the organisational change process. It is noted that any delays in the process outlined below might push out cost savings into future years, acknowledging that a half year of savings for non-academic staff will be realised FY25. It is anticipated that UCOL may run one organisational change process, but defer redundancies for teach out until later in FY26/27/28.



Union engagement







Requirement to offer retraining or retraining expenses under the CEA.



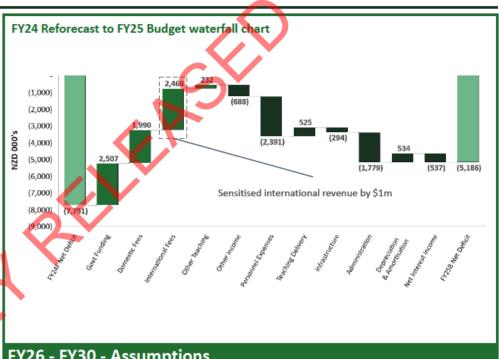
6. Assumptions, sensitivities and risks



Risks / assumptions - forecast



FY25 Budget - assumptions and risks					
Revenue stream					
Government funding	Revenue assumptions and allocation provided by Te Pūkenga. We are advised there are material caps and constraints on the L1 and L2 delivery. Furthermore, revenue increases primarily resulting from the change from UFS to SAC. Two new funds (Refugee English Fund and Equity Load M & PI) and 820k increase to the Equity LPA and U25 fund are driving further funding growth.				
Domestic Student Fees	6% Annual Maximum Fee Movement (AM/FM) proposed by the Government. Budgeted EFTS growth of 86 (3.4%) EFTS. The 6% increase may impact demand on domestic enrolments, however, it is too early to note any trends.				
International Student Fees	Increase in International student fees is primarily driven by an increase of 67 EFTS (41%) and further amplified by a 19% increase of fees per EFTS. There is risk to this revenue as even if this level of enrollment growth can be generated (significant growth forecast), there is a risk that student visas are not issued or delayed by Immigration NZ, which has occurred historically. We have sensitised this revenue by \$1m.				
Other Income	Decreased due to the repositioning of revenue streams into more appropriate categories following the change in the financial management system.				
Expenses					
Personnel Expenses	Increase due to the net increase of 11 FTEs as well as the average salary within the head office divisions. This movement can be partially explained by the FTEs passed down from Te Pükenga Head Office.				
Teaching delivery	The increase in teaching delivery costs aligns with the growth in EFTS.				
Infrastructure	No material movement.				
Administration	Majority of increase is attributed to the costs of \$4.7m passed down from Te Pūkenga Head Office.				



FY26 - FY30 - Assumptions

Revenue					
EFTS Assumptions	Domestic EFTS: 0% per annum				
	International EFTS: 5% for 2026- 2027, 3% per annum thereafter				
Revenue	Government funding: Adjusted proportionally for 2% growth on 2025 budget				
Assumptions	All revenue (excl. Government funding): 2% increase per annum (proxy for inflation)				
Expenses					
Expenditure	Expenditure: 2% increase per annum (proxy for inflation), including insurance costs.				
Assumptions	Administration: 75% fixed, 25% variable movement based on EFTS				
	Research Costs: 75% fixed, 25% variable movement based on FTE				
Personnel	Salary growth of 2% per annum.				
Expenses	FTE growth is 0% per annum.				



Risks / assumptions



Assumptions and risks/issues identified

- This report has not taken into account the obligations of UCOL in relation to te tiriti o Waitangi. Potential divestment in programmes (and property/locations) that support cultural uplift may have ramifications under te tiriti, and will need to be explored in detail with iwi/hapu/whānau.
- We have not completed any engagement with stakeholders (outside of UCOL leadership) to understand community needs, and to test potential models, the appropriateness, and the suitability/alignment to regional needs.
- benefits of a merger or the federated model, However, note that historically cost savings have been challenging to achieve in the sector through merger.
- The Minister's recent consultation process has concluded, but we are not yet aware of its outcomes. Accordingly we are unable to factor the outcome into these recommendations, including whether future ITPs are able to undertake the arrangement of work-based learning and further details on the federated model (i.e assess the benefits to UCOL).
- We have not modelled any Governance costs for the standalone institutions.
 We have noted the potential cost for Governance in Appendix Four, but have not assumed this costing given it is pending legislative agreement.
- Our analysis has not taken into account any future competitive activity between BDs/ITPs, which may impact on organisational operating model decisions (including people, property and provision). Some discussion of competition is included in Appendix Five.

Delivery

This report has not sought to triangulate the value of delivery to regions and communities. It is expected that the financial recommendations made in this document will now be considered in the context of regional need, to determine what an appropriate mix of provision may contain.

Delivery

- We recognise that removing specific courses or qualifications could have adverse societal and educational impacts and each decision will need to consider these wider impacts.
- There is likely a high degree of impact on the community from the proposed ceased delivery of programmes and the cessation of delivery at the Horowhenua campus, along with fundamental change to the Manawatū, Whanganui and Masterton campuses. This may also present both political and media risk.
- We have not considered any opportunities created through a change to delivery mode.
- The key assumption for UCOL's forecast is that delivery would not move between campus locations. This represents upside in the analysis.

Assumptions - workforce and structural organisational change

- Work undertaken to support this report has not involved any employment relations legal advice or union engagement. We understand Te Pūkenga is receiving separate legal advice and managing union engagement. This work therefore does not constitute employment advice; no assessment on its achievability within employment legislation or employment agreements is provided.
- We assume that decisions on FTE reductions are to be made by the commissioning parties, considering network-wide implications, staffing profile changes, and regional presence.
- Our analysis assumes the BD needs to operate as a standalone entity. FTE
 reductions are exploratory; they do not present any definitive
 recommendation for restructure or follow a standard, complete
 organisational design process. Potential reductions are categorised across
 academic and non-academic roles, broadly following UCOL's classification.



Risks / assumptions



Assumptions - workforce and structural organisational change

- The report identifies potential FTE reductions based solely on financial viability and has not been tested with the BD.
- A minimum level of operational delivery has been considered when identifying potential FTE reductions; for example, maintaining key operational functions to stand alone. Full role analysis was not conducted to understand how roles may map into a potential new structure.
- Analysis is based on July 2024 payroll data. Changes since then or current recruitment/ vacancies are not considered. We have used average UCOL back office and academic remuneration to identify potential redundancy costs (average tenure, salary, and annual leave liability). Costing assumes all FTE as permanent roles. Any changes to the roles of fixed-term employees, making up less than 8% of FTE at UCOL, may reduce theoretical redundancy costs. Potential training and relocation costs were not included in analysis. Individual redundancy costs may vary by role, tenure, contract terms, and annual leave balance.
- The classification of 'major change' under New Zealand Employment Law, which may increase redundancy costs, was not considered, given we did not undertake a full impact analysis. As noted above, this analysis does not constitute employment advice. A 50% contingency has been added for unassessed impacts (i.e 'major change').
- Grandparenting existing staff may reduce immediate redundancy costs but maintain future redundancy liabilities. CEA obligations on grandparenting were not identified.
- A standard redundancy approach using CEA clauses was applied for all FTE reductions. We note specific CEA clauses for UCOL staff, these have not been modelled.

Risks/issues identified

 Potential FTE reductions could result in additional uncertainty, leading to potential staffing level decline and capability loss within the BD.

Risks/issues identified

- We used a pragmatic approach to identify remuneration and redundancy costings, but work is preliminary, indicative, and subject to change.
- The FTE reductions contained in this report aim to create a financially viable
 organisation but do not necessarily represent a financially and strategically
 sustainable one. The strategic role and future intention of ITPs may impact
 the viability and sustainability of the presented FTE level.
- The UCOL data set received from Te Pūkenga is incomplete, which may cause inaccuracies in our analysis, such as skewed average salary values. Thus, the analysis should be viewed as representative only, acknowledging this risk.
- We used proxy values of 0.2 FTE and 0.63 FTE for casual and fixed-term roles within payroll data where information was unavailable, and average salaries as indicative of academic \$89,709 and non-academic \$90,897. These were also used for redundancy calculations.
- There is likely a disconnect between calculated workforce figures and those presented by BDs in budgets, which may cause figures to be under or over-inflated in terms of savings and costs.
- Standard CEA clauses may not reflect IEA clauses, and we did not have access to IEA clauses. Our approach of using CEA clauses may impact on potential redundancy costs.
- Double/triple hatting (i.e., people working across multiple roles) is common within BDs. As our analysis focused on roles, not people, multiple role holdings were not considered, possibly overestimating savings and underestimating redundancy costs. This is a simplistic, representative approach that may not account for the complexities of academic delivery and roles.
- We have calculated redundancy costs as at the middle of a calendar year for the purpose of simplicity. The actual date of any change will impact on overall costs.
- Redundancy has been calculated on a per FTE basis, not a headcount basis, assuming 1 FTE per position. It is expected that redundancy calculations may change based on actual headcount change.



Risks / assumptions - property



Assumptions

- Pursuant to Te Pūkenga instruction, capital works includes only essential priority works that
 have been identified as immediately required to continue delivery, safe utilisation of buildings
 or enable consolidation. There will still be further capital works and deferred maintenance
 needing to be rectified over the medium term.
- If sufficient funding is unavailable to ITP's to carry out remaining capital works and ongoing maintenance then property assets will continue to be run-to-failure, impacting ongoing feasibility.
- Property asset sales values have been derived from market valuation where available, whereas others rely on alternative methods of estimation in lieu of a market valuation.
- Some capital works costs have been estimated by cost consultants, while others have not yet been scoped and costed and provisional placeholder estimates have been utilised. A full capital works programme needs to be developed, phased and costed including verifying estimates used.
- · It is assumed that all subdivided areas have their own utilities and services.
- · Assumptions used in modelling include:
 - o Market rent of \$175psm in Whanganui
 - o Discount rate (nominal) of 10% (real NZ Treasury rate of 8% plus 2% inflation)
 - 2% annual inflation
 - o 3.2% annual energy escalation
 - 2.5% annual commercial rates escalation
 - 3% annual cost escalation for build cost component of capital works
 - 70% of capex works are build cost, and 30% are associated fees and costs
 - 50% of infrastructure costs (energy and cleaning) can be eliminated through mothballing a building, while 75% can be eliminated from demolition or removal (leaving only remaining land-related costs for that site)
 - o 2% (of current asset value, UCOL Fixed Asset Register) annual capex maintenance

s 9(2)(b)(ii)

Asset sales are subject to costs of sale that are material and highly variable. For example disposal costs (through the LINZ Accredited Agent) including sales commission, subdivision, surveying, legal, utilities subdivision, processing fees and consenting are estimated as 15% of gross asset sale pursuant to TEC's TEI Crown Asset Disposal guidelines, and a Crown retention of a further 20% (TEC's TEI Crown Asset Disposal guidelines) before the true net sale value is returned to W&W.

