Te Pūkenga

15 August 2025

Te Pūkenga - Proactive release of Regional ITP Viability reports

Purpose

This document provides background to the following proactively released Regional ITP[1] Viability report conducted for each Te Pūkenga ITP business division in 2024. It also provides context for the reader to understand the report and the environment in which it was developed and how it has informed subsequent work by each Te Pūkenga ITP business division.

Background

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

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

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

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

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

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

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[1] Institute of Technology and Polytechnic (ITP)

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

In January 2025, after waiting for the Government's announcement, Te Pūkenga Council considered and approved the draft consultant reports for ITP Business Divisions to inform the development of divisional operational implementation plans.

While some business divisions began activities in 2024, this work continued and accelerated in 2025.

On 14 July 2025, the Government announced that ten ITP business divisions would be stood up as standalone entities, two of which would be federated with Open Polytechnic as the anchor ITP, and that four would remain within Te Pūkenga from 1 January 2026: [Regional governance will return to ten polytechnics | Beehive.govt.nz]

Important points to note when reading these reports

Assumptions

A significant number of assumptions had to be made by Te Pūkenga and the Consultants, informed by TEC, given the context in which this work was undertaken. Many of the assumptions made are included in the reports and relate to a range of matters. The context for the assumptions included:

- The Government was consulting with the public on proposals for the future structure of the vocational education and training system at the same time as the Consultants were undertaking this work;
- No decisions had been made by the Government on the business divisions that would standalone, and for which merger, federation or another collaborative model could be an option;
- Uncertainty of the funding model and levels of funding in 2026;
- A fiscally constrained environment with relation to government funding in the tertiary sector.

In most cases, the Consultants undertook scenario modelling of a "base case" and a "downside scenario" and the related assumptions are outlined in the reports.

Financial information and data

The financial, staffing and enrolment data and information (current and forecast) contained in these reports were provided to the Consultants at a point in time (during July-September 2024) for the purposes of their analysis. Therefore, this data and information may not align with other data and information within end of year regular reporting and forecasting processes at a business division and Te Pūkenga network level and is not a reflection of where divisions might be at the present time.

Financial viability metrics

While no specific criteria for viability was provided by the Government or agencies, Te Pūkenga instructed the Consultants to consider the Tertiary Education Commission's Financial Monitoring Framework (FMF) as a guide when assessing financial viability of each ITP business division. The FMF can be found here: Financial monitoring of tertiary education institutions | Tertiary Education Commission. We provided the Consultants guiding metrics to use in their assessment to support this work.

Kaimahi (people/staffing)

Information related to kaimahi and forecasted financial modelling in the reports helped inform possible areas that could be reviewed at each business division. The information within the reports was a point in time and provided options and suggestions for the business divisions to consider as they looked at ways to improve their financial position. The reports where not definitive in their options, final decisions around what would be consulted on followed a sign off process and a set of principles.

In deciding on change, business divisions carefully considered a range of matters such as enrolments, ākonga to kaiako (teacher) ratios, programme and course viability, profitability, support functions and personnel costs among other variables to support improving their financial position. These matters then informed the rationale within the change proposals.

Formal change proposals were developed by each business division, which subsequently led to formal consultation processes with affected kaimahi. During consultation kaimahi are encouraged to provide feedback. This is then reviewed before any final decisions are made by business divisions.

Regional ITP Viability Programme
Phase 2b – Financial Improvement Plan

Unitec Institute of Technology
22 November 2024

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Report Restrictions

This report is not produced for general circulation outside of the Tertiary Education Commission and Ministers Office. The Financial Improvement Plan is issued pursuant to the terms and conditions set out in our Consultancy Services Order (dated 17 July 2024) and has been prepared solely for the purposes stated herein and within the terms of the CSO. This report should not be relied upon for any other purpose. This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any third party without our express written consent which is at Volte's sole discretion.

Volte has not independently verified the accuracy of all information provided during the course of the review. Accordingly, Volte expresses no opinion on the reliability, accuracy, or completeness of the information provided and upon which Volte has relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise. The statements and opinions expressed in this report are based on information available as at the date of the report.

Background and Scope

Background

On 5 December 2023 Te Pūkenga Council ("the Council") received a letter of expectations from the Minister for Tertiary Education and Skills ("the Minister") which confirmed the intention to disestablish Te Pūkenga and re-establish regional Institutes of Technology and Polytechnics ("ITPs").

On 20 May 2024, the Minister sent a follow up letter to the Council stating that "it is important that Te Pūkenga takes whatever actions it considers necessary to improve the financial performance of the network as a whole, through ensuring each of the individual business divisions can become financially sustainable."

In June 2024, TEC directed Te Pūkenga to obtain specialist help under section 332 of the Education and Training Act 2020. This specialist help, working in partnership with Te Pūkenga staff, is focused on considering what is required to support a pathway to viability for Te Pūkenga regional business divisions to support a sustainable operating model for Te Pūkenga network. Four phases of work are envisaged, these are:

1. Discovery and Information Gathering - Initial Findings Report
2. Financial Improvement Plan – this report
3. Implementation Plan Development
4. Implementation.

Scope of this report

Between May and June 2024, Te Pūkenga and the Tertiary Education Commission ("TEC") collaborated on financial forecasting and modelling to advise the Minister on potentially re-establishing existing Regional Business Divisions (formerly ITP business divisions) as viable and sustainable standalone entities by 2026.

The financial forecasts indicated that only two ITPs, Ara and OPNZ, were expected to be operating as viable entities by 2026 (with changes to the current funding system). Unitec was identified as having a pathway to viability.

As a result, Volte was asked to develop a Financial Improvement Plan for Unitec. Te Pūkenga has engaged Volte to work alongside Unitec leadership in developing this plan.

Executive Summary

Plan to achieve viability by 2026

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

This Financial Improvement Plan provides the framework for Unitec to achieve financial viability by the beginning of FY26. It is structured into three sections; this structure is set to allow time for any decision on a possible merger and provide a framework for assessing options post-merger or if the merger does not proceed. The sections are summarised in the table below.

Sections	Description
1. Priority Initiatives (including long-term strategic planning)	Section one focuses on the high priority cost-out initiatives to be implemented across FY25, regardless of a potential merger. These will need to be delivered on the basis that both entities (MIT & Unitec) are being set-up as standalone entities but delivered under joint-leadership. Likewise, there are several key strategies required to support the longer-term plans for Unitec.
2. Further Cost Saving Initiatives for Unitec as a standalone entity post-merger decision	The underlying assumption is that 1st July 2025 is the date at which Unitec and MIT will receive confirmation of a merger taking place. As such, we have provided a framework for a series of cost-out initiatives to occur after this date.
3. Financial performance systems and objectives	Section three identifies the high-level approach to budget management and financial controls, risk management plan, contingency planning, governance, monitoring and reporting arrangements, and key review dates for programmes and operating functions.

Basis for a Financial Improvement Plan

The Financial Improvement Plan represents a transitional view of Unitec as a division of Te Pūkenga and is expected to be updated and refined as financial projections are updated, and the outcome from expected financial improvement initiatives are known. The key objectives of the Financial Improvement Plan are to:

- Enable the wider strategic and specific objectives of Te Pūkenga to be achieved, including those outlined in the Letter of Expectation from the Minister of Education (20th May 2024).
- Act as a guiding financial plan to transition Unitec from a currently unprofitable division of Te Pūkenga, with moderate financial risk, to a lower risk standalone organisation, and thereby restore financial viability and sustainability.
- Establish financial KPIs and programme targets associated with improving the financial performance of the division and assign senior management to be responsible for these.
- Develop a timeline as to when Unitec will aim to achieve the target financial objectives.
- Define how the strategic and financial plans will be measured, managed, reviewed, and reiterated. Noting that these financial plans capture a current point in time and regular review and update of these plans is required.

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Executive Summary (cont.)

Target Financial Metrics (including Priority Saving Initiatives)

Unitec is forecast to meet the required Net Surplus and EBITDA targets (2% and 11% respectively) by FY26, on the basis it achieves an uplift in international EFTS and implements the priority cost out initiatives and some of the key further cost out initiatives.

Unitec's financials are set out in the summary table below. The remainder of this document outlines the process for Unitec to drive financial performance towards the target metrics as set out in the table to the right.

Unitec Profit & Loss - $m	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**
Revenue	**$101.4**	**$112.2**	**$120.6**	**$124.2**	**$127.8**	**$131.7**
Personnel Expenditure	($68.2)	($75.7)	($76.5)	($77.7)	($79.1)	($81.3)
Other Expenditure	($25.0)	($30.8)	($30.5)	($31.5)	($32.4)	($33.3)
Total Operating Expenditure	**($93.2)**	**($106.4)**	**($107.0)**	**($109.2)**	**($111.5)**	**($114.6)**
EBITDA	**$8.2**	**$5.7**	**$13.6**	**$15.0**	**$16.4**	**$17.1**
Net Surplus	**($3.9)**	**($4.2)**	**$2.9**	**$4.1**	**$5.3**	**$6.2**
Cash & Cash Equivalents	$71.4	$63.6	$66.5	$71.7	$85.9	$101.2
Capital Expenditure	$3.2	$14.0	$11.8	$11.9	$4.5	$4.5

Unitec Key Metrics	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**
Net Operating Surplus Margin	-4%	-4%	2%	3%	4%	5%
EBITDA Margin	8%	5%	11%	12%	13%	13%
Personnel to Revenue Ratio	67%	67%	63%	63%	62%	62%
Academic SSR	14.9	15.1	15.6	15.8	16.0	16.0
Allied (Non-Academic) to Academic Staff Ratio	0.81	0.81	0.81	0.81	0.81	0.82
Domestic Students (EFTS)	4,122	4,122	4,122	4,122	4,122	4,122
International Students (EFTS)	1,151	1,266	1,418	1,461	1,505	1,550
Total Students (EFTS)	**5,273**	**5,389**	**5,540**	**5,583**	**5,627**	**5,672**
Academic FTE	355	357	355	353	353	355
Non-Academic FTE	288	287	289	288	287	290
Total FTE	**642**	**644**	**644**	**641**	**640**	**645**
Total Programmes delivered	118	118	118	118	118	118
Programmes discontinued	0	0	0	0	0	0

Executive Summary (cont.)

