Te Pūkenga

22 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 - report

Western Institute of Technology at Taranaki Approved

PricewaterhouseCoopers

15 November 2024

Te Pūkenga

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Attention: Gus Gilmore s 9(2)(a)
By email: s 9(2)(a)

Copied to: s 9(2)(a)

15 November 2024

Dear Gus s 9(2)(a)

Regional ITP Viability Programme: Phase 2B Report for Western Institute of Technology at Taranaki

In accordance with the Consultancy Services Order dated 17 July 2024 (CSO) and variation dated 30 August 2024 between PwC and Te Pūkenga **('Te Pūkenga' 'you' or 'the Client'**), we present our Phase 2B draft report for Western Institute of Technology at Taranaki (WITT) 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 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 WITT, 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 on pages 49 - 53.

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
Partner

Richard Nacey
Partner

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.

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2. 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 the Tertiary Education Commission (TEC) and Te Pūkenga, in accordance with the terms of the Consultancy Services Order (CSO) dated 17 July 2024 and variation dated 30 August 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. PwC has relied on valuation and expert information provided and/or used industry norms to inform estimations, but has not carried out anything in the nature of a valuation or building survey. 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.

Approved

Contents

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Disclaimer related to change presented in this report

As noted in the Important Notice on the previous page and our risks and assumptions on pages 49 -53, this document contains information derived from a variety of sources, of which the quality and completeness of information varied significantly. While every effort has been made to ensure that relevant and reasonable assumptions have been applied to incomplete data sources, the nature of information utilised to form any scenarios featured in this report may result in significant under or overstatement of potential cost , and challenge, associated with change.

The scale and scope of change that has been commissioned for consideration by Te Pūkenga would, if implemented following further detailed consideration, design, consultation, and costing; result in a changed ITP sector for New Zealand (albeit returning to a modified version of the sector prior to Te Pūkenga's establishment). We note that the work undertaken by PwC has been commissioned in the absence of a firm or agreed direction on the strategy for and the role of the ITP sector; and has solely focused on financial viability as opposed to financial and delivery sustainability. For this reason, the work should be viewed as indicative, and to be further refined when direction is agreed about what the ITP sector is expected to deliver for New Zealanders in the future, and the role it should play in tertiary education, local communities, and in-demand skills in the economy and society.

Our analysis has been focused on each business division (BD we have been commissioned to investigate. It does not consider what a national or regional Network of Provision could look like. Our analysis excludes demand for specific delivery areas and lacks a Government perspective on future ITP offerings at a national, regional and local level, beyond a perspective on when this educational delivery may be 'picked up' by other providers. We acknowledge that the TEC is undertaking work to understand potential Network of Provision implications. We recognise that removing specific courses or qualifications could have adverse societal and educational impacts and each division will need to consider these wider impacts. We have not completed any engagement with stakeholders (outside of WITT leadership to understand community needs, and to test potential models, the appropriateness, and the suitability/alignment to community/regional needs.

While PwC provides an interpretation of BD staff employment contracts, this document does not contain any legal employment advice. We have not had access to all employment agreement information, and acknowledge that payroll data sets used for analysis have been challenging to reconcile with programme-related people information, and were in many cases incomplete. We caution that any costings relating to people change can be viewed at best as indicative, and that significant additional work will be required by BDs to understand the full potential cost impacts from wider change, including organisational and people change. We also note that structural change may face union considerations; we have not engaged with unions or assessed current business division-union relationships. Potential significant costs (including tax related to redundancy payments (and/or any other type of payment payable to staff have not been fully explored.

We have not been asked to consider the business divisions' commitments to Te Tiriti o Waitangi, including improving outcomes for Māori students, as part of our assessment. Potential change may impede on business division ability to meet obligations under Te Tiriti o Waitangi.

PwC has not examined the legislative requirements for separating or merging BDs.