Risks/issues identified

- Only immediately critical capital works required to continue delivery or enable consolidation have been included.
- A long term strategic asset management plan needs to be developed to identify prioritised investment on capital and operating maintenance activities to avoid a future deferred maintenance problem.
- Building utilisation has been estimated using a utilisation allowance per headcount (based on Gross Floor Area data and ratio provided by Te Pūkenga) and as such will need a campus masterplan to be developed taking into account classroom size and count, and timetabling, to confirm the proposed delivery will work within the proposed buildings.
- Establishing the property change programme early in 2025 is essential. Without sufficient time for preparatory activity (including procurement, design and consenting), the programme for delivering the works will likely be delayed.
- There are no market valuations for the \$ 9(2)(b)(ii)
- Values for these need to be understood better in order to inform model forecasting and inform the proposed market divestment strategy to identify a pathway to the highest potential return.
- Understanding of the asset disposal process is incomplete. Factors needing to be better
 understood include LINZ disposal timeframes and costs (assuming the standard Crown
 disposal process for education assets is utilised) including subdivision and zoning changes
 required, and whether the Crown will retain any proceeds pursuant to the TEC's TEI Crown
 Asset Disposal guidelines.
- Utilities and infrastructure may span areas being subdivided and divested. This will need
 verifying and currently unbudgeted costs will likely be incurred to separate services. The cost
 to execute can be material.
- Several buildings on the Manawatū campus have been classified as earthquake-prone and require structural remediation by May 2029 to meet safety standards. Although staff and students continue to utilise the central campus buildings, it is important for Te Pūkenga to evaluate the potential risks to their health and safety associated with occupying these seismically-vulnerable buildings.
- s 9(2)(b)(ii), s 9(2)(j)
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Sensitivity analysis



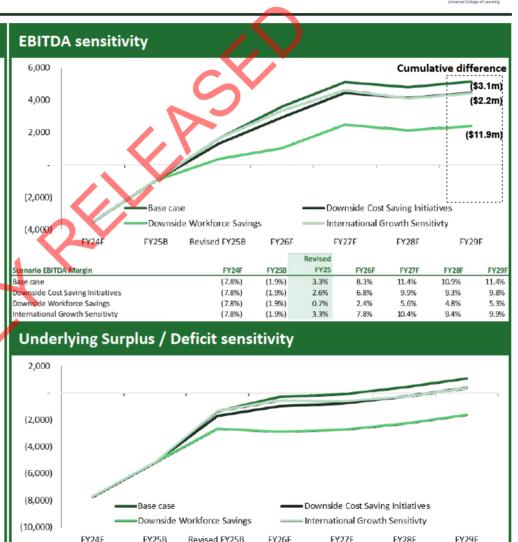
Sensitivity analysis

The forecast is subject to a range of risks (and upsides) discussed in this report. We have already sensitised for key risks in our revised FY25, particularly as it relates to the international EFTS income assumptions by management. Our sensitivity analysis outlines additional potential scenarios, underpinned by a different set of assumptions for growth and the level of savings forecast to be achieved. The three sensitivities modelled are as follows:

- Downside Cost Savings Initiatives this scenario assumes only 50% of cost saving initiatives are achieved.
- Downside Workforce Savings this scenario assumes only 50% of corporate and support staff savings are achieved.
- International Growth Sensitivity this scenario assumes the forecast growth in international EFTS does not eventuate (e.g. a 0% growth rate in international EFTS is assumed).

The graphs on the right capture forecast EBITDA and underlying surplus / deficit under each sensitivity relative to the revised FY25 forecast for the period. The sensitivities and modelling has been completed on a high-level basis for illustrative purposes only.

We note that none of the sensitives captures all upsides or risks that may occur or arise. We have not accommodated changes to policy settings, re-acceleration of inflation or any reduction in EFTS levels, which may occur. These, alongside other risks, may have further negative impact on UCOL's performance over the forecast period and result in further shortfall in financial performance.



Revised

(2.796)

(3.496)

(5.3%)

(2.7%)

(0.7%)

(2.3%)

(6.7%)

(1.3%)

FY25B

(10.0%)

(10.0%)

(10.0%)

(10.0%)

FY24F

(17.2%)

(17.2%)

(17.2%)

(17.2%)



(0.6%)

(5.1%)

FY27F

(0.3%)

(1.8%)

(6.1%)

FY29F

2.4%

0.8%

(3.7%)

Scenario Net Operating Surplus Margi

Downside Cost Saving Initiatives

nternational Growth Sensitivty

Downside Workforce Savings

7. Financial management and controls



Financial management



Financial management and controls recommended

Proposed changes to UCOL's operations are not immaterial. Once clear decisions have been made about which financial opportunities need to be implemented, it is important to empower UCOL to deliver these by ensuring the right processes are in place to track and monitor progress, and that clear roles, responsibilities and accountabilities are defined at UCOL and Te Pūkenga. A brief introduction to financial management practices and controls that will need to be implemented at UCOL are summarised below, noting that capabilities in programme delivery and change management are also considered important to achieve the financial outcomes desired.

Reporting and monitoring going forward

The following financial practices are required to support improved monitoring of financial performance at UCOL. These behaviours should be embedded at all levels of the organisation with all budget holders accountable and actively monitoring.

Budgeting and forecasting

- Scenario planning: incorporate budget scenarios to account for various financial outcomes and uncertainties including downside student forecasts (international and domestic).
- Reassess cost allocations: consider how costs are allocated to academic / non-academic or campus locations to better understand the cost drivers and manage expenditure more effectively.

Reporting

- Financial reporting: ensure that appropriate visibility of financial performance is provided to management to enable decision making and ongoing performance monitoring (e.g. by campus and school).
- KPI monitoring: ensure regular monitoring of KPIs against budget to ensure that any deterioration can be quickly identified and responded to.

Strategic Workforce Planning

- Workforce budgeting: integrate workforce planning into the financial budgeting process, aligning staff levels with financial constraints and strategic goals.
- Workforce establishment data set management: create and confirm establishment data set and introduce planning controls to account for any change in FTE.

Programme profitability management

 Regular review: of the financial performance of programmes to improvement initiatives to be identified and implemented early, or enable rationalisation where required.

Reporting and monitoring change initiatives

We have also outlined key activities below that UCOL will have to deliver to ensure that the benefits of the financial improvement initiatives implemented are achieved. We note that for UCOL, further strategic capabilities may be required as outlined on page 41. As outlined on the following page, the extent of decisions made will also drive the potential need for a transformation management function.

Focus area	Detailed activities
Alignment on financial improvement plan	 Determine and agree financial improvement initiatives to be implemented. Agree Financial KPIs for ongoing monitoring.
Define Roles, Responsibilities & Accountabilities	 Future CEO to be sought with a capability to sponsor and drive change, Executive will be held accountable for delivery and experienced in transformative change. Identify a change owner within UCOL Executive who can oversee the overall programme, and can support identifying the key owners of each initiative. Define the role of Te Pükenga and what it is responsible or accountable for, or needs to be consulted or informed about (RACI approach).
Planning and sequencing	 Develop and agree detailed plans including dependencies of initiatives and key milestones. Understand any requirements or resources outside of UCOL's control. Understand internal capacity or constraints on initiative delivery (including workforce changes, once confirmed) and reflect this into sequencing of activities over FY25 / 26.
Budgeting and forecasting	 Agree initiative budgets and overall financial improvement budget. Communicate to budget owners. Incorporate regular forecasting to reflect changes into underlying assumptions. Incorporate regular meetings and reviews to ensure progress is aligned with expectations, and revision / control processes for where deviation occurs.
Reporting	 Establish a mechanism for tracking and monitoring financials (actuals against budget). Create financial reporting outputs to provide stakeholders with information required to enable decision making. Establish programme reporting including initiative status, risks and issues and financial performance. Agree reporting cadence.
Review Financial Controls	 Establish clear delegations for workforce change and approval processes to manage FTE and establishment. Develop or enhance change controls to ensure oversight and clarity over changes to budgets or operations. Apply clear and comprehensive financial risk management approach across organisation.

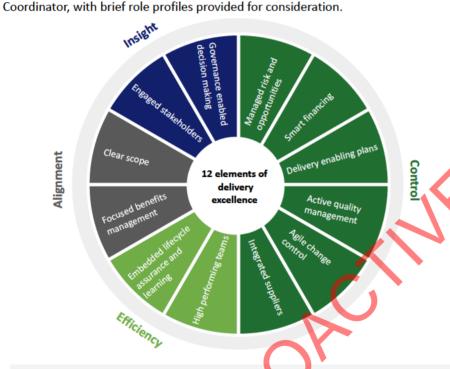


Transformation programme management



UCOL will be required to undertake a series of transformations; we note that additional capability may be required to support this

The scale and scope of decisions about UCOL's future will determine the support needed for implementation; we have therefore not costed support at present or included this in the financial forecast. However, we recommend a Transformation Programme Management Office (TPMO) to coordinate and drive any major change within UCOL. This page details the nature of a TPMO, and how it supports transformation. The 12 elements of transformation delivery excellence, based on leading Portfolio, Programme, and Project Management methodologies and detailed at left below, outline the key components for successful transformation programmes. Applying these elements should yield the listed benefits. On the right, we present the TPMO structure, which should include at least four roles: Programme Director, Programme Manager, Transformation Lead, and Programme



Insight - Effective reporting that tracks strategic change initiatives with tailored communication to stakeholders.

Control - Controlled implementation to agreed timelines, resource level and cost.

Efficiency - Identifying and eliminating overlap exploiting synergies for efficiency and savings.