Property / Digital Infrastructure

Unitec operates across two campus; Mt Albert and Waitākere. The Mt Albert campus comprises 23 buildings with 58,519 sqm of floor area. Surrounding surplus land was recently subdivided and is currently under development into ~4,000 homes in collaboration with Ngāti Whātua. Nursing and health is delivered from the Waitakere campus. The campus is close to the Waitākere Hospital Āwhina Simulation Clinic where nursing and medical imaging students spend some of their time.

Digital investment has been included in the forecast to replace the firewall, old unsupported network equipment, legacy devices and aging equipment in classrooms, and the current leasing contract for staff end point devices with a new solution. An upgrade to PeopleSoft is also included as an operating expense for AI, VR, Intune, and CRM consolidation.

People / Staffing

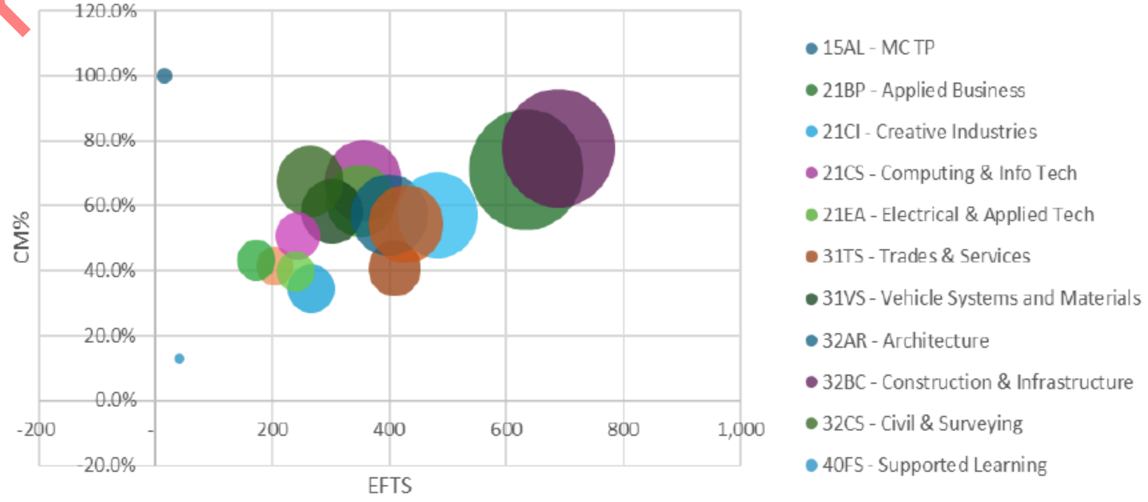
Currently, Unitec share senior management costs with MIT. As a standalone institution, Unitec would require an additional ~$2.4m in senior management overhead costs, including costs of a Chief Executive Officer. As a standalone institution there would be minimal change in mix of provision, therefore limited academic and non-academic workforce cost savings are available from reductions in delivery. However, divisional benchmarking indicates the below potential workforce efficiencies:

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

Programmes MoP and Portfolio

At present, no significant changes to Unitec's programme delivery are recommended for it to remain a viable standalone entity. However, to enhance financial outcomes for certain schools, it is suggested that staffing in key areas be reviewed and efficiencies in delivery methods be sought. It is important to note that the low-margin areas are primarily associated with Unitec's social license delivery.

The majority of Unitec's programmes demonstrate a positive contribution margin with reasonable economies of scale. The FY25 budget indicates profitability supported by high performance in two key areas: Applied Business and Construction and Infrastructure.



Executive Summary (cont.)

Key Objectives / Priority Initiatives

Priority Initiatives

1. Cost constrained FY25 budget: Implementing a recruitment freeze and reducing FTE by approximately 10 positions, resulting in annual savings of $1.1 million from Q1 FY25.
2. Targeted reductions in low SSR programmes: Further reducing FTE by 4 positions, saving $0.3-$0.5 million annually from Q1 FY26.
3. Reduced digital outsourced costs: Achieving $0.9 million in annual savings from Q1 FY26 by renegotiating key outsourced infrastructure contracts.
4. s 9(2)(b)(ii) [redacted]
5. Leasing unused space: Generating additional revenue of $0.1 million annually by leasing surplus space at the Waitakere Campus by FY26.

Further Considerations / Conclusion

Long-Term Financial Planning

To support its strategic goals, Unitec should develop a robust long-term financial plan that is both flexible and adaptable to changing economic and educational landscapes. The financial plan would be underpinned by the key detailed plans (e.g., international strategy) as outlined in section three.

Risk Management

The Financial Improvement Plan identifies key risks and mitigation strategies, including:

- Disruptions to operations: Mitigated by detailed plans to maintain essential functions.
- Stakeholder resistance: Mitigated by open communication and stakeholder engagement.
- Financial uncertainties: Mitigated by robust financial models and regular updates.
- Quality of educational programmes: Mitigated by strong quality assurance mechanisms.

Governance and Reporting

The Financial Improvement Plan is to be governed by a Governance Board, as appointed by Te Pūkenga, until Advisory Boards are in place. The incoming Unitec Chief Executive will have overall responsibility for the implementation and management of the Financial Improvement Plan with the Rohe 1 Executive Director taking responsibility until the Chief Executive is appointed.

Section One: Priority Initiatives

Te Pūkenga

Priority saving initiatives for Unitec

Area		Type	Description	Approx. Savings/Opportunity
1	Cost Constrained FY25 Budget	FTE Reduction	The initial FY25 budget proposed by Unitec had 25.4 FTE in new roles for FY25. We have worked with Unitec to review programme profitability and workforce benchmarking to determine priority areas resulting in a reduction of ~10 FTE against the initial budget.	$1.1m per annum savings from Q1 FY25.
2	Targeted reductions in low SSR programme and s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	FTE Reduction	Based on a programme profitability analysis, Unitec should be targeting a further ~4 FTE reduction over the forecast period under the base case.	$0.3m - $0.5m per annum in savings across the forecast period from Q1 FY26. One-off change costs of $0.08m identified.
3	Reduced Digital Outsourced Cost	Ongoing Opex Savings	Analysis conducted by Unitec has identified potential savings of $0.9m per annum with a focus on reducing key outsourced infrastructure costs.	$0.9m per annum savings from Q1 FY26.
4	s 9(2)(b)(ii) [redacted]			
5	Lease out unused space at Waitakere Campus	Revenue	Approximately three floors of building 500 are currently not used by Unitec at the Henderson campus. Unitec has been able to find a tenant for level 4, with minimal refurbishment. We assume a market process should be able to secure a tenant at a low rental but share in the building expenses.	$0.1m per annum in additional revenue by FY26 for remaining surplus 2 floors. Lease expected to be filled from Q3 FY25.
Longer term initiatives				
6	International growth strategy	Strategic planning	Strategy outlining Unitec's operations into foreign markets, including market selection, entry strategies, and risk management to achieve international growth and diversify revenue streams.	International revenue is forecast to be approximately 29% of FY26 revenue, The international growth strategy is a key document for Unitec.
7	Domestic Delivery (academic portfolio)	Strategic planning	Strategy outlining Unitec's plans to increase their market share and revenue domestically. Including identifying new market opportunities, enhancing product offerings, improving customer engagement, and optimising operational efficiency to drive growth locally.	Given current and forecast constraints on TEC funding initial focus should be ensuing the programmes are of sufficient scale and scope and delivering against regional needs.
8	Property strategy	Strategic planning	Strategy defining the approach for managing and optimising Unitec's real estate assets. This includes decisions on property acquisition, development, maintenance, and divestment.	Property strategy to be refined particularly with regards to condition assessment and development of s 9(2)(b)(ii) [redacted]
9	Digital strategy	Strategic planning	Strategy outlining the plan for leveraging digital technologies to enhance business operations, customer engagement, and revenue growth.	Standalone digital strategy to be developed along with Finance and SMS roadmap. Note that current plan includes PeopleSoft upgrade ($0.5m).