Lastly, PwC recognises the complexity and rapid pace required for structural, financial, and educational changes, given business divisions' readiness for transformation. Change fatigue, high turnover, and past uncertainties may have eroded capabilities, institutional knowledge, and trust. Significant change management and support are crucial; splitting business divisions into individual entities means creating entirely new organisations in a different context. It is noted that if the level of change sought across people, property and programmes were easy to achieve, it would have already have been explored by a sector facing ongoing financial challenge.

The observations and advice, as relevant, within this report depend on projections. As events and circumstances frequently do not occur as expected, there will often be differences between predicted and actual results, and those differences may be material. Accordingly, we express no opinion as to how closely the actual results achieved will correspond to those predicted and we take no responsibility for the achievement of predicted results.

The modelling has been tested by PwC for logic, accuracy and consistency, however, we are unable to guarantee that the model is 100% free of errors and will perform correctly under all possible scenarios.

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Our scope and approach

WITT

Our scope

Limited — Extensive

PwC has undertaken a limited scope assessment of the current state of WITT 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

Limited — Extensive

PwC's work was carried out predominantly on a desktop basis, but was supplemented by engagement with Te Pūkenga and WITT. 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 WITT at present and the sensitivity of changes proposed.

Given the sensitivity with later stages of work, no engagement was undertaken for 2B other than one site visit to consider condition and the capex plan.

Access to information

Limited — Extensive

Information provided in Phase 2B was a continuation of the information requested under Phases 1 and 2A, however was provided by s 9(2)(a) (Regional Finance Director) rather than the BD due to the sensitive nature of the changes proposed. We have relied on information provided to us under Phases 1 and 2A. Information sources are referenced throughout the report where relevant and also in the assumptions listed on pages 49 to 53.

Clarity of information

Poor — Good

The information provided by WITT, together with access to Te Pūkenga and key WITT 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 at the time the information was provided. 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.

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1. Executive Summary

Summary

Revised Phase 2A report - identification of financial improvement initiatives

The revised Phase 2A report (2Av2) considered a range of options and identified a suite of financial improvement initiatives that WITT could implement to move closer to becoming financially viable. These included:

- **Programme rationalisation** to streamline delivery and close underperforming courses and optimise delivery.
- Move to a **satellite operating structure** with overhead functions provided by a parent entity reflecting the challenges associated with WITT's small size.
- **Property utilisation** assessed under multiple scenarios to maximise course delivery and minimise capital costs. Ultimately retaining most of the portfolio with some mothballing and associated operating cost savings.
- Implementation of WITT's current change process and cost savings along with the settlement of intercompany debt.

Together these suggested a FY25 indicative baseline surplus of $1.0m, after payment of $5.0m towards shared services. Recapitalisation of $23.0m was required to achieve this.

Phase 2B report - implementation and timing considerations

For this Phase 2B report we have focused on implementation considerations, particularly timing, steps required and risk associated with implementing the identified initiatives. Further analysis was undertaken where possible. We considered:

- Teach-out (phased until programme rationalisation complete by FY27);
- Timeframe for implementing satellite structure (go live January 2026);
- s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]
- Revised 'critical' capex needs following further assessment, resulting in some works being brought forward, some deferred and some removed relative to the capex plan provided by Te Pūkenga for Phase 2Av2 (net increase of ~$4m).

This has ultimately pushed out the new 'steady-state' to FY27, which has a **surplus of $1.3m after payment of $3.0m towards shared services**. The decrease in profitability and shared service contribution vs the 2Av2 report reflects higher salary costs and increased depreciation in light of the above.

Recapitalisation of $30.8m is required to achieve this. This amount has increased vs the 2Av2 report largely due to the increased capex needs and funding of the FY25 loss while WITT is in transition to its new satellite structure.

We note that a higher level of shared service contribution from WITT is possible ($4.0m-4.5m from FY27 onwards), however, WITT would be entirely reliant on the parent to provide an operational 'buffer' and fund deferred capex.

Key focus areas / next steps

The satellite structure detailed in this report represents a large and complex change from the current operating model. The following key steps / decisions are needed to ensure this can be implemented and make WITT a financially viable satellite BD.