Alignment - Connecting execution with strategic direction and ensure ongoing alignment.

Governance + Programme Leadership

Programme Strategy, Oversight & Governance

This component aligns objectives with organisational goals, monitors progress and performance and establishes policies, procedures and roles for effective control and decision making.

Programme Management

The purpose of programme management is to coordinate and oversee multiple related projects to achieve strategic objectives and deliver significant benefits. It ensures that resources are efficiently utilised, and the various projects within the programme are aligned and integrated to maximise overall value.

Programme Controls & Assurance

This component ensures that a programme is delivered efficiently, on time, and within budget by implementing structured processes for monitoring, reporting, and compliance.

Transformation Expertise

This component enhances the capability to manage and execute transformation initiatives effectively, over and above business as usual activity, mitigating risk associated with major change and ensuring the likelihood of transformation success through collaborative effort.

Programme Director

This role provides strategic leadership, oversight, and coordination, ensuring that all change projects and initiatives align with the overall change programme's objectives, are executed efficiently, and deliver the intended benefits.

Programme Manager

This role oversees the planning, execution, and delivery of one or multiple interrelated projects (including transformation delivery) ensuring they align with the programme's objectives and strategic goals, while managing resources, risks, and stakeholder communication.

Transformation Lead

This role provides executive-level guidance and oversight, ensuring the successful implementation of strategic change initiatives, aligning the programme with overarching ITP objectives, and driving UCOL's fundamental transformation needs. It has a key role in interacting with change governance.



Financial Recovery Governance Group



It is recommended that a Financial Recovery Governance Group is established to support ongoing financial management

A Financial Recovery Governance Group (FRGG) should be established internally for a period of three years, with the Chief Executive (CE) of UCOL as the 'owner' and senior leadership members assigned as workstream 'owners'. In addition, this group may be supported by members of the proposed Transformation Programme Management Office, with a potential structure of this included on the previous page. The membership of the FRGG will be reviewed every six months to ensure that the outcomes of the Financial Improvement Plan are being met, and whether appropriate capability is held across the group to progress initiatives. It may also be beneficial to have an independent advisor to the Group, with a financial and change management skill set.

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

Financial Recovery Governance Group

The primary function of the FRGG is to provide comprehensive oversight, strategic guidance, and operational coordination to achieve the objectives of the Financial Improvement Plan.

- Key responsibilities include:
- Monitoring and evaluating the progress of the Financial Improvement Plan.
- Identifying and addressing any challenges or risks that may impact the plan's success
- Ensuring alignment with organisational goals and strategic priorities
- Facilitating communication and collaboration among various stakeholders
- Making informed decisions to adjust the plan as necessary to meet its objectives
- Reporting regularly to the ITP Governance Group on the FRGG's activities and progress of the Financial Improvement Plan.
- Review and update the Financial Improvement Plan when additional information or new initiatives are identified.

Reporting structure

A structured reporting framework approach is suggested to provide regular updates to the ITP Governance Group, ensuring transparency and accountability with the implementation of various work streams and initiatives of the Financial Improvement Plan.

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

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



Transformation risk assessment and mitigation



Change of the scale recommended in this document comes with an inherent level of risk

The table below, and the pages following, outlines the risks associated with the initiatives outlined in the Financial Improvement Plan, along with potential mitigation strategies designed to minimise their impact. By acknowledging and addressing these risks, there may be an increased likelihood of success for initiative implementation, acknowledging that a range of unknowns exist at present which may impact on overall feasibility and achieveability. In addition, we note that some of the additional activities noted under mitigations will need to be achieved on top of business-as-usual functions; which may already be impacted by a proposed reduction in staff headcount. As noted on pages 41 and 57, UCOL may require additional transformational change support to ensure the effectiveness of the major changes contained in the Financial Improvement Plan.

Risk		Impact	Likelihood	Mitigation
1	There is a risk of disruption to the day-to-day operations of the entity, impacting its ability to deliver programmes and support functions effectively.	High	High	 Create detailed plans for maintaining essential operations during periods of change or disruption. This includes identifying critical functions, backup processes, and key personnel. Collate (and if necessary, update or cleanse) data, processes and policies to ensure that, in the event of personnel handover, consistency of approach can be maintained. Establish clear communication channels and coordination mechanisms to ensure quick response to any disruptions. Implement a structured change management process to manage the impact of changes on daily operations, ensuring minimal disruption to services and programmes.
2	There is a risk of resistance from staff, students, or other stakeholders to changes proposed (and implemented) as part of the Financial Improvement Plan.	Medium	High	 Engage in open and transparent communication with all stakeholders to explain the necessity and benefits of the proposed changes. Involve stakeholders in the decision-making process through consultations and feedback mechanisms to build trust, buy-in and ownership. Provide support and flexibility to staff and students, and address concerns promptly. Consider how to engage with unions and utilise union networks and support across the wider staffing network.
3	There is a risk of uncertainty in financial projections and funding, which may impact the sustainability of transformational change.	High	Medium	 Develop robust financial models and scenarios to anticipate and prepare for different financial outcomes. Regularly review and update financial plans based on actual performance and changing circumstances. Review and update the Financial Improvement Plan when additional information or new initiatives are identified.
4	There is a risk that changes implemented could compromise the quality of educational programmes and/or remove access to regional delivery of tertiary education for New Zealanders.	Medium	Medium	 Ensure that any changes (including closures) to programmes are carefully assessed for their impact on quality and student outcomes, and determine areas of core priority delivery to be maintained. Implement and maintain strong quality assurance mechanisms. Consider, if necessary, alternative teaching delivery methods that can maintain or enhance programme quality, such as online or blended learning options. Where delivery is ceased or taught out, work with stakeholders (students and TEC) to identify where alternative provision may be available
5	There is a risk that difficulties in divesting properties may delay financial benefits.	Medium	Medium	 Conduct thorough market analyses to determine the best timing and strategies for property divestment. Engage with LINZ and / or real estate experts to market the properties effectively to attract potential buyers.



Transformation risk assessment and mitigation



Change of the scale recommended in this document comes with an inherent level of risk

Risk		Impact	Likelihood	Mitigation
6	There is a risk that difficulty in implementing digital transformation initiatives may hinder operational efficiency and student experience.	High	Medium	 Develop a comprehensive digital transformation strategy with clear goals and timelines. Ensure strong immediate support for existing digital platforms and instruments to handle high usage. Ensure that any consideration of mode of delivery changes are staged to sequence with digital transformation initiatives that support blended or distance learning.
7	There is a risk that changes in laws, regulations, or policies (included new or amended legislation or regulatory requirements) may impact on the requirements of the ITP, or its ability to deliver.	Medium	Medium	 Monitor and analyse changes in relevant laws, regulations, and policies, including the outcome of recent consultation and any changes to UCOL's ability to undertake work based learning. Develop and maintain robust compliance frameworks that integrate new or changed regulatory obligations into the entities policies, procedures, and processes.
8	There is a risk that ongoing change may have a negative impact on UCOL's reputation.	Medium	High	 Maintain transparent and open communication with stakeholders to manage expectations and build trust. This includes not only local and community stakeholders but also international and offshore delivery partners. Develop a crisis management plan to address any reputational issues quickly and effectively.
9	There is a risk that changes in market demand or enrolment patterns may impact future financial performance.	High	Medium	 Engage with stakeholders to stay informed about changing demand and trends. Implement flexible admission and enrolment processes to adapt to changing circumstances. Investigate the diversification of delivery outside of core EFTS funding, where profitable, to cross subsidise delivery. Explore flexible staffing options (such as higher numbers of fixed-term staff) where appropriate and achievable.
10	There is a risk that a range of challenges may be faced during the transformation process, including delays, cost overruns, or failure to achieve intended outcomes.	High	Medium	 Develop a detailed action plans per workstream with clear milestones and timelines. Regularly monitor progress, identify potential issues early, and make necessary adjustments to stay on track. Develop early-intervention processes to realign approach if it appears that benefits are unlikely to be realised; ensure transformation approaches and ongoing delivery has baked in flexibility and 'exit ramps' as required.
11	There is a risk that a lack of direction on the future strategy of the ITP sector may mean the creation of institutions that are not fit for purpose.	High	Medium	 Engage closely with central Government (TEC) to understand the proposed strategic purpose of the ITP sector vis a vis the University, Private Training Establishment and Industry Training sectors. Ensure that any future organisational structure or operating model offers requisite flexibility to adapt to future needs of learners. Consider how to develop organisational resilience for change given the likelihood of ongoing change within the ITP sector.
12	There is a risk that increased competition resulting from the dissolution of Te Pükenga may impact financial performance.	High	Medium	 In conjunction with financial management activity, identify opportunities for further cost rationalisation and efficiencies, mode of delivery changes, which may need to be required if increased competition results from the disestablishment of Te Pūkenga. Consider memorandum of understanding between ITPs to promote non-competition in certain areas of delivery or regions, or closer working relationships to leverage capabilities or delivery.

Financial performance systems



Overview of performance systems and objectives

We have expanded on the financial management approaches by outlining the key objectives UCOL will need to achieve over the shorter and longer term, noting (at right) a range of focus areas for the immediate term.

In the short term, it is expected that UCOL will focus on achieving cost savings and stringent Regular reporting: cost control to ensure financial viability. Management will work to achieve UCOL's long-term • strategic goals concurrently, by investing in strategic initiatives that foster sustainability and delivery of its key education performance objectives. Regular review and updates to the Financial Improvement Plan, coupled with agreed periodic reviews of key functions and programmes, will help to ensure UCOL's adaptability to changing conditions and ability to meet its financial improvement targets. This proactive approach aims to return UCOL to financial viability, while maintaining a quality educational offering and achieving operational. efficiency.

UCOL should have the following long-term aspirations:

- Invest in strategic initiatives that align with future growth and sustainability.
- Foster innovation and development in key vocational programmes.
- Maintain a balance between immediate financial health and long-term goals.

As well as focusing on short term goals:

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

Which can be enabled through the following:

Financial planning - regularly review and update the Financial Improvement Plan to reflect current conditions and projections, ensuring flexibility to adapt to changing economic and educational landscapes, and using data-driven insights to inform financial decisions and adjustments.