Workstreams

Workstream		Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
Personnel	1	**Cost Constrained FY25 Budget**	• Implement immediate recruitment freeze. • Establish a recruitment committee across Unitec with a subset of SLT meeting twice a week to approve any variations in employment. • Develop communications plan. • Confirm programme profitability and workforce benchmarking to determine vacancies not to be filled seeking an overall reduction of 10 FTE.	Plan for implementation completed by Q4 2024	Low	Low	Low	Medium	NA	Medium	None
	2	**Targeted reductions in low SSR programmes and** s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	• Using programme profitability analysis undertaken, confirm programmes in which 4 FTE reduction can be found. • Develop change proposal and change management plan including impact to services, risks and mitigations, approach, timeframes and resourcing required for approval by Governance.	Plan for implementation completed by Q1 2025	Medium	Low	Low	Low	NA	Low	Change management

Workstreams

Workstream		Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
Expenditure	3	**Reduced Digital Outsourced Cost**	• Confirm requirement for hosted infrastructure as a service vs ability to utilise already available infrastructure. • Conduct a market procurement process to achieve savings. • Evaluate response and negotiate revised contract.	Plan for implementation completed by Q1 2025	Low	Low	Low	Medium	NA	Low	None
	4	s 9(2)(b)(ii) [redacted]	[redacted]	Plan for implementation completed by Q4 2025	Low	Low	Low	Medium	NA	Medium	Legal support

Workstreams

Workstream		Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
Property	5	**Lease out unused space at Waitakere Campus**	• Conduct a thorough assessment of campus utilisation, campus condition, potential of the unused floorspace, and develop a strategic plan including restacking of any existing staff. • Develop a plan for undertaking any refurbishments to the space for new tenants, focusing on low-cost improvements. • Develop stakeholder engagement plan including stakeholder mapping analysis to identify engagement needs and internal communications team on communication channels. • Engage necessary leasing agents.	Plan for implementation completed by Q3 2025	Medium	Medium	Low	Medium	Low	Medium	External leasing agent

Key performance indicators

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The Financial Improvement Plan is bolstered by a set of key performance indicators (KPIs) designed to measure the overall success and progress of the plan and its initiatives. These plan-level KPIs are crucial for assessing the collective impact of all workstreams and ensuring alignment with the overarching financial goals. While the immediate timeframe targets improvements by the beginning of FY26 (Q1), continued measurement and assessment of these KPI's after the initial timeframe is recommended to ensure progress and forecast savings are achieved.

			Cumulative Savings/Additional Revenue (Q4 FY24 – Q1 FY26)					
Initiative	**Responsible**	**Measure**	**Q4 2024**	**Q1 2025**	**Q2 2025**	**Q3 2025**	**Q4 2025**	**Q1 2026**
Reduction of 10 FTE against budget	CFO	Savings against preliminary FY25 Budget	-	$276k	$552k	$828k	$1,105k	$1,386k
Targeted reductions in low SSR programme and s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	DCE Academic	Savings against preliminary FY25 Budget	-	-	-	-	-	$82k
Reduction of $0.9m per annum on outsourced infrastructure cost.	CIO	Savings against FY25 Expenditure	-	-	-	-	-	$235k
s 9(2)(b)(ii) [redacted]	DCE Learner	Savings against FY25 Expenditure	-	-	-	-	-	s 9(2)(b)(ii) [redacted]
Lease out unused space at Waitakere Campus	Property Manager	Offset against budgeted property costs	-	-	-	$25k	$50k	$75k
Further Cost Saving Initiatives (included in KPIs)								
Targeted Reductions in s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	CFO	Savings against preliminary FY25 Budget	-	-	-	-	$494k	$998k
s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]	DCE Academic	Savings against preliminary FY25 Budget	-	-	-	-	$125k	$253k
Reduced professional fee budget for Digital Projects	CIO	Savings against preliminary FY25 Budget	-	-	-	$250k	$500k	$750k

Key performance indicators

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

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

The KPI's assumes successful implementation of the financial improvement plan initiatives, 0% domestic growth, and achieving international growth to 1,418 EFTS by FY26.

The detailed forecast financial statements are outlined from page 15.

Unitec Key Metrics	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-4%	-4%	2%	3%	4%	5%
EBITDA Margin	8%	5%	11%	12%	13%	13%
Personnel to Revenue Ratio	67%	67%	63%	63%	62%	62%
Academic SSR	14.9	15.1	15.6	15.8	16.0	16.0
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Total FTE	**642**	**644**	**644**	**641**	**640**	**645**
Total Programmes delivered	118	118	118	118	118	118
Programmes discontinued	0	0	0	0	0	0

Forecast financials - Profit & Loss

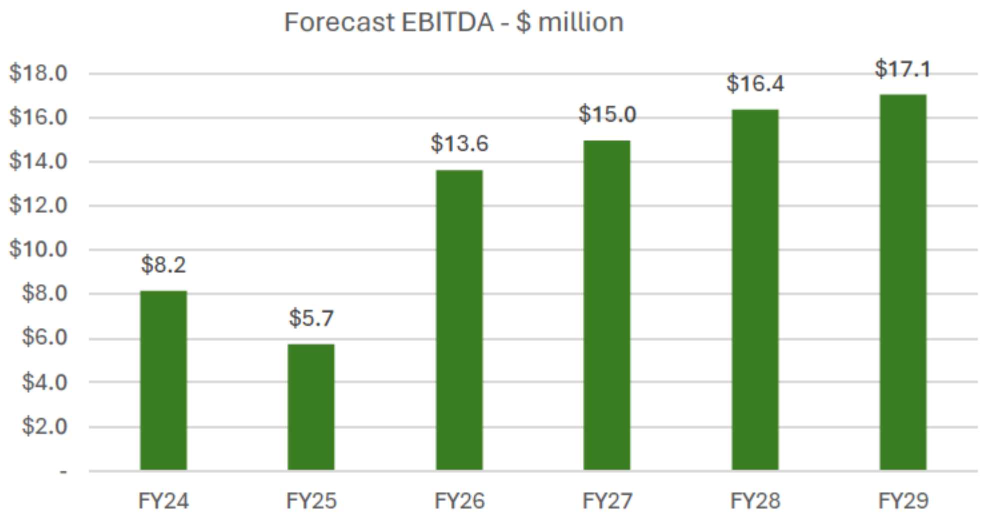
All Units in $m

	FY24	FY25	FY26	FY27	FY28	FY29
Revenue						
Government Funding	$43.3	$47.9	$51.0	$52.0	$53.1	$54.1
Tuition Fees - Domestic Students	$22.9	$24.0	$24.5	$25.0	$25.5	$26.0
Tuition Fees - International Students	$26.9	$31.7	$36.2	$38.0	$40.0	$42.0
Research Revenue	$4.1	$3.8	$3.8	$3.9	$4.0	$4.1
Trading Income	$0.4	$0.4	$0.5	$0.5	$0.5	$0.5
Other Income	$3.7	$4.3	$4.5	$4.6	$4.7	$4.9
Total Revenue	**$101.4**	**$112.2**	**$120.6**	**$124.2**	**$127.8**	**$131.7**
Operating Expenses						
Wages and Salaries	($65.8)	($73.1)	($73.9)	($75.1)	($76.4)	($78.6)
Other Personnel Costs	($2.4)	($2.5)	($2.6)	($2.6)	($2.7)	($2.8)
Teaching Delivery	($3.2)	($3.6)	($3.7)	($3.8)	($3.9)	($4.0)
Research Costs	($1.0)	($1.0)	($1.0)	($1.0)	($1.1)	($1.1)
Overheads	($17.9)	($22.9)	($22.6)	($23.3)	($23.9)	($24.6)
Administration	-	-	-	-	-	-
Strategic Initiatives / JVs	-	-	-	-	-	-
International Commissions	($3.0)	($3.3)	($3.2)	($3.3)	($3.5)	($3.7)
Total Operating Expenses	**($93.2)**	**($106.4)**	**($107.0)**	**($109.2)**	**($111.5)**	**($114.6)**
EBITDA	**$8.2**	**$5.7**	**$13.6**	**$15.0**	**$16.4**	**$17.1**
Depreciation and Amortisation	$12.8	$12.6	$13.0	$13.2	$13.6	$13.8
EBIT	**($4.6)**	**($6.9)**	**$0.7**	**$1.8**	**$2.8**	**$3.2**
Net Interest Income	$0.8	$2.7	$2.2	$2.3	$2.5	$3.0
Net Surplus Before Unusual Items	**($3.9)**	**($4.2)**	**$2.9**	**$4.1**	**$5.3**	**$6.2**
Unusual Items						
Gain / Loss on disposal of PPE	-	-	-	-	-	-
Other Unusual or Non-Recurring items	($0.1)	($0.0)	-	-	-	-
One-Off Redundancy Costs	-	($0.6)	-	-	-	-
Teachout Costs	-	-	-	-	-	-
Implementation Costs	-	($1.0)	($0.5)	-	-	-
Total Unusual Items	**($0.1)**	**($1.6)**	**($0.5)**	-	-	-
Net Surplus/(Deficit)	**($4.0)**	**($5.8)**	**$2.4**	**$4.1**	**$5.3**	**$6.2**

FY25 Forecast EBITDA is less than FY24 EBITDA due to a number of central costs returning to Unitec from Te Pūkenga. Whilst an increase in international tuition revenue and additional UFS funding relative to personnel costs for the 2025 year provides some EBITDA gain, this is not enough to offset the return of these centrally held costs, leading to a reduction of $2.5m in EBITDA for FY25 compared to FY24.

By contrast, FY26 EBITDA has the benefit of additional SAC Funding – assumed to be $2.2m - along with a number of the financial improvement initiatives, the accrual of associated savings, and a reasonable increase in international tuition revenue. As such, an uplift in EBITDA is forecast, placing Unitec into a Net Surplus position which it will look to sustain and build upon over the remaining forecast period.

Change costs and assumed redundancy costs are accounted for below the line resulting in a larger forecast net deficit in FY25 but still remaining positive in FY26.