- Confirmation of the desire to rationalise identified programmes.
- Confirmation of a move to a satellite structure and of the parent entity. Given the time to implement this degree of change, a decision on this by Q1 FY25 is likely needed to achieve to 'go live' from FY26.
- At this stage we have not defined the legal structure arrangements between WITT and the provider of services (called the 'parent' in this report).
- Confirmation of the services to be provided by the parent, its cost, and required contribution from WITT.
- Confirmation of the funding model and relationship between WITT and its parent. Will it retain any surplus cash or will this be transferred to the parent and the parent funds deferred capex?
- Detailed feasibility studies are required to progress property work and full organisational design for the change process.
- Confirmation of the approach to forgiving / writing-off of the intercompany loan. In the absence of this, WITT would incur $700k p.a. of interest costs.
- Potential change implementation management capability required at both the Te Pūkenga and WITT levels (may depend on parent entity and Te Pūkenga adopted approach).
- Development of detailed project plan, milestones, KPIs, reporting and accountability mechanisms to encourage and track the substantial change process.

Current state analysis (Phase 1 findings)

WITT

Overview

WITT is a small BD of Te Pūkenga based in the Taranaki region with delivery predominantly based at its campus in New Plymouth, with a small satellite campus in Hawera. Accordingly, WITT services the wider Taranaki region. WITT is the primary provider in the region and has a 32% market share of Taranaki's learner market across all tertiary education provision.

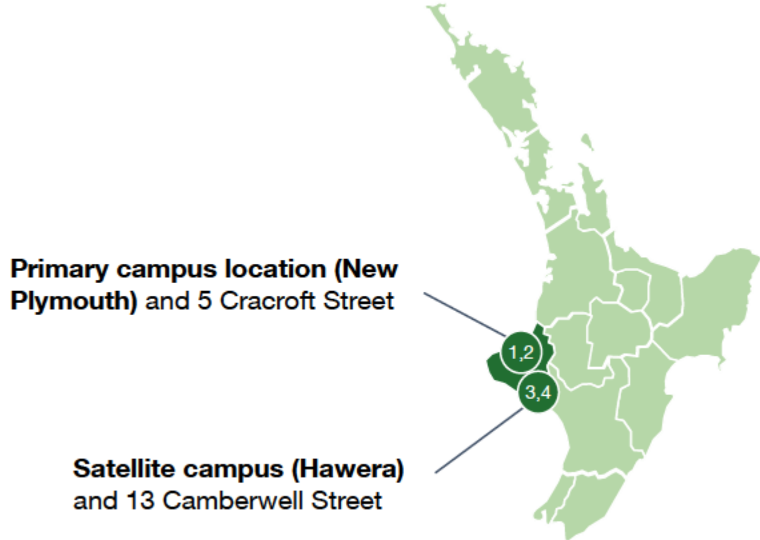
WITT is the second smallest BD of Te Pūkenga by EFTS. Based on data from Education Counts, WITT delivered 2.4% of overall EFTS (domestic and international) across Te Pūkenga BDs in 2023. From an EFTS delivery perspective, domestic student EFTS made up approximately 85% of 2023 delivery, and international students EFTS 15%.

It operates across a range of domains with Engineering & Logistics and Nursing being the largest.

WITT key statistics

- 1,412 EFTS[3] delivered 2023.
- WITT delivers across two sites, two schools, 19 domains and ~115 programmes offered. (Recently exited a lease in Hamilton).
- 168 Full Time Equivalent (FTE) staff employed in July FY24. 94.3% of FTE are employed through permanent contracts (5.7% are fixed term).
- WITT is a highly unionised BD; by FTE, July 2024 payroll data indicated that 81.9% of staff were employed through a Collective Employment Agreement (CEA).
- Te Pūkenga's 2024 capital expenditure plan highlights $28.8m of capital expenditure over the next five years (*note this has evolved over later stages of review*).
- Approximately 10.7 sqm of teaching and learning space per EFTS (highest in range of 5.0 - 10.7 for PwC scope BDs).