Setting clear targets - establishing clear, achievable financial targets to guide performance, monitoring progress closely to ensure timely return to financial viability, and engaging internal stakeholders in the financial planning process to foster transparency and accountability.

Continuous improvement - conducting bimonthly or quarterly reviews of key functions, programmes and initiatives, taking decisive actions based on review outcomes to ensure continuous improvement, and implementing a no-regrets policy, ensuring actions taken are beneficial regardless of future uncertainties.

UCOL's immediate focus will be around cost controls, reporting and effective budget management Regular reviews and a structured approach to financial management will help ensure that the UCOL remains on track to achieve its financial targets / KPIs and return to financial viability. An introduction to how this may be achieved is below.

- Conduct timely and detailed monthly financial reporting to track financial performance, including down to a cost centre level.
- Ensure transparency and accountability by sharing reports with all relevant stakeholders and openly discussing achievements and challenges.
- Foster a culture of continuous improvement and accountability across the institution.

Monthly Finance Director/CE review:

- Monthly meetings discussing financial performance, identifying variances, and developing corrective actions, using these sessions to emphasise budget holder responsibility for resolving budget issues, with additional funding considered only as a last resort.
- Finance Team to sense check run rate forecast and to ensure that budget holders are providing leadership with the best estimate for year end position, and there are no held contingencies for unlikely events or surprises regarding cost not within the forecast.
- Fostering a culture of accurate forecasting and budgeting once enrolments are confirmed expectation should be that budget holders hit targets.

Budget holder accountability:

- Set clear expectations for budget holders to manage budgets effectively. Ensure that this is set out in the Delegated Financial Authority Policy, and that there are sufficient measures for corrective action.
- The finance team will be expected to provide training and support to enhance financial management skills across UCOL.

People focus:

- Maintain a rigorous business case process for approving new positions. Ensure that any new hires align with UCOL's strategic priorities and budget constraints.
- Collaborate with HR team in reviewing resourcing requirements and ensuring that the institution is shifting resources before requesting new roles.
- HR to work closely with senior staff members (including Operations Director and Leads) to monitor and enhance staff performance, ensuing the workload allocation for teaching and benchmarking supports any required roles.

Focus on Improvement Initiatives:

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



Financial management controls calendar



Illustrative management controls calendar Below we have provided an indicative financial management controls calendar across key financial management activities including budgeting, reforecasting, financial reporting and improvement initiative reporting and monitoring. This approach is designed to provide improved structure, visibility and control over key focus areas and to support budget holders and management to take timely remedial actions, and mitigate and manage any excess risks. This is an illustrative calendar only that can be adjusted. Apr May Oct Dec Cost center holders prepare Annual budgeting process Budgets are collated, reviewed **Draft budget** Informed by cost centre holders but reviewed and interrogated by finance leadership (prepared & presented) Improved focus on strong cost controls, financial target / KPIs and cost rationalisation · Reasonableness of growth assumptions and other assumptions tested and interrogated Final budget Key risks and mitigating measures identified and embedded in a timely manner (approved) Q1 full year reforecast Quarterly reforecasting Q2 full year reforecast · Quarterly reforecasting completed (for the given financial year or as a 'rolling forecast') Q3 full year reforecast Reforecasting Any material variances against budget and financial targets / KPIs, well understood and interrogat Key risks and mitigating measures identified, monitored and implemented Prior year results review / evaluation Regular monthly reporting and monitoring Monthly financial results and KPIs reported (excluding Jan and Dec) Variances against budget / reforecast and financial targets / KPIs, well understood and interrogated · Corrective measure identified and implemented Key risks monitored and mitigated Prior year results review / evaluation Key improvement initiatives reporting and monitoring Monthly reporting on initiatives in an implementation phase Quarterly reporting on initiatives in 'holding' phase Corrective measure identified and implemented Key risks monitored and mitigated



Consideration of any amendments to the Financial Improvement Plan or identification of additional saving initiatives

Long-term planning



Over the longer term, UCOL needs to be resilient to external shocks

In addition to maintaining the good practice established through the 'immediate' cost management approach, UCOL will need to turn towards a longer-term, strategic focus to enable it for future success.

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

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

Adapting to shifts in mode of delivery:

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

Programme changes and development:

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

Focus on sustainability and growth:

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

Continuous improvement and accountability:

 Conduct regular reviews of key functions and programmes to identify areas for improvement.

Detailed planning activity will support a longer-term strategic approach

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

•	Plan	Key Content	Considerations for long / short-term planning
	Domestic Delivery (academic portfolio)	Ensuing the programmes are of sufficient scale and scope and delivering against regional needs.	Updated programme profitability and ensure that enrolments treads are inline with market expectations. Testing market share for key areas of delivery. Measure against agreed KPIs.
	International Growth and Sustainability	Strategy for reaching targets growth and ensuring UCOL keeps ahead of market trends	Annual targets for enrolments by programme, new products and channels to provide diversification. Defined investment requirements. Measure against agreed KPIs.
	Academic Workforce Plan	Enables the short and long-term management of academic workforce.	Academic workloads are benchmarked and allocated based on demand requirements and linked to programme probability.
	Organisational Efficiency / Academic Support	Plan for academic support roles and efficiently projects that will enable improvements in workforce productivity.	Targeted academic support structure, and team size. Defined investment requirements to improve organisational efficiency. Measure against agreed KPIs.
	Property Plan	Strategic document outline the vision and then detailed analysis for the for physical space requirements	Outline key projects as per capital plan, with time and sequencing for delivery. Link condition assessments undertaken on key facilities to strategic property development. Ensure appropriate capital investment is completed so deferred maintenance issues don't arise.
	Digital Strategy	Provides the direction for key software platforms decisions and learner experience at UCOL.	Total investment requirements, phasing and delivery consideration along with investment decisions existing infrastructure. Consider opportunities to leverage across ITP sector with joint approach.



Target setting and performance management



Performance management can support an ongoing focus on financial success

To link all these elements together and ensure effective review and updating of KPIs, UCOL can follow a structured process to embed a performance evaluation cycle.

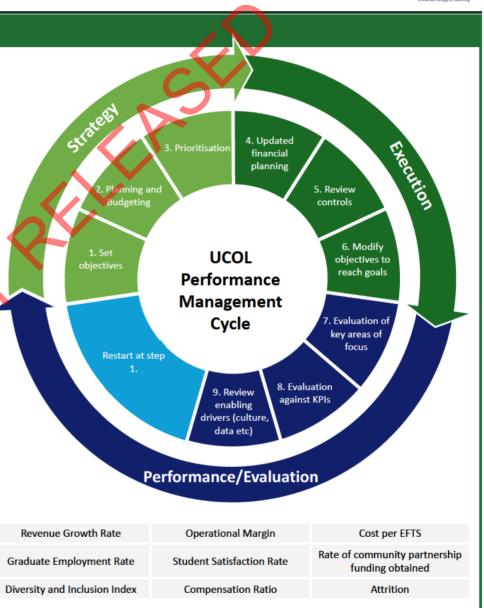
The purpose of this cycle is to enable key strategic plans to be developed and incorporated as part of the planning and budget rounds, then included within the enterprise reporting. This provides management and governance a single view of how UCOL is performing against the key objectives and targets.

Performance reporting and KPI assessment are key functions of this framework to ensure that objectives are met, and that UCOL is investing in the key enabling drivers such as organisational culture, data availability/usage and stakeholder engagement.

Given the current state of UCOL's finances, there is a need to create financial headroom to implement strategic initiatives; hence this document - the Financial Improvement Plan - provides an initial focus on improving the financial performance of UCOL. It acknowledges longer-term aspirations that UCOL will work towards as it reassesses and transforms the current state.

As such, it makes sense that UCOL focuses on creating the financial headroom in FY25 and FY26 and then works alongside the appointed governance and leadership to develop the key strategic direction for UCOL following its potential separation as a standalone institution in 2026.

While we have included some potential KPIs below (and these are presented in addition to the 'core' financial metrics for ITPS, noting that appropriate metrics will need to be determined in accordance with these KPIs), UCOL should align KPI's with the required TEC reporting framework to ensure that reporting is efficient and there is clear communication between management, governance and the TEC. It is anticipated that TEC's Crown Monitoring unit will have a strong expectation for enhanced KPI performance from any individual ITP in future; and will be expected to demonstrate financial achievement as an ongoing requirement of Investment Plan approval. Financial and organisational KPI improvement must also be considered alongside Educational Performance Indicator achievement.





Appendices





Appendix One - Scope of Services (1/2)



Scope	Process
Scope	This Report has been prepared in accordance with our Consultancy Services Order (CSO) dated 17 July 2024, pursuant to variations dated 30 August 2024 and 12 November 2024, and covers the scope detailed under Phase 2b of the CSO and variation.
	Scope Phase 2b
	Under Phase 2b we've been asked to provide a report which includes a Financial Improvement Plan or Merger Plan and Operating Model for each institution included in the scope. The report should include:
	Operating model: Outcome of key regional stakeholder engagement Programmes proposed to be delivered and the proposed modes, locations The support and overhead services required to facilitate this delivery Any key changes envisaged to property and capital assets, including sale, repurposing to deliver the proposed mix of provision and services Any key changes in delivery to the region either by retrenchment or mode change (e.g. face to face to blended, online in conjunction with Open Polytechnic) Any key considerations and proposed options for digital assets and services initially through engagement with Te Pūkenga Digital Leadership An overview of key initiatives that need to be undertaken which underpin the operating model, including scale, timing and resources required Any identified opportunities for shared services or arrangements between institutions that provide a financially viable and improved service People/staffing changes and requirements to deliver proposed programmes/mix of provision and other services identified Any other critical areas related to the institution (e.g. if it owns and runs a childcare facility on site) Identified risks/assumptions in the proposed Operating Model, including implications on regions and industries of changes to programmes/mix of provision/services Financial Plan: Financial forecasting for each year through to 2030, including: o Indicative Profit and Loss
	 Indicative Balance Sheet Key financial initiatives and forecast scale and timing of impact Sensitivity analyses
	An overview of key initiatives that need to be undertaken which underpin the financial forecasts, including scale, timing and resources required
	 An overview of key risks, assumptions and caveats to the implementation of the Financial Improvement Plan



Appendix One - Scope of Services (2/2)



Scope	Process
Scope	Consequently, Te Pükenga has instructed us through its Minutes of Consultants dated 31 October 2024 to focus on the following: Current state analysis Financial improvement initiatives – an overview of key initiatives that need to be undertaken which underpin the financial forecasts, including scale, timing and resources required Key modelling assumptions underpinning the financial forecasts (EFTS demand, pricing assumptions, etc) Financial forecasting for each year through to 2029, including a full set of financial statements (including cash flows) Assessment against the Financial Monitoring Framework Sensitivity analyses to the base case Performance metrics – what are the KPIs to measure the success of the Financial Improvement Plan How financial management practices will be implemented to ensure the benefits are delivered. An overview of key risks, assumptions and caveats to the implementation of the Financial Improvement Plan. Commentary about how robust financial management and controls will be implemented. It is our understanding that the above key points are the focus of the scope of the Phase 2b report and supersede the scope outlined in the CSO.