Forecast financials - Cash Flow

All Units in $m

	FY25	FY26	FY27	FY28	FY29
Operating Cash Flows					
Operating Inflows	$111.5	$120.1	$124.0	$127.7	$131.4
Operating Outflows	($106.4)	($107.0)	($109.2)	($111.5)	($114.6)
Unusual & Non-recurring Items	($1.6)	($0.5)	-	-	-
Net Interest Income	$2.7	$2.2	$2.3	$2.5	$3.0
Net Operating Cash Flow (CFO)	**$6.2**	**$14.8**	**$17.0**	**$18.7**	**$19.8**
Investment Cash Flows					
Purchase of Assets	($14.0)	($11.8)	($11.9)	($4.5)	($4.5)
Sale of Surplus Assets	-	-	-	-	-
Other Investment Cash Flows	-	-	-	-	-
Net Investment Cash Flow (CFI)	**($14.0)**	**($11.8)**	**($11.9)**	**($4.5)**	**($4.5)**
Financing Cash Flows					
Commercial Debt	($20.5)	-	-	-	-
Crown Debt	-	-	-	-	-
Finance Leases	-	-	-	-	-
Other Financing Cash Flows	$20.5	-	-	-	-
Net Financing Cash Flow (CFF)	-	-	-	-	-
Net Increase in Cash Held	**($7.8)**	**$3.0**	**$5.1**	**$14.3**	**$15.2**
Opening Cash Balance	**$71.4**	**$63.6**	**$66.5**	**$71.7**	**$85.9**
Closing Cash Balance	**$63.6**	**$66.5**	**$71.7**	**$85.9**	**$101.2**

Over the forecast period FY25 to FY29, net investment in capital expenditure ($46.8m) is forecast to be funded by forecast Net Operating Cash Flow ($76.6m).

As such, Unitec is forecast to increase its level of cash holding over the forecast period.

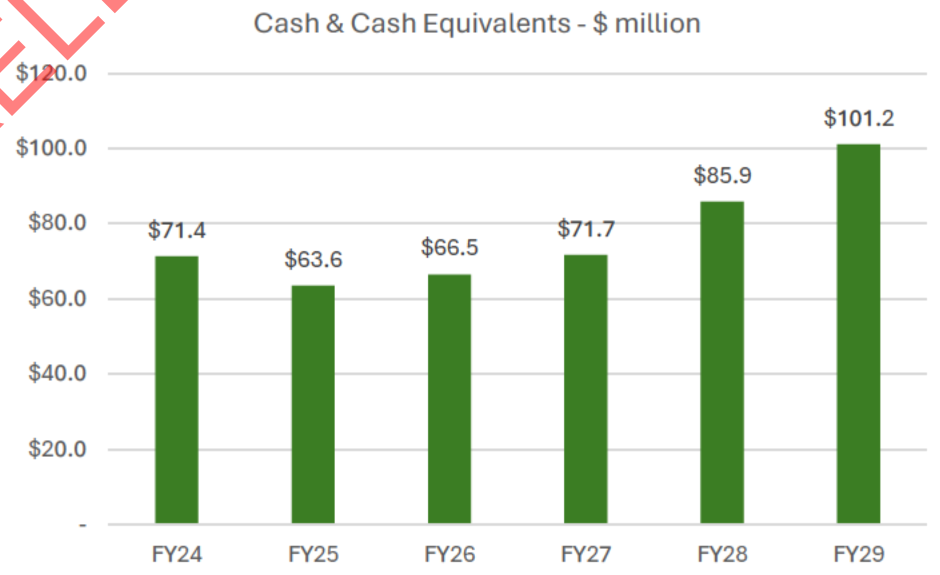
Timing of spend is likely to change over the period as Unitec considers requirements for Buildings 111-115.

Forecast financials - Balance Sheet

All Units in $m

	FY24	FY25	FY26	FY27	FY28	FY29
Assets						
Current Assets						
Cash and Cash Equivalents	$71.4	$63.6	$66.5	$71.7	$85.9	$101.2
Trade & Other Receivables	$5.8	$6.4	$6.9	$7.1	$7.3	$7.5
Other Financial Assets	-	-	-	-	-	-
Other Current Assets	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3
Total Current Assets	**$78.4**	**$71.2**	**$74.7**	**$80.0**	**$94.5**	**$109.9**
Non-Current Assets						
Property, Plant and Equipment	$284.6	$287.4	$278.8	$285.1	$276.0	$266.7
Assets Under Construction	$1.4	-	$7.5	-	-	-
Other Non-Current Assets	-	-	-	-	-	-
Total Non-Current Assets	**$286.0**	**$287.4**	**$286.3**	**$285.1**	**$276.0**	**$266.7**
Total Assets	**$364.5**	**$358.6**	**$361.0**	**$365.1**	**$370.4**	**$376.6**
Liabilities						
Current Liabilities						
Trade & Other Payables	$5.8	$5.8	$5.8	$5.8	$5.8	$5.8
Employee Entitlements	$6.2	$6.2	$6.2	$6.2	$6.2	$6.2
Revenues in Advance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Current Liabilities	$27.7	$27.7	$27.7	$27.7	$27.7	$27.7
Other Financial Liabilities	-	-	-	-	-	-
Total Current Liabilities	**$39.8**	**$39.8**	**$39.8**	**$39.8**	**$39.8**	**$39.8**
Non-Current Liabilities						
External Debt	$20.5	-	-	-	-	-
Intercompany Debt	-	-	-	-	-	-
Finance Leases	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2
Employee Entitlements	$0.6	$0.6	$0.6	$0.6	$0.6	$0.6
Revenues in Advance	-	-	-	-	-	-
Other Non-Current Liabilities	-	-	-	-	-	-
Total Non-Current Liabilities	**$21.2**	**$0.7**	**$0.7**	**$0.7**	**$0.7**	**$0.7**
Total Liabilities	**$61.0**	**$40.5**	**$40.5**	**$40.5**	**$40.5**	**$40.5**
Net Assets	**$303.5**	**$318.1**	**$320.5**	**$324.6**	**$329.9**	**$336.1**
Equity						
General Funds	$303.5	$297.7	$300.0	$304.1	$309.4	$315.6
Crown Capitalisation / (Establishment Dividend)	-	-	-	-	-	-
Forgive Crown Debt on Establishment - Crown Equity	-	$20.5	$20.5	$20.5	$20.5	$20.5
Total Equity	**$303.5**	**$318.1**	**$320.5**	**$324.6**	**$329.9**	**$336.1**

Unitec's FY25 cash balance is set to decline, comparatively to FY24 but steadily climb over the remaining out-years, benefiting from Unitec being debt-free with positive EBITDA.



Key assumptions & risks

Key Financial Assumptions

General Assumptions:

- Full SAC rates and equity funding to resume from January 2026. SAC Funding Plan Growth to not exceed 2% per annum.
- Annual maximum fee movement of 6% in 2025, returning to 2% for remaining out-years.
- Salary inflation increase by budgeted rate in 2025 and remains at 2% for remaining out-years.
- Inflation has been assumed to be 2% per annum as per Budget Economic and Fiscal Update 2024 Treasury Estimates.

Entity Specific Assumptions:

Programme Governance has requested that all divisions develop the Financial Improvement Plan based on the 0% domestic growth scenario, with moderate international growth. Hence the focus is on removing costs from operations to improve financial performance. The downside scenario focuses on slower international growth at Unitec and 0% domestic growth, as this is significantly lower than Unitec's FY25 budget and the anticipated growth projected by the MoE.

Domestic EFTS Growth per annum (as outlined overpage):

- Base Case and Downside Case: 0% across FY25-FY29
- Upside Case: 6% in FY25, 1.5% in FY26 and FY27, -1% in FY28, and 0% in FY29

International EFTS Growth per annum:

- Downside: 6% in FY25, 10% in FY26, 5% in FY27, 3% in FY28 and FY29
- Base Case: 10% in FY25,12% in FY26, and 3% in FY27, FY28 and FY29
- Upside: 12% in FY25 & FY26, 10% in FY27, 5% in FY28, and 3% in FY29

Assumptions - continued

- EFTS to Academic FTE ratio:
  - Base Case: Moderate improvement on the current ratio of 14.9, reaching 15.6 from FY28 onwards.
  - Upside: Increased improvement on the base case, reaching 15.8 from FY27 onwards.
- Non-Academic FTE to Academic ratios:
  - Base Case: Negligible improvement on the current ratio of 0.9, holding flat across the forecast period (FY25-FY29).
  - Upside: Increased improvement on the base case, reaching 0.8 from FY27 onwards.

Risks/Issues identified

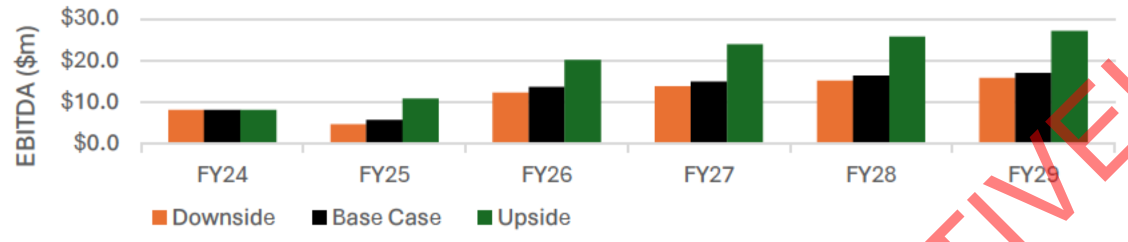
- Analysis and recommendations made at the time of issue of this Financial Improvement Plan are accurate. Subsequent data revisions, reforecasts and environmental changes within and from these entities that would materially change the recommendations provided have not been captured.
- Opening capitalisation for standalone entities in 2026 is currently unknown. As advised, we are assuming that Unitec will have no Crown debt when stood up as an independent entity and it is assumed to have an opening cash balance of $66.5m on 1 January 2026 as per the financial modelling.
- Readers should be weary when assessing SSR or Personnel to Revenue ratios considering the wide range of accounting conventions across the network and disparity between “healthy” SSR’s across programmes, modes of delivery, and associated industries.