WITT 2025 budgeted EFTS Delivery by 10 largest domains



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Initial observations, issues and challenges (Phase 1 and 2 findings)

WITT

Financial observations

- WITT has broadly maintained domestic EFTS delivery over the period FY19-24, especially when compared to the level of reductions witnessed across the sector. Despite this, WITT, in its current form, is not financially viable. Financial performance in the sector is typically driven by volume and WITT (Te Pūkenga's second smallest BD) delivered only 1,412 EFTS in 2023.
- WITT has benefited from the increased collaboration across the sector and the support provided by Te Pūkenga since its establishment. Partnering with other BDs and considering alternative modes of delivery may help set WITT up on a path to financial viability.
- Initial forecast financial modelling provided by Te Pūkenga showed that WITT was forecasting to generate a total deficit of $18m over the period FY24 through to FY28 after taking into account the Te Pūkenga cost allocation, interest and depreciation. From an EBITDA perspective, the financial modeling showed that WITT is forecast to breakeven on an EBITDA level (after the Te Pūkenga cost allocation) by FY28.
- WITT's future capital structure, specifically the level of cash and debt allocation, will influence its pathway to financial viability. WITT is currently not in a position to service any level of debt following the proposed disestablishment of Te Pūkenga.

Property

- WITT's campus in New Plymouth requires investment, with weathertightness, asbestos issues and to render it fit-for-purpose. The majority of the capital works to remediate and consolidate needs to be funded (and a plan validated) and WITT is not in a financial position to borrow to fund this investment. We note that WITT received funding from Te Pūkenga to undertake various works of key buildings that are currently underway, and that the more substantive investments highlighted in the plan in this report were also identified during earlier Te Pūkenga remediation planning.
- Initial estimates suggested capex could be as much as $28.8m (excluding an annual capital maintenance allowance). This has since been refined downwards materially to $6m in the five year horizon modelled, and approximately $6m in years 6-10 (outside of the modelled period).

People

- WITT is a small BD, and while it does not maintain all back-office functions in-house, its relatively low level of EFTS delivery makes it challenging to achieve cost economies of scale. Despite decreasing EFTS delivery, FTE numbers have increased since 2019 and cost per FTE has also increased, while income per FTE has not kept pace. Relatively high salaries among its largely permanent workforce may exacerbate cost issues.
- The senior leadership have largely been at WITT for a long time and know the BD and community needs well from an operational perspective but have not historically been focused on financial performance, impacts and monitoring (and have not been held accountable for financial performance or used financial metrics to measure success). Increased financial capability across this leadership team bolstered by a financially strong CEO (or CFO) would strengthen this considerably. A change in focus on financial viability and increased discipline on budgeting will take time to be developed (we note this process has started) but is critical for WITT moving forward.

WITT change proposal and cost saving initiatives

- During our Phase 1 and Phase 2A reviews, WITT identified a range of cost saving measures including course rationalisation and closure. This included the pause or reduction in number of intakes per year of 24 courses (closure of 15 courses) resulting in the proposed reduction of 11.8 FTEs and 8.24 non-academic FTEs.
- WITT currently has a change process underway. We have not received any further information since the consultation phase of the process.
- A range of other initiatives and programme rationalisation opportunities were identified in Phase 2A.

Financial improvement initiatives

WITT

Phase 2A focused on identifying potential initiatives and opportunities to drive financial improvement at WITT. This report provides an update to this having considered timing, implementation and risks.

Phase 2A identified initiatives / changes

Programme rationalisation

Further course rationalisation opportunities identified (on top of WITT's current change proposal).

Total reduction of 61 courses (44% of FY24 delivery) resulting in reduction in EFTS of ~200 (17%).

Property consolidation

Assessment of various property scenarios under different delivery scenarios to identify optimal asset provision. Assessed capex requirements in the short and medium terms along with lease obligations and liabilities. Significantly reduced (through Te Pūkenga identified deferrals) short-term capex requirements to $2.1m, with around $9.5m deferred to FY30-FY35. Opex savings of approx $300k p.a. From mothballed buildings.