Appendix Two - FMF Reporting



TEC is mandated to monitor tertiary education institutions (TEIs), including Te Pūkenga, to assess risks to their operations or long-term viability.

Financial risk is evaluated through a FMF alongside other financial analyses.

The FMF provides a consistent methodology for assessing TEIs' financial performance. It includes formulaic calculations for profitability, liquidity, and debt affordability, yielding low, medium, or high-risk ratings.

It does so through the following high level approach:

Step 1: Calculate performance measures across eight measures

Of these eight measures, three relate to profitability, two to liquidity, and three to debt affordability.

Ratios are calculated as a weighted average over five years (2 historical, the current year, 2 forecast). The current year is weighted the highest.

Step 2: Convert measures to scores and apply metric weightings

Weighted averages are scored 0 to 5 based on sector data.

Scoring Criteria: Below 2: High risk, 2 to 3: Medium risk. Above 3: Low risk

Step 3: Calculate final dimension Scores

Within each dimension (profitability, liquidity, debt affordability) each measure is assigned a weighting to place additional emphasis on more important measures. The final score for each dimension is the sum of each measures score, and gives a value between zero and five.

Dimension Scoring: Below 2: High risk, 2 to 3: Medium risk, Above 3: Low risk

Tables showing scoring and metric weightings are detailed at right.

Profitab	ility Scor	ing
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Measure	Definition / Calculation		Sci	oring table pe	rformance bar	nds	
		0	1.0	2.0	3.0	4.0	5.0
Operating surplus/deficit before trust and abnormal items	Operating surplus/deficit before net trust and abnormal items to total income less net trust income	<-4%	-4% to 0%	0% to 2%	2% to 4%	4% to 6%	6%+
Operating surplus/deficit after trust and abnormal items	Operating surplus/deficit <u>after</u> trust and abnormal items to total income	< -4%	-4% to 0%	0% to 2%	2% to 4%	4% to 6%	6%+
Core earnings	EBITDA to total income	< 4%	4% to 9%	9% to 11%	11% to 13%	13% to 15%	15%+

Liquidity Scorie

Measure	Definition / Calculation		Sc	oring table pe	rformance bar	nds	
		0	1.0	2.0	3.0	4.0	5.0
Liquid funds ratio	Liquid assets and undrawn borrowings less short-term overdrafts to cash outflows (payments) from operations	< 5%	5% to 10%	10% to 15%	15% to 20%	20% to 25%	25%+
Net cash flow from operations Debt Affordability 9	Cash inflows (receipts) from operations to cash outflows (payments) from Scoring rations	< 104%	104% to 108%	108% to 111%	111% to 113%	113% to 115%	115% +

DCDC Alloradollity	Jeornig	
leasure	Definition	/ Calculation

Measure	Definition / Calculation		Scorin	g table perfo	rmance band:	5	
		0	1.0	2.0	3.0	4.0	5.0
Relative debt level	Total debt to EBITDA	>4.0	3.0 to 4.0	2.0 to 3.0	1.5 to 2.0	0 to 1.5	0
Interest strain	Interest paid to revenue	> 3%	3% to 2.25%	2.25% to 1.5%	1.5% to 0.75%	0.75% to 0%	< 0%
Debt–equity ratio	Total debt to total debt plus equity	25%+	15% to 25%	7.5% to 15%	0% to 7.5%	0%	0% and 12% + Core Earnings

Metric Weightings

	Dim	ensions			
Profitability		Liquid	lity	Debt Afford	lability
Measure	Weighting	Measure	Weighting	Measure	Weighting
Operating surplus/deficit before trust and abnormal items	30%	Liquid funds ratio	50%	Relative debt level	50%
Operating surplus/deficit after trust and abnormal items	20%	Net cash flow from operations	50%	Interest strain	25%
Core earnings	50%			Debt-equity ratio	25%



Appendix Three — **delivery**



of programmes \$ 9(2)	ba)(ii)				
	24/(/				
Department	Programme Code	Programme Title	EFTS Revenue FTE To	al Costs Contribution CM % Alternative De	elivery Options
Applied Science (Tier4)	MA4030	Bach Applied Science (MIT) L7	s 9(2)(b)(ii), s 9(2)(ba)(ii)	No alternative of	delivery options
Applied Science (Tier4)	MA4416	Bach Applied Science (Exse) L7		No alternative (delivery options
Automotive & Mechanical	NZ3097	NZC Automotive Engineering L3		Regional Delive	ry Option
Automotive & Mechanical	NZ2714	NZC Mech Engineering L4		Extramural Deli	
Automotive & Mechanical	NZ2715	NZC Mechanical Engineering L3		Regional Delive	
Automotive & Mechanical	NZ3008	NZC Auto Repair & Refinish L3			delivery options
Automotive & Mechanical	NZ3097	NZC Automotive Engineering L3		Regional Delive	ry Option
Automotive & Mechanical	MATAVP	Trades Academy Automotive & Mechanical PN		Invalid code	
Automotive & Mechanical	NZ2522	NZCert Infrastucture Works L2			delivery options
Automotive & Mechanical	MATAVP	Trades Academy Automotive & Mechanical WG		Invalid code	
Automotive & Mechanical	MATAVP	Trades Academy Electrical & Infrastructure WU		Invalid code	
Automotive & Mechanical	MATAVP	Trades Academy Social Services WG		Invalid code	
Automotive & Mechanical Automotive & Mechanical	MASTAR G52323	STAR Electrical & Infrastructure WG		Invalid code Invalid code	
Automotive & Mechanical Automotive & Mechanical	NZ3088	Welding Night Classes NZC Comm Road Tsprt Skills L3			delivery options
Automotive & Mechanical	MASTAR	STAR Automotive & Mechanical PN		Invalid code	delivery options
Automotive & Mechanical Automotive & Mechanical	no 2025 delivery	STAR Automotive & Mechanical PN STAR Automotive & Mechanical WG		Invalid code Invalid code	
Automotive & Mechanical	no 2025 delivery	STAR Service Academy PN		Invalid code	
Business (excl WG) (Tier4)	NZ2459	NZDip Business L5			ctramural Delivery Optio
Business (excl WG) (Tier4)	TP4775	Bachelor of Accounting L7		Extramural Deli	
Business (excl WG) (Tier4)	NZ2452	NZCert Bus Admin & Tech L3		Extramural Deli	
Business (excl WG) (Tier4)	MA4370	GDip Accounting L7			delivery options
Business (excl WG) (Tier4)	NZ2461	NZCert Bus Admin & Tech L4			ctramural Delivery Option
Business (excl WG) (Tier4)	MATAVP	Trades Academy Business PN		Invalid code	
Business (excl WG) (Tier4)	MA4210	Business General		No alternative of	delivery options
Business (excl WG) (Tier4)	MASTAR	STAR Business (excl WG)		Invalid code	
Construction	NZ2834	NZC Construct Trade Skills L3		Regional Delive	ery Option
Construction	NZ2420	NZDip Construction Mgmt L6		Extramural Deli	very Option
Construction	NZ2416	NZDip Architectural Zech L6		Extramural Deli	very Option
Construction	WB2343	NZCert Joinery L4		No alternative of	delivery options
Construction	NZ2738	NZC Carpentry 14		Regional Delive	ry Option
Construction	WB2343	NCert Joinery L4 ITO			delivery options
Construction	NZ4237	NZC Construction Trades Spvn L5			ctramural Delivery Optio
Construction	MATAVP	Trades Academy Construction PN		Invalid code	
Construction	MATAVP	Trades Academy Construction WG		Invalid code	
Construction	NZ3844	NZC BC & Allied Trades L2			delivery options
Construction	NZ3844	NZC BC & Allied Trades L2			delivery options
Construction	no 2025 delivery	STAR Construction PN STAR Construction WG		Invalid code Invalid code	
Construction	no 2025 delivery NZ2850	NZCert Early Child Edu L4			ivan Ontina
ECE Foundation and Language (Tier4) ECE Foundation and Language (Tier4)	NZ2850 NZ3667	NZC English Language(App) L3		Extramural Deli Regional Delive	
ECE Foundation and Language (Tier4)	NZ2849	NZC Early Child Edu L3		Extramural Deli	
ECE Foundation and Language (Tier4)	NZ3045	Te Pokaitahi Reo L3			stramural Delivery Optio
ECE Foundation and Language (Tier4)	NZ3045	Te Pokaitahi (Reo Rua) L4			ctramural Delivery Optio
ECE Foundation and Language (Tier4)	MATAVE	Trades Academy ECE Fndtn & Lang PN		Invalid code	ochvery optio
ECE Foundation and Language (Tier4)		- ECE Teaching General		Invalid code	
ECE Teaching (Tier4)	MA4423	Bach of Teaching [ECE] L7			delivery options
ECE Teaching (Tier4)	NZ2851	NZD Early Child Edu & Care L5			stramural Delivery Optio
Entry to Nursing	NZ2889	NZDip Enrolled Nursing L5		Extramural Deli	
Entry to Nursing	NZ2889	NZDip Enrolled Nursing L5		Extramural Deli	
Hair & Beauty	NZ3444	NZC Beauty Therapy L4		Extramural Deli	
Hair & Beauty	NZ2411	NZC Hairdressing L3		Regional Delive	
Hair & Beauty	NZ3445	NZD Beauty Therapy L5		No alternative of	