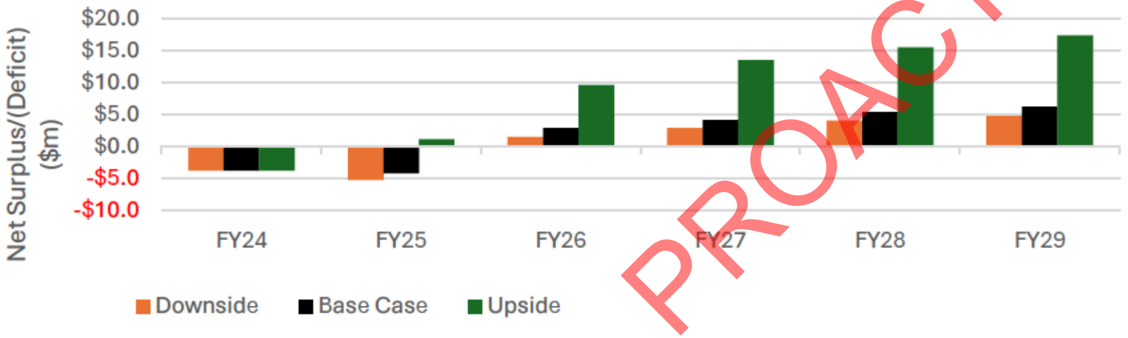
Scenario analysis and key sensitivities

Scenario Analysis

Scenario analysis was conducted to assess how Unitec's performance would compare under both downside and upside scenarios relative to the current base case. The base case assumes 0% domestic growth, while the downside scenario primarily focuses on lower international growth.

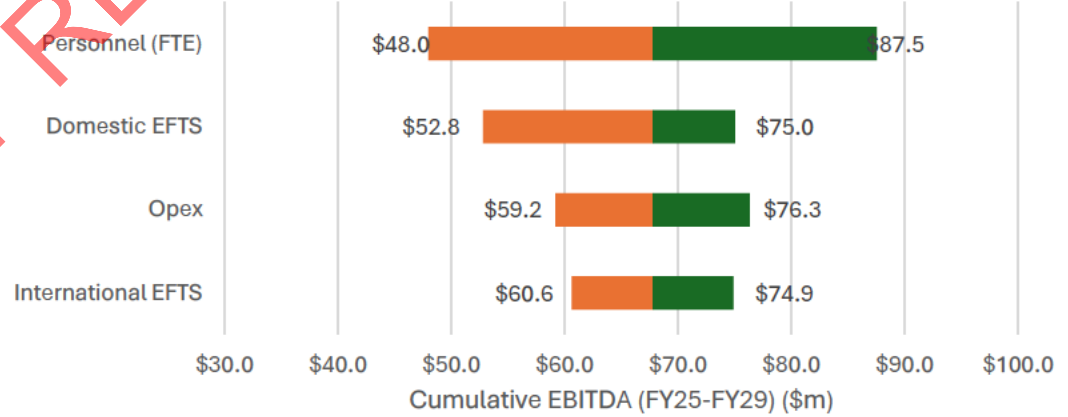
Unitec should plan for EBITDA scenarios ranging from $12.3 million to $20.1 million in FY26. It is essential to develop and prioritise capital plans with multiple stage gates in case forecasted free cash flow falls below the base case projection. A crucial aspect of planning is to confirm condition assessments and requirements before committing to the s 9(2)(b)(ii) [redacted].





Variable Sensitivities for EBITDA over FY25 – FY29

The chart below illustrates the potential impact of variations in key variables on cumulative EBITDA levels over the forecast period (FY25-FY29). Our analysis indicates that fluctuations in Total FTE during this period have the most significant effect on EBITDA, followed by changes in Domestic EFTS. We have assumed limited upside in SAC funding, with a maximum TEC plan growth of 2% over the period. Consequently, there is greater downside risk for Unitec in Domestic EFTS.



Key Assumption	Sensitivity Range
Higher/Lower Total FTE	Sensitivity range for + / - 5% in Total FTE
Higher/Lower Domestic EFTS	Sensitivity range for + / - 5% in Domestic EFTS
Higher/Lower International EFTS	Sensitivity range for + / - 5% in International EFTS
Higher/Lower Opex	Sensitivity range for + / - 5% in Opex

Section Two:
Further Cost Saving Initiatives

Te Pūkenga

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Further saving initiatives

Second Step – Post Merge Decision (assumed 1 July 2024)

To bridge the gap between the expected outcome of implementing the priority savings targets in FY25 and achieving a 2% surplus, Unitec should concentrate on developing additional cost-out initiatives.

For the second round, the initiatives on page 22 'Further saving initiatives' have been suggested. If MIT and Unitec continue to operate with some shared delivery or capacity, the implementation of these initiatives will differ. This is because a combined entity would offer greater scope and scale for financial improvement than standalone entities.

For the purpose of this Financial Improvement Plan, we have assumed that a decision regarding a potential merger between MIT and Unitec will be made by 1 July 2025, as indicated in the summary graphic on the right, with green indicating when the initiative is implemented.

Action	Key
Hold for direction on merger	
Plan for implementation	
Implemented	

Summary Financial Planning Timeline

Further saving initiatives

Suggested additional initiatives, outside of those included within the base case, have been identified below.

	Additional Mitigations	Type	Description	Approx. Savings/Opportunity
1	Targeted Reductions in s 9(2)(b)(ii), s 9(2)(ba)(ii)	FTE reduction	The majority of the savings indicatively come from s 9(2)(b)(ii), s 9(2)(ba)(ii) This is due to the increase in s 9(2)(b)(ii), s 9(2)(ba)(ii) between 2018 – 2023 despite declining EFTS). Assumes a net saving of $2.0m per annum in this area via FTE rationalisation of 17 FTE.	$2.0m per annum in ongoing savings from Q4 FY25. One-off change costs of $0.5m identified.
2	Exit / significantly rationalise loss making s 9(2)(b)(ii), s 9(2)(ba)(ii) Programmes	Programme exit	The base case does not include financial improvement objectives regarding s 9(2)(b)(ii), s 9(2)(ba)(ii) programmes that have a combined net loss of $0.22m. The s 9(2)(b)(ii), s 9(2)(ba)(ii) needs to be considered under any review.	$0.22m per annum in ongoing savings. One-off change costs of $0.8m covering teach-out and redundancy has been identified.
3	s 9(2)(b)(ii), s 9(2)(ba)(ii)	FTE reduction	Under the estimated standalone structure, additional FTE are added for s 9(2)(b)(ii), s 9(2)(ba)(ii) .	$0.5m per annum saving target from Q4 FY25.
4	Reduced professional fee budget	Opex deferral	Deferral of priority 2 and priority 3 projects, creating short-term savings in professional services on digital projects.	$0.5m deferral of costs
5	Exit s 9(2)(b)(ii), s 9(2)(ba)(ii)	Programme exit	Currently under review, with joint leadership between Unitec and MIT to drive higher contribution. Under a standalone scenario – to improve financial performance Unitec should exit s 9(2)(b)(ii), s 9(2)(ba)(ii) .	~7.0 FTE reduction, CM improvement of $0.02m from Q4 FY25. $0.36m in teach-out and redundancy costs identified.
6	Teaching Efficiency	FTE Reduction	Benchmarking indicates that Untiec is in line with sector averages. However, given the scale offered at location and current CM there could be room to improve teaching efficiency at Untiec and move closer to MIT's SSR ratio.	~10 FTE reduction, CM improvement of $1.0m from Q1 FY26. $0.36m in redundancy costs identified.
Longer term initiatives				
6	Academic Workforce plan	Strategic planning	Academic Workforce plan incorporating benchmarking of workloads and workforce allocation based on demand requirements and linked to programme profitability.	
7	Academic Support plan	Strategic planning	Comprehensive academic support strategy. assessing the optimal team size and investment requirements to significantly enhance organisational efficiency and effectiveness.	

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Workstreams

Workstream		Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
Personnel	1	Targeted reductions in [redacted] s 9(2)(b)(ii), s 9(2)(ba)(ii)	• Develop stakeholder engagement plan including stakeholder mapping analysis to identify engagement needs and internal communications team on communication channels. • Confirm SSR and workforce benchmarking to determine areas of FTE reduction seeking a reduction in 10 FTE. • Develop change proposal and change management plan including impact to services, risks and mitigations, approach, timeframes and resourcing required for approval by Governance.	Plan for implementation Q3 completed by Q4 2025	High	Medium	Medium	High	NA	Medium	Change management support
	3	[redacted] s 9(2)(b)(ii), s 9(2)(ba)(ii)	• Develop stakeholder engagement plan including stakeholder mapping analysis to identify engagement needs and internal communications team on communication channels. • Confirm programme alignment areas and programme profitability analysis in order to target areas for consolidation. • Develop change proposal and change management plan including impact to services, risks and mitigations, approach, timeframes and resourcing required for approval by Governance.	Plan for implementation Q3 completed by Q4 2025	High	Low	Low	Low	NA	Low	Change management support
	6	Academic teaching efficiency	• Undertake programme profitability analysis to confirm the SSR's benchmark to comparable divisions with programmes of similar scale and class size. • Investigate key areas of focus where discrepancy exits between programme CM. Consider efficiencies in delivery. • Develop change proposal and change management plan including impact to services, risks and mitigations, approach, timeframes and resourcing required for approval by Governance.	Plan for implementation completed by Q1 2026	High	Medium	Medium	High	NA	Medium	Change management support