Adoption of a satellite structure

Given its small scale, WITT benefits from sharing resources with other BDs. We have assumed it would operate as a satellite of another BD (yet to be confirmed). The associated illustrative cost structure identified resulting in material overhead cost savings ($7.9m) with $2.5m of up front redundancy costs. The net impact left ~$5.0m p.a. that WITT could contribute to a 'parent' for provision of services.

Other

The implementation of operational cost savings identified by WITT in FY24 (total c.$1.0m) and the settlement of internal debt ($15.9m) were key other initiatives required to move WITT to a financially sustainable satellite BD.

All assumed to be implemented by FY25 - i.e. FY25 baseline is after implementation of all the initiatives. Indicated FY25 surplus of ~$6m before the $5m satellite contribution.

This report

Focus on implementation of the initiatives. Further analysis was undertaken specifically in relation to timing and phasing of implementation, spend, and when benefits start to be realised, including:

- Consideration of teach out profile impacting when revenue and costs fall away (i.e. staged until FY27).
- Satellite structure 'live' from from FY26 (potential upside if put in place sooner).
- Further refinement of satellite structure costs to reflect more realistic roll-out s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]
- Redundancy costs of $2.8m, an increase from our previous report due to a different split of academic/non academic redundancies and a slightly increased salary used for calculations from that estimated in the 2Av2 report.
- Property:
  - Review of capex requirements in the short and medium terms with net increase in year 1-2 (FY25 and FY26) of $3.9m (vs 2Av2 report)
  - Change in timing for Cracroft Street sale process to-date and sale pathway.

Full 'new state' not achieved until FY27 (surplus before contribution of $4.3m) with FY25 being a transitional year ($3.6m loss).

A $3m satellite contribution by FY26 with the potential to increase to $4m-$4.3m by FY30F.