Appendix Three — **delivery**



of programmes 🎬	9(2)(b)(ii), s 9(2)(ba)(ii)	ı			
i programmes	_	ı			
Department	Programme Code	Programme Title	EFTS Revenue FTE	Total Costs Contribution	CM % Alternative Delivery Options
Hair & Beauty	MATAVP	Trades Academy Hair & Beauty PN	s 9(2)(b)(ii), s 9(2)(ba)(ii)		Invalid code
Hair & Beauty	NZ3443	NZC Nail Tech L4			No alternative delivery options
Hair & Beauty	WB2413	Hairdressing ITO			No alternative delivery options
Hair & Beauty	MASTAR	STAR Hair & Beauty PN			Invalid code
Health & Science (WPA)	MA4010	Bach Nursing L7			No alternative delivery options
Health & Science (WPA)	NZ2860	NZC Study & Career Prep L4			Extramural Delivery Option
Health & Science (WPA)	NZ2992	NZC Health & Wellbeing L4			Regional and Extramural Delivery Options
Health & Science (WPA)	NZ2863	Health & Science General			Regional and Extramural Delivery Options
Health & Science (WPA)	MATAVP	Trades Academy Health & Science			Invalid code
Health & Science (WPA) Health & Science (WPA)	NZ2889 MASTAR	NZDip Enrolled Nursing L5 STAR Health & Science			Extramural Delivery Option Invalid code
Hospitality & Foundation Hospitality & Foundation	NZ4316 NZ2101	NZCert Elect Eng Theory L3 NZCert Cookery L4			Regional and Extramural Delivery Options Extramural Delivery Option
Hospitality & Foundation	WB2388	NZCert Elect Eng (ITO)			Regional Delivery Option
Hospitality & Foundation	NZ2104	NZCert Food & Beverage C&F L3			Extramural Delivery Option
Hospitality & Foundation	NZ2102	NZDip Cookery (Advanced) L5			Extramural Delivery Option
Hospitality & Foundation	MATAVP	Trades Academy Hospitality & Foundation PN			Invalid code
Hospitality & Foundation	NZ2105	NZCert Food & Beverage Rest L4			No alternative delivery options
Hospitality & Foundation	no 2025 delivery	Ambitions Training Restaurant			Invalid code
ICT & Performance (Tier4)	MA4000	Bach Info & Com Tech (Appl) L7			No alternative delivery options
ICT & Performance (Tier4)	MA4415	Bachelor of Creative Media L7			No alternative delivery options
ICT & Performance (Tier4)	NZ2596	NZDip IT Technical Support L5			Extramural Delivery Option
ICT & Performance (Tier4)	MA3590	ICT & Performance General			No alternative delivery options
ICT & Performance (Tier4)	NZ2594	NZCert Info Tech Essentials L4			Extramural Delivery Option
ICT & Performance (Tier4)	NZ2627	NZCert Arts & Design L4			Regional and Extramural Delivery Options
ICT & Performance (Tier4)	NZ2626	NZCert Arts & Design L3			Regional Delivery Option
ICT & Performance (Tier4)	MATAVP	Trades Academy ICT & Perf PN			Invalid code
ICT & Performance (Tier4)	MATAVP	Trades Academy Creative Media,			Invalid code
ICT & Performance (Tier4)	MA4319	GDip Info & Comm Tech L7			No alternative delivery options
Nursing (Tier4)	MA4010	Bach Nursing L7			No alternative delivery options
Nursing (Tier4)	MA4010	Bach Nursing LZ			No alternative delivery options
Nursing (Tier4)	MA4303	SC Competency Assessment L7			No alternative delivery options
Primary Industries & Animal Care Primary Industries & Animal Care	NZ2491 NZ2487	NZDip Veterinary Nursing L6 NZCert Animal Care (CA) L3			Extramural Delivery Option Regional and Extramural Delivery Options
Primary Industries & Animal Care Primary Industries & Animal Care	MA4417	Bach Applied Science (Lab) L7			No alternative delivery options
Primary Industries & Animal Care	NZ2552	NZDip Applied Science L5			Extramural Delivery Option
Primary Industries & Animal Care	NZ2490	NZCert Animal Tech (Assist) L5			Regional and Extramural Delivery Options
Primary Industries & Animal Care	MATAVP	Trades Academy Primary Industries PN			Invalid code
Primary Industries & Animal Care	NZ4388	NZCert Animal Health Care L4			Extramural Delivery Option
Primary Industries & Animal Care	no 2025 delivery	STAR Entry to Nursing PN			Invalid code
Primary, Conservation & Trades (WPA)	NZ4316	NZCert Elect Eng Theory L3			Regional and Extramural Delivery Options
Primary, Conservation & Trades (WPA)	NZ3097	Cert Automotive Engineering L3			Regional Delivery Option
Primary, Conservation & Trades (WPA)	NZ2834	NZC Construct. Trade Skills L3			Regional Delivery Option
Primary, Conservation & Trades (WPA)	NZ2715	Primary, Cons & Trades General			Regional Delivery Option
Primary, Conservation & Trades (WPA)	MATAVP	Trades Academy Primary, Conservation & Trades			Invalid code
Primary, Conservation & Trades (WPA)	NZ2963	NZCert Conservation Ops L4			No alternative delivery options
Primary, Conservation & Trades (WPA)	NZ2215	NZ Cert Primary Ind Op Skills L3			Regional Delivery Option
Primary, Conservation & Trades (WPA)	NZ3844	NZC BC & Allied Trades L2			No alternative delivery options
Primary, Conservation & Trades (WPA)	MASTAR	STAR Primary, Conservation & Trades			Invalid code
Primary, Conservation & Trades (WPA)	MASTAR	STAR Manufacturing & Tech			Invalid code
Social Services (Tier4)	N22860	NZC Study & Career Prep L4			Extramural Delivery Option
Social Services (Tier4)	NZ2992	NZC Health & Wellbeing L4 (MH)			Regional and Extramural Delivery Options
Social Services (Tier4)	NZ2863	NZCert Career & Study Prep L3			Regional and Extramural Delivery Options



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ist of programmes	s 9(2)(b)(ii), s 9(2)(ba)	(ii)		
Department	Programme Code	Programme Title	EFTS Revenue FTE Total Costs Control S 9(2)(b)(ii), S 9(2)(ba)(ii)	ribution CM % Alternative Delivery Options
Applied Science (Tier4)	NZ3563	NZC in Exercise L4	5 6(2)(5)(11), 5 6(2)(54)(11)	Extramural Delivery Option
Applied Science (Tier4)	MATAVP	Trades Academy App Science PN		Invalid code
Applied Science (Tier4)	no 2025 delivery	Applied Science Short Prog		Invalid code
Automotive & Mechanical	MATAVP	Trades Academy Electrical & Infrastructure PN		Invalid code
Automotive & Mechanical	NZ2660	NZC Plumbing Gas & Drain L3		Regional Delivery Option
Automotive & Mechanical	MA3971	Automotive [ITO]		No alternative delivery options
Automotive & Mechanical	MATAVP	Trades Academy Social Services PN		Invalid code
Automotive & Mechanical	MASTAR	STAR Electrical & Infrastructure PN		Invalid code
Automotive & Mechanical	MATAVP	Trades Academy Automotive & Mechanical Horo		Invalid code
Automotive & Mechanical	MATAVP	Trades Academy Social Services Horo		Invalid code
Automotive & Mechanical	no 2025 delivery	STAR Electrical Horo		Invalid code
Business & Innovation (WG) (Tier4)	NZ2459	NZDip Business L5		Regional and Extramural Delivery Options
Business & Innovation (WG) (Tier4)	TP4775	Bachelor of Accounting L7		Extramural Delivery Option
Business & Innovation (WG) (Tier4)	MA4369	Bach Applied Management L7		No alternative delivery options
Business & Innovation (WG) (Tier4)	NZ2452	NZCert Bus Admin & Tech L3		Extramural Delivery Option
Business & Innovation (WG) (Tier4)	NZ2461	NZCert Bus Admin & Tech L4		Regional and Extramural Delivery Options
Business & Innovation (WG) (Tier4)	MATAVP	Trades Academy Business & Innovation (WG)		Invalid code
Business & Innovation (WG) (Tier4)		- Business & Innovation (WG) General		Invalid code
Business (excl WG) (Tier4)	MA4369	Bach Applied Management L7		No alternative delivery options
Business (excl WG) (Tier4)	MA4372	GDip Ops & Product Mgmt L7		No alternative delivery options
Business, Education & Technologies (WPA)	MA4423	Bach of Teaching [ECE] L7		No alternative delivery options
Business, Education & Technologies (WPA)	NZ2411	NZC Hairdressing (Support) L3		Regional Delivery Option
Business, Education & Technologies (WPA)	MATAVP	Trades Academy Bus, Ed & Tech		Invalid code
Business, Education & Technologies (WPA)	NZ3445	Dip Beauty Therapy L5		No alternative delivery options
Business, Education & Technologies (WPA)	NZ2412	NZCert Hairdressing (ES) L4		Regional Delivery Option
Business, Education & Technologies (WPA)	NZ2851	NZD Early Child Edu & Care L5		Regional and Extramural Delivery Options
Business, Education & Technologies (WPA)	NZ2850	NZCert Early Child Edu L4		Extramural Delivery Option
Business, Education & Technologies (WPA)	NZ3442	NZC Makeup & Skincare L3		Regional and Extramural Delivery Options
Business, Education & Technologies (WPA)	NZ2849	NZC Early Child Edu L3		Extramural Delivery Option
Business, Education & Technologies (WPA)	NZ3444	NZC Beauty Therapy L4		Extramural Delivery Option
Business, Education & Technologies (WPA)	MASTAR	STAR Business, Education & Technologies		Invalid code
Construction	NZ2834	NZC Construct Trade Skills 13		Regional Delivery Option
Construction	NZ2834	NZC Construct. Trade Skills (3		Regional Delivery Option
Construction	NZ2834	NZC Construct Trade Skills L3 Kapiti		Regional Delivery Option
Construction	MATAVP	Trades Academy Construction Horo		Invalid code
Construction	NZ2834	NZC Construct. Trade Skills L3 - Tauramanui		Regional Delivery Option
CE Foundation and Language (Tier4)	G9999	ACE Courses PNorth		Invalid code
CE Foundation and Language (Tier4)	NZ1882	NZC English Language (Gen) L3		Regional and Extramural Delivery Options
CE Foundation and Language (Tier4)	NZ1883	NZC English Language(Acdm) L4		Regional and Extramural Delivery Options
CE Foundation and Language (Tier4)	NZ2850	NZC Early Child Education L4		Extramural Delivery Option
CE Foundation and Language (Tier4)	NZ2850	NZCert Early Child Edu L4		Extramural Delivery Option
CE Foundation and Language (Tier4)	NZ1884	NZC English Language(Acdm) L5		Extramural Delivery Option
CE Foundation and Language (Tier4)	NZ3045	Te Pokaitahi Reo L3		Regional and Extramural Delivery Options
CE Foundation and Language (Tier4)	MATAVP	Trades Academy ECE Fndtn & Lang WG		Invalid code
CE Foundation and Language (Tier4)	NZ2849	NZC Early Child Edu L3		Extramural Delivery Option
CE Foundation and Language (Tier4)	G9999	ACE Courses WU		Invalid code
CE Foundation and Language (Tier4)	G9999	ACE Courses LVN		Invalid code
CE Foundation and Language (Tier4)	G06091	ACE (F&E) Whanganui		Invalid code
	G08091			Invalid code