Workstreams

Workstream		Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
Programmes	1	Exit / significantly rationalise loss making s 9(2)(b)(ii), s 9(2)(ba)(ii) Programmes	• Develop stakeholder engagement plan including stakeholder mapping analysis to identify engagement needs and internal communications team on communication channels. • Conduct a comprehensive financial review of each programme to identify areas of inefficiency and potential cost savings including analysing the current funding models. • Evaluate the s 9(2)(b)(ii), s 9(2)(ba)(ii) of each programme to understand the non-financial value to the region. • If necessary, develop change proposal and change management plan including impact to services, risks and mitigations, approach, timeframes and resourcing required for approval by Governance.	Plan for implementation Q3 completed by Q4 2025	High	High	High	Medium	Medium	High	Additional communications and programme management resource
	5	Exit s 9(2)(b)(ii), s 9(2)(ba)(ii)	• Develop stakeholder engagement plan including stakeholder mapping analysis to identify engagement needs and internal communications team on communication channels. • Undertake analysis of the programmes to understand the impact associated with exiting and impact to associated programmes of study, primary s 9(2)(b)(ii), s 9(2)(ba)(ii) • Develop change proposal and change management plan including impact to services, risks and mitigations, approach, timeframes and resourcing required for approval by Governance.	Plan for implementation Q3 completed by Q4 2025	High	Medium	Low	Low	Low	Low	None

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Workstreams

Workstream		Initiative	Description of actions	Timeframe	Level of change – staff	Level of change - learner	Likelihood of not achieving	Impact if not achieved	Regional Impact	Overall risk rating	Additional resourcing requirement (outside BAU)
Digital	4	Reduced professional fee budget	• Confirming budget priorities for digital projects. • Set implementation for Priority 2 and Priority 3 projects to be in the second half of FY25. • Review following merge decision and pause on Priority 2 and Priority 3 projects.	Q4 FY24 Planning Q3 FY25 Implementation	Low	Low	Low	Medium	NA	Low	N/A

Section Three:
Financial Performance, Systems & Objectives

Te Pūkenga

Governance & reporting

Governance

A financial recovery management group will be established internally for a period of three years, with the incoming Chief Executive (or existing Rohe 1 Executive Director in the interim) as the programme owner and Senior Leadership Team members assigned as workstream owners. The membership of the financial recovery management group will be reviewed every six months to ensure that the outcomes of the financial recovery plan are being met.

This group will report to a Governance Group, as designated by Te Pūkenga until the Advisory Boards are established. The work of the financial recovery management group will be supported by the internal Communications and People and Culture teams.

Management Group

The primary function of the management group is to provide comprehensive oversight, strategic guidance, and operational coordination to achieve the objectives of the financial recovery plan.

Key responsibilities include:

- Monitoring and evaluating the progress of the financial recovery plan
- Identifying and addressing any challenges or risks that may impact the plan's success
- Ensuring alignment with organisational goals and strategic priorities
- Facilitating communication and collaboration among various stakeholders
- Making informed decisions to adjust the plan as necessary to meet its objectives
- Reporting regularly to the Governance Group on the group's activities and progress.

Reporting structure

A structured reporting framework approach is suggested to provide regular updates to the Governance Group, ensuring transparency and accountability in the implementation of various workstreams and initiatives.

The suggested reporting framework is 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.

Formal Closure of the Financial Improvement Plan

The Financial Improvement Plan can only be closed following the owner (Chief Executive) seeking closure from the Governance Group on the basis a final report is provided outlining achievement against the targets and closure of the initiatives.

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Risk assessment & mitigation

Below the risks associated with the plan as a whole are outlined, along with the corresponding mitigation strategies designed to minimise their impact. By acknowledging and addressing these risks, we can ensure the plan's objectives are achieved while maintaining stability and resilience throughout the implementation process.

Risk		Impact	Likelihood	Mitigation
1	Disruptions to the day-to-day operations of the entity, impacting its ability to deliver services and programmes effectively.	High	Medium	• Create detailed plans for maintaining essential operations during periods of change or disruption. This includes identifying critical functions, backup processes, and key personnel. • Establish clear communication channels and implement a structured change management process to manage the impact of changes on daily operations, ensuring minimal disruption to services and programmes.
2	Delayed decision regarding merger with MIT resulting in delays for further cost out initiatives and long-term planning.	High	Medium	• Focus on implementing priority initiatives, maintain communication channels with TEC. • Focus on continuous financial improvement and developing a number of smaller cost saving initiatives.
3	Resistance from staff, students, or other stakeholders to changes implemented as part of the financial recovery plan.	Medium	High	• Engage in open and transparent communication with all stakeholders to explain the necessity and benefits of the changes. • Involve stakeholders in the decision-making process through consultations and feedback mechanisms to build trust and ownership. • Provide support and flexibility to staff and students, and address concerns promptly.
4	Uncertainty in financial projections and funding, which can impact the sustainability of the recovery plan.	Medium	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.
5	Changes implemented during the recovery plan could compromise the quality of educational programmes.	High	Low	• Ensure that any changes to programmes are carefully assessed for their impact on quality and student outcomes. • Implement and maintain strong quality assurance mechanisms. • Consider, if necessary, alternative teaching delivery methods that can maintain or enhance programme quality, such as online or blended learning options.
6	Difficulties in improving utilisations of underutilised properties, which could delay financial benefits.	Low	Medium	• Conduct thorough market analyses to determine the best timing and strategies. • Engage with real estate experts and market the properties effectively to attract potential customers.
7	Difficulties in implementing digital transformation initiatives, which could 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.
8	Regulatory risks arises from changes in laws, regulations, or policies. Including new or amended legislation or regulatory requirements.	High	Medium	• Monitor and analyse changes in relevant laws, regulations, and policies. • Develop and maintain robust compliance frameworks that integrate new or changed regulatory obligations into the entities policies, procedures, and processes.
9	Negative impact on the divisions's reputation due to changes or disruptions.	High	Medium	• Maintain transparent and open communication with stakeholders to manage expectations and build trust. • Develop a crisis management plan to address any reputational issues quickly and effectively.
10	Changes in market demand or enrolment patterns that could affect the division's financial plans.	High	High	• Conduct market research to stay informed about changing demand and trends. • Implement flexible admission and enrolment processes to adapt to changing circumstances.
11	Challenges in implementing the recovery plan, 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.

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Financial Performance Systems

Overview of Performance Systems and Objectives

Unitec needs to commit to maintaining a balanced approach to financial management. In the short term, the focus is on achieving cost savings and stringent cost control to ensure immediate financial stability. Concurrently, Unitec needs to have a view of its long-term aspirations by investing in strategic initiatives that foster sustainability, and delivery of its key education performance objectives. Regular updates to the financial plan, coupled with annual and semiannual reviews of key functions and programs, will ensure that the institution adapts to changing conditions and meets its financial targets. This proactive approach aims to return Unitec to financial viability without delay, while continuously improving its educational offerings and operational efficiency.

Short-Term Focus:
- Achieve cost savings and cost controls to stabilise finances.
- Implement strict budget management and expenditure monitoring.
- Prioritise essential services and eliminate non-essential expenses.

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

Financial Plan Updates:
- Regularly update the financial plan to reflect current conditions and projections.
- Ensure flexibility to adapt to changing economic and educational landscapes.
- Use data-driven insights to inform financial decisions and adjustments.

Targets and Viability:
- Set clear, achievable financial targets to guide performance.
- Monitor progress closely to ensure timely return to financial viability.
- Engage stakeholders in the financial planning process to foster transparency and accountability.

Review and Action:
- Conduct larger annual and semiannual reviews of key functions and programs alongside smaller monthly reports.
- Take decisive actions based on review outcomes to ensure continuous improvement.
- Implement a no-regrets policy, ensuring actions taken are beneficial regardless of future uncertainties.

How will the short-term focus be achieved?

Regular reviews and a structured approach to financial management will help ensure that Unitec remains on track to achieve its financial targets and return to financial viability.

Regular Monthly Financial Reporting:
- Conduct detailed monthly financial reports to track expenditures and revenues, with full year reforecasts.
- Ensure transparency and accountability by sharing these reports with all relevant stakeholders.
- Foster a culture of continuous improvement and accountability across the organisation.

Monthly Reviews with CFO and Chief Executive:
- Hold monthly review meetings with the CFO and Chief Executive for SLT leads.
- Discuss financial performance, identify variances, and develop corrective actions.
- Emphasize the importance of budget holders taking responsibility for resolving their own budget issues, with additional funding considered only as a last resort.
- Finance Team to sense check run rate forecast and to ensure that budget holders are providing leadership with the best estimate for year end position, and there are no held contingencies for unlikely events or any surprises regarding cost not included within the forecast. Unitec needs to foster culture of accurate forecasting and budgeting – once enrolments are confirmed expectation should be the budget holders hit financial targets.

Budget Holder Accountability:
- Set clear expectations for budget holders to manage their budgets effectively. Ensure that this is set out in the Delegated Financial Authority Policy, and that there are sufficient measures for corrective action.
- The Finance Team provides training and support to enhance their financial management skills.
- Encourage proactive problem-solving and innovation to address budget challenges.
- Utilise the reporting template to highlight and track improvement initiatives as per the report framework of the Financial Improvement Plan.

People and Culture Support:
- Maintain a rigorous business case process for approving new positions. Ensure that any new hires align with strategic priorities and budget constraints.
- Collaborate with People & Culture (P&C) to support the Senior Leadership Team (SLT) in reviewing resourcing requirements and ensuring that the organisation is shifting resources before requesting new roles.
- P&C to work closely with SLT to monitor and enhance staff performance, ensuing the workload allocation for teaching and tribal benchmarking supports any required roles.