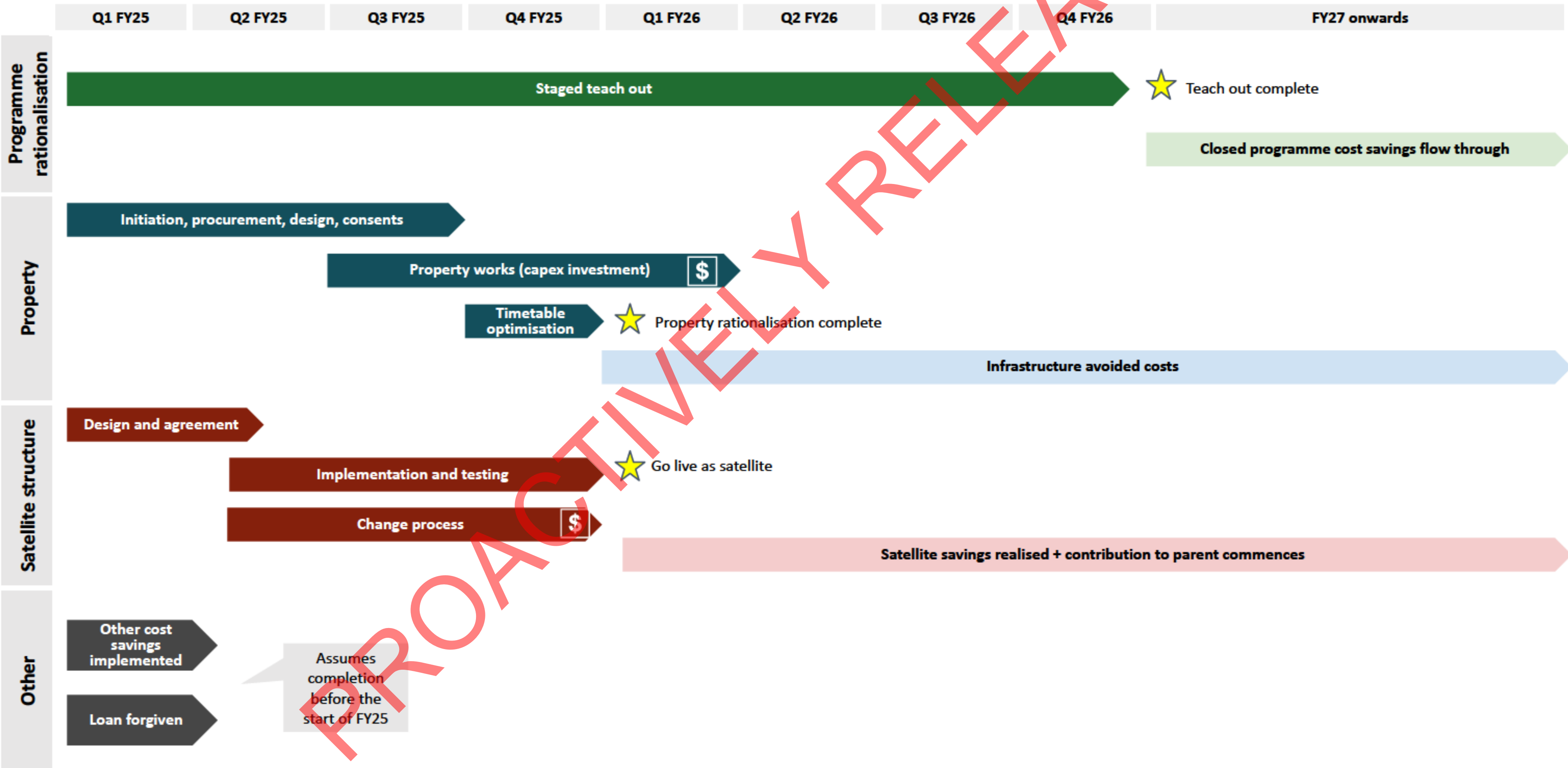
Te Pūkenga

Financial improvement initiatives - Timeframe

WITT

The 2Av2 report identified an indicative baseline reflecting a satellite structure, full implementation of WITT identified change process and initiatives, reduced portfolio of programmes and consolidated property footprint. Further work has been undertaken to map out the possible implementation timeline, steps, costs and outcomes. Full benefits are expected to be realised from FY27F.

An overview of the key initiative focus areas is summarised below with further detail over the following pages.



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Programme rationalisation

Overview

Programmes offered by WITT have been rationalised through in two stages:

1. WITT's own change proposal (see 2A v1 report). This involves pausing or reducing the number of intakes per year of 24 courses (closure of 15 courses) resulting in the proposed reduction of 11.8 FTEs and 8.24 non-academic FTEs.
2. Financial viability analysis (see 2A v2 report), identified a further 46 courses to be considered for closure, impacting 54 FTEs.

The two stages result in WITT delivering 79 courses over 14 Domains going forward (see **Appendix 2**).

This report phases the above rationalisation based on teach out requirements.

This assumes that the full impact of WITT's own change proposal are realised, and we have not costed any additional costs (including redundancy) related to FTE covered by WITT's change process that has already been occurring in 2024.

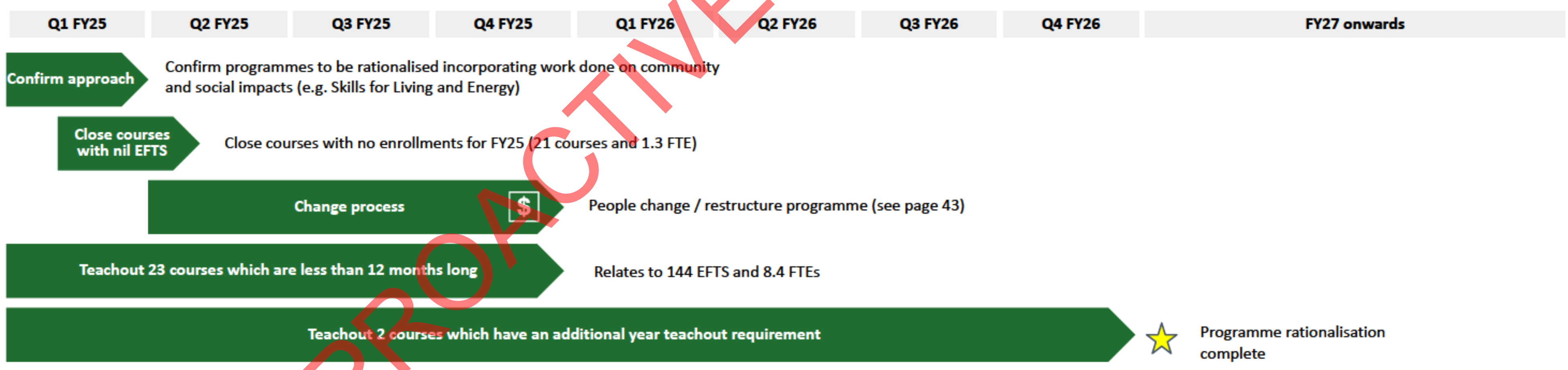
Resources / requirements for successful delivery