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Department	Programme Code	Programme Title	EFTS Revenue FTE Total Costs	Contribution CM % Alternative Delivery Options
CE Teaching (Tier4)	NZ2850	NZC Early Child Edu L4 (In Work)	s 9(2)(b)(ii), s 9(2)(ba)(ii)	Extramural Delivery Option
CE Teaching (Tier4)	MA 4423	Bach of Teaching (ECE) L7		No alternative delivery options
CE Teaching (Tier4)	NZ2851	NZD Early Child Edu & Care L5		Regional and Extramural Delivery Option
air & Beauty	NZ3444	NZC Beauty Therapy L4		extramural Delivery Option
air & Beauty	NZ2411	NZC Hairdressing (Support) L3		Regional Delivery Option
air & Beauty	NZ3444	NZC Beauty Therapy L4		Extramural Delivery Option
air & Beauty	MATAVP	Trades Academy Hair & Beauty WG		nvalid code
air & Beauty	MATAVP	Trades Academy Hair & Beauty Horo		nvalid code
ospitality & Foundation	NZ2862	NZC Foundation Skills (Exse)L2 - Auckland Prisons		Regional and Extramural Delivery Option
lospitality & Foundation	NZ2612	NZDip Engineering L6		Regional and Extramural Delivery Option
lospitality & Foundation	NZ2862	NZC Foundation Skills (Exse)L2 - Tongariro Prison		Regional and Extramural Delivery Option
lospitality & Foundation	MATAVP	Trades Academy Hospitality & Foundation WG		nvalid code
lospitality & Foundation	NZ2862	NZC Foundation Skills (Exse)L2 - Christchurch Prison		Regional and Extramural Delivery Option
lospitality & Foundation	NZ2862	NZC Foundation Skills (Exse)L2 - Manawatu Prison		Regional and Extramural Delivery Option
Hospitality & Foundation	NZ2862	NZC Foundation Skills (Exse)L2 - Whanganui Prison		Regional and Extramural Delivery Option
lospitality & Foundation	NZ1841	NZCert Baking L3 - Wiri Prison		No alternative delivery options
lospitality & Foundation	no 2025 delivery	SC Electrical		nvalid code
lospitality & Foundation	WB2388	NZCert Elect Eng (ITO)		Regional Delivery Option
ospitality & Foundation	MASTAR	STAR Hospitality & Foundation PN		nvalid code
lospitality & Foundation	MASTAR	STAR Hospitality & Foundation WU		nvalid code
lospitality & Foundation	no 2025 delivery	NZCert Baking L3		nvalid code
CT & Performance (Tier4)	MA 4379	Bach Design & Arts L7		No alternative delivery options
CT & Performance (Tier4)	MA 4406	Master of Design L9		No alternative delivery options
CT & Performance (Tier4)	NZ3418	NZC in Music L4		No alternative delivery options
CT & Performance (Tier4)	NZ3417	NZC Entertain. & Event Tech L4		No alternative delivery options
CT & Performance (Tier4)	NZ2636	NZDip Arts & Design L5		Regional and Extramural Delivery Option
CT & Performance (Tier4)	NZ2627	NZCert Art & Design L4		Regional and Extramural Delivery Option
CT & Performance (Tier4)	NZ2867	NZDip in Creativity L5		Extramural Delivery Option
CT & Performance (Tier4)	NZ2626	NZCert Arts & Design 43		Regional Delivery Option
CT & Performance (Tier4)	no 2025 delivery	Arts Short Programmes		nvalid code
CT & Performance (Tier4)	no 2025 delivery	Arts Short Programmes		nvalid code
CT & Performance (Tier4)	no 2025 delivery	NZDip in Photography LS		nvalid code
CT & Performance (Tier4)	no 2025 delivery	NZDip in Photography L6		nvalid code
rimary Industries & Animal Care	NZ2553	NZDip in Applied Science L6		No alternative delivery options
rimary Industries & Animal Care	MATAVP	Trades Academy Entry to Nursing WG		nvalid code
rimary Industries & Animal Care	MATAVP	Trades Academy Entry to Nursing PN		nvalid code
rimary Industries & Animal Care	MASTAR	STAR Primary Industries PN		nvalid code
rimary, Conservation & Trades (WPA)	NZ2101	NZCert Cookery L4		Extramural Delivery Option
rimary, Conservation & Trades (WPA)	NZ3045	Te Pokaitahi Reo L3		Regional and Extramural Delivery Option
rimary, Conservation & Trades (WPA)	NZ3046	Te Pokaitahi Reo (Rua) L4		Regional and Extramural Delivery Option
rimary, Conservation & Trades (WPA)	G9999	ACE Courses WPA		nvalid code
ocial Services (Tier4)	MA 4418	Bach Social Services L7		No alternative delivery options
ocial Services (Tier4)	NZ2860 NZ2992	NZCStudy & Career Prep L4 NZC Health & Wellbeing L4 (MH)		Extramural Delivery Option
ocial Services (Tier4)	NZ2992	NZC Health & Wellbeing L4 (MH) 47 9	_	Regional and Extramural Delivery Option 15 alternative delivery programmes



Appendix Four - Governance considerations



Potential requirement to form an ITP Council

Currently, Section 320 of the Education and Training Act 2020 Act requires Te Pūkenga to have a Council of at least eight, but no more than 12, members, including the following:

- 1 member who is a member of, and elected by, its staff committee; and
- 1 member who is a member of, and elected by, its students' committee; and
- 1 member who is a member of, and elected by, its Māori advisory committee; and
- the rest of the members must be appointed by the Minister.

Individual BDs do not have a Council requirement legislated, but likely run other functions (such as Audit and Risk Committee and Academic Boards) within their operational baselines (i.e. not incurring additional Council fees).

When independent ITPs existed prior to the existence of Te Pūkenga, Education (Polytechnics) Amendment Act 2009 set their requirements for governance. While this will be dependent on the legislated requirements for future ITPs, we have assumed that similar (if not more stringent) governance requirements will be applied to any future ITPs.

Below, we have noted the key governance structures that ITPs may be expected to host. The potential cost of these structures in accordance with Cabinet Office circular CO (22) 2, which outlines the Revised Fees Framework for members appointed to bodies in which the Crown has an interest, including Tertiary Education Institutions (which TEIs would become as independent entities once removed from Te Pükenga) is \$181,174. We have assumed that ITPs would utilise Level 4 fees under the aforementioned framework, resulting in maximum annual fees of a maximum of \$40,117 for a Chair, and \$20,251 for Council members. There would be a requirement for appointments to be submitted to the Cabinet Appointments and Honours Committee. We have not costed the value of this into our work; given it is pending legislative confirmation.

An ITP Council must consist of:

- Four members appointed by the Minister
- Four members appointed by the Council in accordance with statutes.

The council of a designated ITP should appoint members who possess relevant knowledge, skills, or experience and are able to fulfill their duties effectively. It is also desirable for the council to include Māori members and reflect the ethnic and socio-economic diversity of the community it serves. Terms are four years.

A Chairperson and Deputy-chairperson must be appointed.

As stated above, this is the minimum requirement, and other governance arrangements may be sought or arranged by ITPs, resulting in further cost.

It is also noted that previous legislation allowed for the combining of ITP Councils under certain circumstances.



Appendix Five - Mode of delivery



Consideration on mode of delivery

Outlined below are aspects that will need to be addressed in respect to mode of delivery changes at UCOL:

1. IT and technology

- Significant investment in IT infrastructure and course development will be required to transitioning to a different mode of delivery.
- A significant technology upgrade programme is required for UCOL to achieve a change in how it delivers.

2. Programmes

- Practical courses such as nursing may not be fully adaptable to blended or online learning; and may be mandated to require certain number of 'face to face' hours. In addition, programmes may need to be approved by the New Zealand Qualifications Authority (NZQA) for new delivery modes.
- An understanding of the intellectual property arrangements of current programmes being taught will be required before consideration of how they
 may be delivered in future (i.e. what may be the property of the Open Polytechnic compared to UCOL).

3. Property

 Future decisions on property holdings, including potential reduction in property space, will affect delivery methods, or force a shift to alternative modes. UCOL may need to consider modifying hours of operation or adopting blended/online learning, noting this may be restricted by CEA conditions.

4. Students

- A detailed analysis of learner demographic and cohorts will be necessary to determine the potential success of online or blended learning.
- Adequate technology capability is essential for remote, distance, or blended learning. Some cohorts may lack access to facilities and/or technology to
 engage in education and training, and utilisation of property may still be required for delivery.
- Students need to be capable and willing to engage with the new delivery mode.

5. Staff

- Staff need to be capable and willing to engage with the new delivery mode, with experience in developing and delivering online and blended learning.
- Additional staff with different capabilities may be required to support this mode of delivery, requiring further cost to UCOL.