Long-Term Planning

Long-Term Aspirations

To ensure that Unitec not only survives but thrives, the division will also focus on its long-term aspirations and adapt to shifts in the mode of delivery and changes to programmes. By balancing short-term financial stability with long-term aspirations, Unitec can create a resilient and thriving division that meets the needs of its students, staff, and stakeholders.

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

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

Adapting to shifts in mode of delivery:

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

Programme changes and development:

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

Focus on sustainability and growth:

- Implement initiatives that leverage existing infrastructure and staff skillsets.
- Strengthen community and industry engagement to enhance the division'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 programs to identify areas for improvement.
- Monitor progress closely and adjust strategies as needed to stay on track with long-term goals.

Long-Term Planning Underpinned by Key Detailed Planning

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

Key Areas of Focus in Long-Term Planning

	Plan	Key Content	Considerations for long / short-term planning
1	Domestic Delivery (academic portfolio)	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.
2	International Growth and Sustainability	Strategy for reaching targets growth and ensuring Unitec keeps ahead of market trends	Annual targets for enrolments by programme, new products and channels to provide diversification. Defined investment requirements.
3	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 profitability.
4	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.
5	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. Recommended that condition assessments undertaken on key facilities to establish BAU requirements and how this can be linked to strategic property development.
6	Digital Strategy	Provides the direction for key software platforms decisions and learner experience at Unitec.	Total investment requirements, phasing and delivery consideration along with investment decisions existing infrastructure.

Approved

Bringing it all together

Target Setting and Performance Management

To link all these elements together and ensure effective review and updating of KPIs, Unitec should follow a structured process to embed a performance evaluation cycle. The purpose of this is to enable the key strategic plans to be developed and incorporated as part of the planning and budget rounds, then included within the enterprise reporting. This provides management and governance a single view of how the entity is performing against the key objectives.

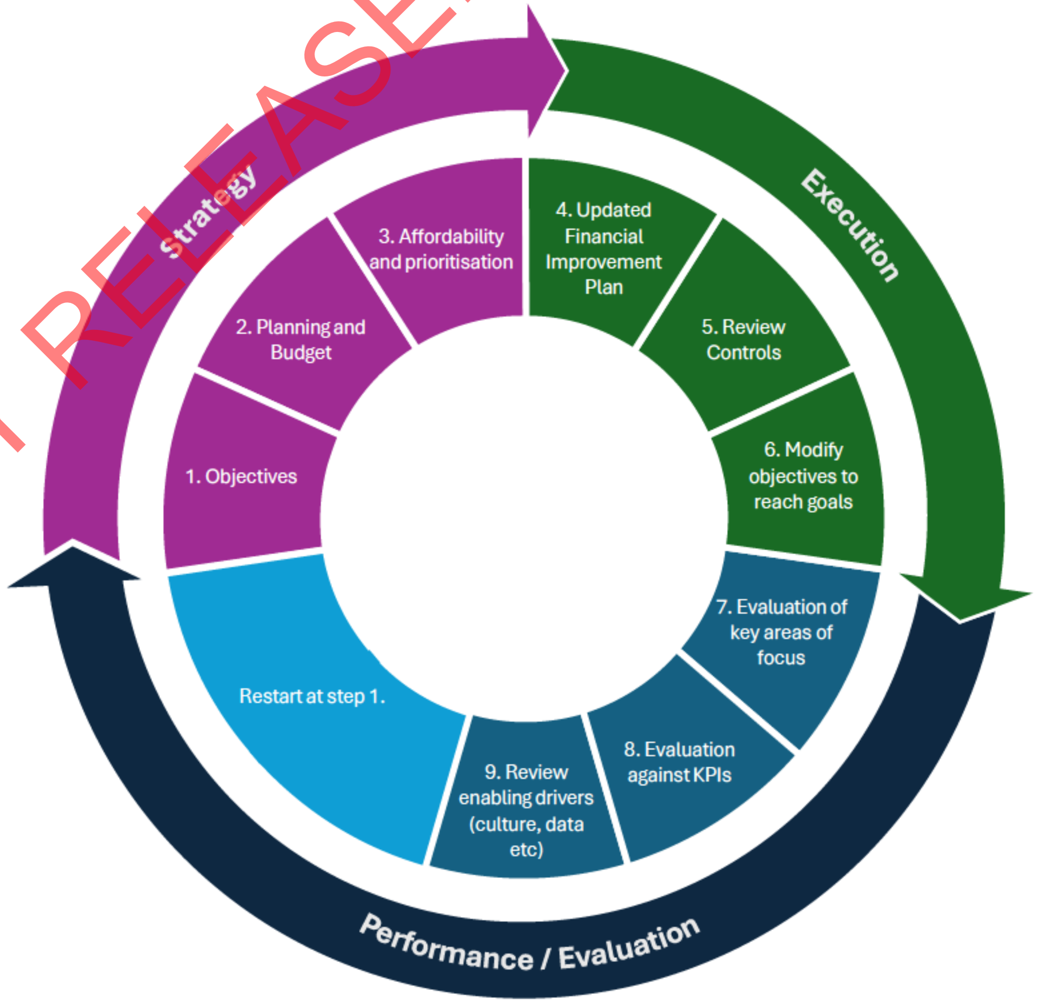
Performance reporting and KPI assessment are key functions of this framework to ensure that objectives are met, and Unitec is investing in the key enabling drives such as organisational culture, data availability and stakeholder involvement.

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

As such, it make sense that Unitec focuses on creating the financial headroom in FY25 and then works alongside the appointed governance and leadership to develop the key strategic direction for Unitec following the anticipated 2026 spin out from Te Pūkenga.

It also makes sense to align as many KPI's with the required TEC reporting framework to ensure that reporting is efficient and there is clear communication between management, governance and the TEC.

Performance Evaluation Cycle



Appendices

Te Pūkenga

Reporting template – Financial Improvement Plan template

Unitec Financial Improvement Plan Status Report

Programme Status Report as at: [date]

Approved by: [Programme Owner]

Current programme status: [RAG rating]

Programme Description:

The Financial Improvement Plan has been established to achieve a 2.0% net surplus and sight an 11% EBITDA to revenue margin as the target financial benchmark by FY26.

Progress commentary:

[insert commentary on progress against the plan]

Workstream	Initiative		Status (RAG)	Commentary
Personnel	1	Cost Constrained FY25 Budget		
	2	Targeted reductions in low SSR programme and s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]		
Expenditure	3	Reduced Digital Outsourced Cost		
	4	s 9(2)(b)(ii) [redacted]		
Property	5	Lease out unused space at Waitakere Campus		

Status	Key	%
R – Red		Unlikely to achieve 85% of target
A – Amber		Within 15% of all targets achieved
G - Green		100%+ of target achieved.

Reporting template – Initiative template

Workstream	Initiative		RAG Status for FIP	Actions & Milestones	Commentary	Identified risk commentary	Planned Annual Savings / Uplift	Forecast Annual Savings / Uplift
Personnel	1	Cost Constrained FY25 Budget						
	2	Targeted reductions in low SSR programme and s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]						
Expenditure	3	Reduced Digital Outsourced Cost						
	4	s 9(2)(b)(ii) [redacted]						
Property	5	Lease out unused space at Waitakere Campus						

Reporting template – Change Request

Workstream	Initiative		Planned Annual Savings / Uplift	Forecast Annual Savings / Uplift
[Name]	[#]	[Initiative Name]		

Change Log	Description	Approved / Rejected
[Unique Change Number]	**[Description]**	**[Outcome]**

Area of focus	Description	Further Comment
Describe the nature of the change request	[What has been done, what is the proposed change]	
What are the implications on cost and budget	[Describe the level of impact on the forecast annual savings uplift]	
What is the impact to the scope for the Financial Improvement Plan	[Outline any impact on scope, proposed solutions]	
What is the impact to timing	[How are the benefits timing impacted]	
Change process	[Outline the change process – ie under what delegated authority will be change be approved – ie Management or Governance Approval	[Subject to confirmation with governance, expectation is any changes outside the agreed tolerance.]

Status	Key	%
R – Red		Unlikely to achieve 85% of target
A – Amber		Within 15% of all targets achieved
G - Green		100%+ of target achieved.

Approved

Reporting template – Change Log

Change Log #	Description	Approved / Rejected – Chief Executive	Approved / Rejected – Governance (if required)
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]
[Unique Change Number]	[Description]	[Outcome]	[Outcome]

Reporting template – Financial Improvement Plan template

Unitec Financial Reporting Status

[Insert commentary from management report on budget tracking]

Current Year Financial Summary:

[Set out current financial performance against budget]

Implications for FIP Targets:

[insert commentary on progress against the plan. This should outline any key issues with regards to cost over runs in capital projects, higher personnel cost or lower enrolments that are going to require mitigation against the P&L]

Status	Key	%
R – Red		Unlikely to achieve 85% of target
A – Amber		Within 15% of all targets achieved
G - Green		100%+ of target achieved.