The following are required for successful delivery:

- Completion and implementation of WITT's current change proposal (Q4 FY24);
- Confirmation of course closures after consideration of non-financial impacts (social, te tiriti and educational impacts) (Q4 FY24/ Q1 FY25);
- Ensure courses tagged for closure that currently have no EFTS enrolled are closed for enrolment / still have no EFTS, otherwise consider additional teachout requirements.
- Detailed design and agreement with alternative providers and students to ensure qualification obligations are met (FY25).
- Change Manager or Chief Restructuring Officer (CRO) to manage implementation of initiatives and track progress against them, hosted at the 'head' or 'parent'.
- Legal / employment support as needed to support redundancies.

The above approach will need to be tailored to suit the approach Te Pūkenga wishes to adopt. We have not costed the additional value of a Change Manager or CRO into WITT; conversations with any 'head' or 'parent' would need to discuss this capability.

Key steps and dependencies



Te Pūkenga

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Programme rationalisation *continued*

Assumptions

Any courses with no enrolments for FY25 (per WITT's FY25B) have been assumed to close immediately (21 courses + 1.3 staff).

All courses with EFTS enrolled in FY25 are assumed to be run, with the exception of mid-year enrolments, which can still be paused.

For programmes that have a duration of greater than 12 months (and have at least one EFT enroled), teachout requirements have been assumed.

In order to manage this teachout, impacted programme closures have been phased over FY26 and FY27 (there are no programmes proposed to be closed that have EFTS in the FY25 budget that have a duration over 36 months).

Part-time students within these programmes are offered to complete the programme within the period offered to the full time students. This reduces teach out requirements from a potential five years to three years maximum.

Where bespoke delivery is required (i.e. Accounting) and alternative regional delivery is available, we have assumed that this provision is passed on to the alternative provider after teaching out the FY25 year (i.e can be transitioned for a 1 January 2026 start with an alternative provider - see **Appendix Five**).

We have also assumed:

- WITT's change proposal (currently in consultation) is fully implemented.
- No mid-year intake is offered for NZ Certificate in Cookery L4 (NZ2101).
- Carpentry (NZ2738) has no EFTS per the information we have been provided and therefore has no teachout requirements.

Further workforce analysis undertaken for this report and preliminary mapping has led us to refine the reduction in Academic compared to Non-Academic staff. This has been undertaken in accordance with role-type classification and has resulted in higher potential reductions in Non-Academic staff, and a lower reduction in Academic staff, compared to the previous report. This also builds on the WITT change proposal, given this had a higher level of proposed changes to Academic roles.

Financial impacts (savings and costs of implementation)

Financial impact summary	Annual (p.a.)	One-off
Savings		
Reduced academic staff costs	$1.9m	
Reduced annual teaching delivery costs	$0.2m	
Unlocks property savings	*RE*	
Direct benefits	**$2.1m**	
Costs		
Reduction in annual course revenue	($1.4m)	
Academic staff redundancy cost*		($0.5m)
Direct costs	**($1.4m)**	
Net financial impact	**$0.7m**	**($0.5m)**

*RE: financial impact reported elsewhere. *Non-academic staff redundancy costs on page 17.*

Risks

- There will be a delay to realising the savings benefit if decisions are not made and progressed in a timely way.
- The proposed course rationalisation has adverse impacts on the community including social and educational and disharmony with other Government initiatives and therefore requires further consideration.
- Alternative delivery is not available (e.g. Carpentry) and / or additional cost is required to transfer the EFTS across to a new provider.