6. Competition and market dynamics

- Increased competition is expected due to the separation of ITPs looking to increase revenue through distance or blended learning.
- Any existing focus (whether agreed or implied) on regional delivery may diminish, and some ITPs may focus on increasing distance delivery in profitable programmes.
- There is uncertainty about cost efficiencies and the impact on profitability from a change in mode of delivery.
- Offering fees-free or scholarship education (in order to attract EFTS funding, without learner fees, and a challenging enrolment environment) could affect income and property consolidation.
- Government-approved EFTS allocations (domestic EFTS are capped) and international learner considerations play a role in delivery decisions.



Appendix Six - Shared Services



There are a range of functionalities that could potentially be offered through a shared service arrangement

In undertaking our analysis across BDs, we have identified a range of services which could be offered through some sort of shared service functionality. While we understand there is limited desire to retain any sort of centralised function through Te Pūkenga, the need for the following services intermittently across the network may mean there is value in retaining a shared services function obtained on a user-pays basis, along with an annual contribution towards overheads. Alternatively, in the absence of a shared service functionality, common contracting terms with commercial suppliers could be sought in an attempt to gain the most commercially viable cost for services, or one ITP could 'contract' our services. Below, we outline these three potential models for service access. We acknowledge that a challenge faced by any shared services model will be the competitiveness required by ITPs to deliver in a challenging operational environment; which may move any consideration of shared service towards a joint commercial contracting approach (rather than a 'collaborate' model).

More centralised control **Balanced** More commercial reliance (in the system) (outside of the system) Centralised organisation (Model One) Joint commercial contracting (Model Three) ITP contracts services out (Model Two) All ITPs that will benefit from a shared function or functions All ITPs that will benefit from a function or functions seek to All ITPs that will benefit from a function or functions at pay into that function, and / or pay a fee for access or commercial contract for the function/s through joint another ITP pay that ITP for access or service. service. This may be more appropriate for services accessed contracting arrangements, seeking economies of scale irregularly and unevenly. through the contracting environment. ITP 9 ITP 3 All ITPs party to joint contracting Shared service functions Commercial Commercial operator two Commercial operator one operator three Strategic IT Helpdesk Employment advice procurement

Appendix Six - Shared Services continued



Functionalities that could be shared services

The shared services presented below could incorporate one or more of the models identified. For example, curriculum design could be centralised, with IT services provided through a commercial contracting environment with the aim of achieving a strong price point via economies of scale. We have noted which functions we believe may best be delivered using the three models on the page previous. Our assessment is broadly informed by the likelihood whether a shared service functionality could support a number of organisations at once (i.e. frequency and access), whether capability may exist currently within the network to outsource, based on our limited engagement with current BDs (model two), or whether a commercial operator may be best placed to deliver a function (model three).

Employment advice Description: provision of employment advice related to employment relations, industrial disputes, employer rights and responsibilities **Model One** Model Three Change management and organisational transformation Description: delivery of change management and major transformational change activities to support the ITP sector to transform Model One Model Two Model Three

Marketing and communications including

international

design related to communications and marketina

Model Two

Model Three

Model One



Strategic procurement

Description: provision of services related to

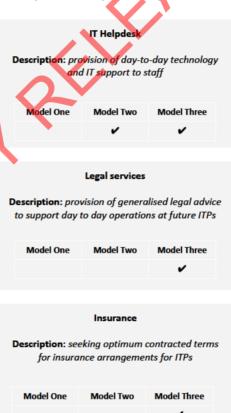
strategic procurement specific to the IT sector.

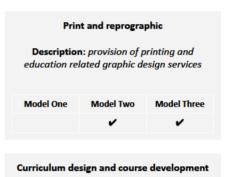
including large scale IT and systems

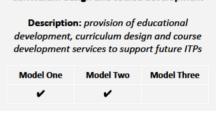
Model Two

Model Three

Model One







The variety of systems for finance, HR, education delivery and student management across the Te Pūkenga network may impede on 'closer working arrangements' utilising those systems. Therefore, our recommendations on potential model options (outlined on the previous page) take this into account where technology may be a 'Buildinger' to closer operations, noting progress has been achieved in standardising some finance systems across the network.

Appendix Seven - Employment Agreements



UCOL's Employment Agreements have specific requirements related to organisational change

We have not had access to Individual Employment Agreement (IEA) clauses through this work; all of our assumptions are therefore based on the CEA requirements we have been able to access, acknowledging these may be more or less generous then IEA clauses. The following does not constitute employment advice, but is based on our interpretation of the TIASA and TEU CEAs, noting several clauses that must be adhered to during potential organisational change processes. These clauses are summarised below, excluding most provisions related to redundancy payouts and notice periods, a brief summary of which can be found appended to our Phase 1 Report:

- Te P\u00fckenga must notify both unions (TEU/TIASA) of any significant structural changes early and must consult with the unions regarding these changes.
- Te Pūkenga will provide the union with an opportunity to be involved in any review directly affecting its members.
- Te Pükenga must consult with the unions regarding the selection criteria for redundancy (TEU CEA clause only).
- Te P\u00fckenga should prioritise managing redundancies through attrition before applying selection criteria.
- Re-location should be considered across the national network as an alternative to minimise redundancies where possible. If staff are required to relocate, they
 are eligible for a relocation allowance.
- The consultation period must last at least one month (28 days under the TEU CEA and one month under the TIASA CEA).
- Te P\u00fckenga should initially seek voluntary redundancies before applying selection criteria (TEU CEA clause only).
- If staff are redeployed to a lower-paying role, they must receive an additional allowance for the following two years (grandparented clause).

To meet its requirements under Employment Legislation and its contracted employment terms, this means that UCOL will need to incorporate the following high level activities into its timeline for any change:

- Development of a consultation document which clearly describes the review's purpose, timeline, potential impacts, and engagement plan
- Early engagement and communication of the change process with the unions
- Early development and consultation on selection criteria with the unions
- A consultation period with staff that lasts at least one month
- A voluntary redundancy process during the consultation period
- Consideration of the grandparented period for additional allowances for lower salaries

On page 48 of this document, we provide a high level overview of the work we believe may be required to deliver organisational change. Due to the nature of the potential change across the Te Pūkenga network, relocating staff and managing redundancy through attrition are unlikely to be plausible options. Therefore, these options have not been included in the proposed timeline. Instead, a robust conversation will need to be held with unions to discuss why these options have not been considered in full or will not be wholly effective in achieving the review's outcomes.

We note that individual BDs have some BD specific clauses that may impact on potential future costs (UCOL has a specific schedule of planned pay increases that may deviate from the 4% estimation used in this document); these will need to be considered as any costings are firmed up in future through organisational design activity.



Appendix Eight - Status Report template

Transformation Programme update #X (DATE)



This box is intended to provide a brief overview of key activities undertaken, highlight progress made, and point out major risks and concerns over the reporting period.

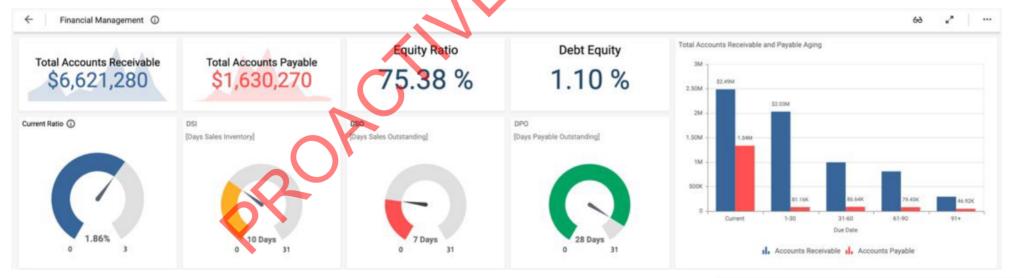
Transformation status

This period

Cast period

G

YTD spend	Budget Spend	Project savings YTD	Savings achieved	Overall rating
Allocation 1 (workstream x)				
Allocation 2 (workstream x)				
Allocation 3 (workstream x)				
Allocation 4 (workstream x)				
Allocation 5 (workstream x)				
Allocation 6 (workstream x)				



Key:

Timelines and key milestones are on-track for delivery and within budget. А

Moderate Risk. Needs attention but plans in place to address, but budget attention required.



There are significant risks likely to adversely impact delivery and budget.

Issued to XXXX

Issued by XXXX

Appendix Ten - Status Report template





Workstream one - Overall financial performance					
General update and initiative progress	Key risks, issues and mitigations Key decisions and/or expenditure				
 X X X X	• X • X • X • X				
Spend against budget					
Key variations raised for noting					
Overall status	Timelines and key milestones are on-track for delivery and within budget.				

Focus on specific budget areas			
General update		Key risks, issues and mitigations	Key decisions and/or expenditure
Budget area one	• X • X • X	• X • X • X	• X • X • X
Budget area two	• X • X • X	XXX	XXX
Budget area three	• X • X • X	XXX	XXX
Budget area four	· x · x	• X • X • X	• X • X • X

Key expenditure update

Budget area one

Appendix Ten - Status Report template





Workstream X - workstream name				
General update and initiative progress	Key risks, issues and mitigations	Key decisions and/or expenditure		
 X X X X 	• X • X • X	• X • X • X • X		
Spend against budget				
Key variations raised for noting				
Overall status	Timelines and key milestones are or	Timelines and key milestones are on-track for delivery and within budget.		
Workstream X - workstream name				
General update and initiative progress	Key risks, issues and mitigations	Key decisions and/or expenditure		
 X X X X 	× × × ×	 X X X X		
Spend against budget				
Key variations raised for noting	4			
Overall status	Timelines and key milestones are or	Timelines and key milestones are on-track for delivery and within budget.		
Workstream X - workstream name				
General update and initiative progress	Key risks, issues and mitigations	Key decisions and/or expenditure		
• X • X • X	XXXX	XXXX		
Spend against budget				
Key variations raised for noting				
Overall status	Timelines and key milestones are or	n-track for delivery and within budget.		

Appendix Ten - Status Report template

Dependencies and actions



Risk register

Date added	Risk	Likelihood	Impact	Proposed mitigation	Status	Owner
	There is a risk that if this risk is realised, the result may be that					
	There is a risk that if this risk is realised, the result may be that					
	There is a risk that if this risk is realised, the result may be that					
	There is a risk that if this risk is realised, the result may be that	K				

Action register

Date added	Action	Lead	Status	Due
	Action 1			
	Action 2			
	Action 3			
	Action 4			