Unitec Key Metrics	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-4%	-4%	2%	3%	4%	5%
EBITDA Margin	8%	5%	11%	12%	13%	13%
Personnel to Revenue Ratio	67%	67%	63%	63%	62%	62%
Academic SSR	14.9	15.1	15.6	15.8	16.0	16.0
Allied (Non-Academic) to Academic Staff Ratio	0.81	0.81	0.81	0.81	0.81	0.82
Domestic Students (EFTS)	4,122	4,122	4,122	4,122	4,122	4,122
International Students (EFTS)	1,151	1,266	1,418	1,461	1,505	1,550
Total Students (EFTS)	**5,273**	**5,389**	**5,540**	**5,583**	**5,627**	**5,672**
Academic FTE	355	357	355	353	353	355
Non-Academic FTE	288	287	289	288	287	290
Total FTE	**642**	**644**	**644**	**641**	**640**	**645**
Total Programmes delivered	118	118	118	118	118	118
Programmes discontinued	0	0	0	0	0	0

Approved

Reporting template – Detailed Target Reporting

Current Actual / Forecast Metrics

Unitec	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-4%	-4%	2%	3%	4%	5%
EBITDA Margin	8%	5%	11%	12%	13%	13%
Personnel to Revenue Ratio	67%	67%	63%	63%	62%	62%
Academic SSR	14.9	15.1	15.6	15.8	16.0	16.0
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Total FTE	**642**	**644**	**644**	**641**	**640**	**645**
Total Programmes delivered	118	118	118	118	118	118
Programmes discontinued	0	0	0	0	0	0

Target Metrics

Unitec	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-4%	-4%	2%	3%	4%	5%
EBITDA Margin	8%	5%	11%	12%	13%	13%
Personnel to Revenue Ratio	67%	67%	63%	63%	62%	62%
Academic SSR	14.9	15.1	15.6	15.8	16.0	16.0
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Non-Academic FTE	288	287	289	288	287	290
Total FTE	**642**	**644**	**644**	**641**	**640**	**645**
Total Programmes delivered	118	118	118	118	118	118
Programmes discontinued	0	0	0	0	0	0

Actual / Forecast less Target

Unitec	FY24	FY25	FY26	FY27	FY28	FY29
Net Operating Surplus Margin	-%	-%	-%	-%	-%	-%
EBITDA Margin	-%	-%	-%	-%	-%	-%
Personnel to Revenue Ratio	-%	-%	-%	-%	-%	-%
Academic SSR	-	-	-	-	-	-
Allied (Non-Academic) to Academic Staff Ratio	-	-	-	-	-	-
Domestic Students (EFTS)	-	-	-	-	-	-
International Students (EFTS)	-	-	-	-	-	-
Total Students (EFTS)	-	-	-	-	-	-
Academic FTE	-	-	-	-	-	-
Non-Academic FTE	-	-	-	-	-	-
Total FTE	-	-	-	-	-	-
Total Programmes delivered	-	-	-	-	-	-
Programmes discontinued	-	-	-	-	-	-

Financial Monitoring via the FMF

Adopting FMF Framework for the Division

One of the Tertiary Education Commission's (TEC) core functions is to monitor tertiary education institutions (TEIs) and report to the Minister responsible for Tertiary Education on the financial performance of the tertiary sector. There are two primary sections within the Education and Training Act 2020 (the Act) that set the foundation of the TEC's monitoring of TEIs' operations and viability. These are:

- Section 281(1)(e) of the Act requires that a TEI Council must "ensure that the institution operates in a financially responsible manner that ensures efficient use of resources and maintains the institution's long-term viability".
- Section 405(1)(a) of the Act states that the Chief Executive of the TEC "must, on an ongoing basis, monitor institutions that receive funding in order to assess whether the operation or long-term viability of any of those institutions is at risk".

The Financial Monitoring Framework (FMF) is a tool used to monitor TEIs' financial performance. The FMF itself has primarily been designed for larger universities and Te Pūkenga as a consolidated building division. However, the ratios it includes do make sense to apply to Unitec to provide guidance on any high-risk metrics and can still be used as a tool for management and governance to assess the financial viability of each institution. This should be updated alongside the reporting template on a regular basis. Set out in the adjacent table are the FMF metrics for the Profitability, Liquidity and Debt Affordability Ratios.

Source: Risk assessment process for tertiary education institutions - and the Tertiary Education Commission's financial monitoring framework

Key Ratios

Scoring table performance bands:
- *A score of three and above is considered low risk*
- *A score of three to two is considered moderate risk*
- *A score of two and below is considered high risk*

Measures	Ratio	Definition / calculation						
		Scores	**0**	**1**	**2**	**3**	**4**	**5**
Profitability	Operating Surplus/Deficit	Operating Surplus/Deficit before/after trust and abnormal items, to total income.	< -4%	-4% to 0%	0% to 2%	2% to 4%	4% to 6%	6% +
Profitability	Core Earnings	EBITDA to total income.	< 5%	5% to 9%	9% to 11%	11% to 13%	13% to 15%	15% +
Liquidity	Liquid Funds Ratio	Liquid assets less short-term overdrafts to cash outflow (payments) from operations.	< 5%	5% to 10%	10% to 15%	15% to 20%	20% to 25%	25% +
Liquidity	Net Cashflow from Operations	Cash inflow (receipts) from operations to Cash outflow (payments) from operations.	< 104%	104% to 108%	108% to 111%	111% to 113%	113% to 115%	115% +
Debt Affordability	Debt Affordability	Total Debt to EBITDA.	> 4.0x	3.0x to 4.0x	2.0x to 3.0x	1.5x to 2.0x	0x to 1.5x	0
Debt Affordability	Interest Strain	Interest Paid (within year) to Revenue	> 3%	2.25% to 3%	1.5% to 2.25%	0.75% to 1.5%	0% to 0.75%	< 0%
Debt Affordability	Debt Equity Ratio	Total Debt to Total Debt plus Equity.	25% +	15% to 25%	7.5% to 15%	> 0% to 7.5%	0% & Core Earning <12%	0% & Core Earning >12%

Approved

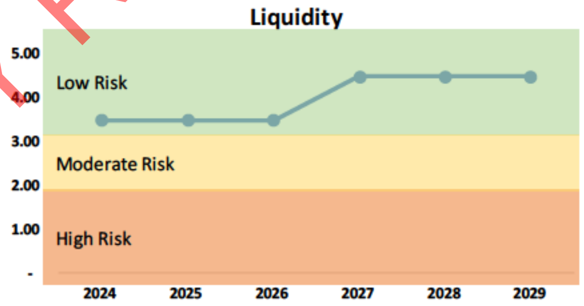
Assessment against the Financial Monitoring Framework

Ratios & Scores

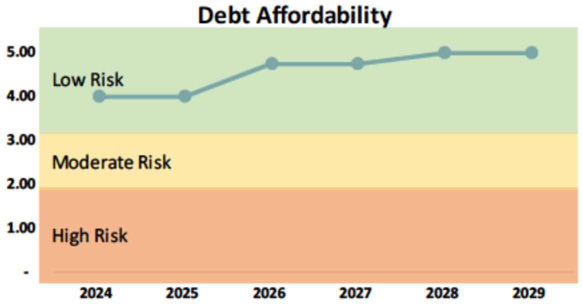
	Weighting	FY24	FY25	FY26	FY27	FY28	FY29
Profitability							
Profitability measures:							
Operating Surplus/Deficit - Before Trust and Abnormal Items (5 year rolling average)		-2.9%	-1.6%	0.9%	2.7%	3.9%	4.3%
Operating Surplus/Deficit - Including Trust and Abnormal Items (5 year rolling average)		-3.4%	-2.4%	0.4%	2.5%	3.8%	4.3%
Core Earnings (5 year rolling average)		7.7%	7.9%	10.0%	11.5%	12.5%	12.8%
Resulting in profitability scores of:							
Operating Surplus/Deficit - Before Trust and Abnormal Items (5 year rolling average)	*30%*	1.0	1.0	2.0	3.0	3.0	4.0
Operating Surplus/Deficit - Including Trust and Abnormal Items (5 year rolling average)	*20%*	1.0	1.0	2.0	3.0	3.0	4.0
Core Earnings (5 year rolling average)	*50%*	1.0	1.0	2.0	3.0	3.0	3.0
Average Profitability Score		1.0	1.0	2.0	3.0	3.0	3.5
Liquidity							
Liquidity measures:							
Liquid Funds ratio (5 year rolling average)		69.5%	64.9%	64.5%	71.2%	77.6%	83.8%
Net Cashflow From Operations (5 year rolling average)		108.6 %	108.4 %	110.9 %	113.6 %	114.3 %	114.6 %
Resulting in liquidity scores of:							
Liquid Funds ratio (5 year rolling average)	*50%*	5.0	5.0	5.0	5.0	5.0	5.0
Net Cashflow From Operations (5 year rolling average)	*50%*	2.0	2.0	2.0	4.0	4.0	4.0
Average Liquidity Score		3.5	3.5	3.5	4.5	4.5	4.5
Debt Affordability							
Debt Affordability measures:							
Debt Affordability (5 year rolling average)		1.17	0.50	-	-	-	-
Interest Strain (5 year rolling average)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Equity Ratio (5 year rolling average)		2.9%	1.3%	0.0%	0.0%	0.0%	0.0%
Resulting in debt affordability scores of:							
Debt Affordability (5 year rolling average)	*50%*	4.0	4.0	5.0	5.0	5.0	5.0
Interest Strain (5 year rolling average)	*25%*	5.0	5.0	5.0	5.0	5.0	5.0
Debt Equity Ratio (5 year rolling average)	*25%*	3.0	3.0	4.0	4.0	5.0	5.0
Average Debt Affordability Score		4.0	4.0	4.8	4.8	5.0	5.0

Commentary

Under the FMF, Unitec is projected to have relatively poor profitability over the short term (FY24-FY26). Through the rationalisation of Unitec's cost-base with the implementation of immediate cost-out initiatives, Unitec reaches a low-risk position by the end of the forecasted period (FY29).



Under the FMF, Unitec is forecasted to maintain/improve its liquidity position over the forecasted period (FY25-FY29).



Under the FMF, Unitec is forecasted to maintain/improve its debt affordability position over the forecasted period (FY25-FY29). The repayment of $20.5m in debt at the end of FY24 is a significant factor for this improvement across the FMF Debt Affordability ratios.

Te Pūkenga