A 50% contingency has been added to redundancy payments to help mitigate the impact of unassessed major change, given detailed role mapping has not occured. Redundancy costs have been based on an average salary equalised across all staff ($85,000). Fixed term and casual staff have not been removed from redundancy costings, WITT will be required to undertake analysis as to the actual number of staff who may be expected to receive a redundancy payment. It is expected this number may decrease significantly once role mapping has taken place. Please see page 46 for more information on these costings.

Approved

Property

Overview

WITT has more space than it requires on its main campus. The most productive spaces are at each end of the campus, with smaller buildings in the centre.

A number of scenarios were explored and assessed. This showed that retaining most of the main campus (with a number of buildings mothballed) best supports the rationalised teaching arrangements.

This option provides an opportunity to mothball three buildings in the centre of the campus to reduce operating costs, and a fourth building should the third-party lessees opt to exit the campus. One very small block will also be removed under this option.

Overall, avoided infrastructure costs of around $252k p.a can be achieved through this option from FY26.

Some key infrastructure upgrades are required for end of life assets, and have been deferred into years 6-10 pursuant to Te Pūkenga guidance to defer expenditure not immediately critical. An example of this deferred expenditure is the gas boiler providing hot water and heating to A & B Blocks. This deferred expenditure is expected to be around $6m, and consideration needs to be given to whether WITT self-funds this through retained cash flow or whether this is funded centrally/via the parent.

Financial impacts (savings and costs of implementation)

Financial impact summary	Annual (p.a.)	One-off
Savings		
Annual opex savings from mothballing buildings	$0.3m	
Direct benefits	**$0.3m**	
Costs		
Capex investment to complete critical works		($5.7m)
Project delivery costs		($0.3m)
Direct costs	**-**	**($6.0m)**
Net financial impact	**$0.3m**	**($6.0m)**

The level of critical capex investment required before FY30 has increased vs the 2Av2 report following further assessment. s 9(2)(b)(ii), s 9(2)(j) has been brought forward (previously deferred to after FY30).

Key steps and dependencies

Q1 FY25 | Q2 FY25 | Q3 FY25 | Q4 FY25 | Q1 FY26 | Q2 FY26 | Q3 FY26 | Q4 FY26 | FY27 onwards

- **Initiation, procurement, design and consents** — Confirmation and approval from Te Pūkenga regarding approach and works
- **Complete various building works** $ — Optimised delivery timing, noting works may take longer to complete delaying realisation of opex savings (refer Property section for further detail)
- **Optimise building utilisation and timetabling** — ★ Property rationalisation complete
- **Infrastructure avoided costs**

*More information on property change is included in the **'Property'** section of this report.*

Satellite structure transition

Overview

Under the satellite model WITT will need to buy-in/source the majority of overhead capabilities with limited presence onsite. The 'Operating model' section of this report contains detailed information on how a potential satellite operation may be structured.

This report assumes a $3m p.a. contribution is made by WITT to a 'parent' towards shared services. This could be higher (up to ~$4m-$4.3m) while maintaining an operating surplus of 2% if the decision is made that WITT does not need to retain free cash flow (refer p20). Guidance on the preferred approach is required.

This is a significant change for WITT and will require commitment and focus to implement in a way that ensures the resulting structure is sustainable, and minimises risk.

Further detail on the potential level of change required is included in the 'Operating model' and 'People' sections of this report.

Resources / requirements for successful delivery

Indicative steps that would be required for a satellite structure are summarised below. This ultimately depends on the approach Te Pūkenga adopts and will need to be tailored accordingly, noting that decisions will consider network-wide implications, staffing profile changes, and regional presence. Resource / capability is required centrally at Te Pūkenga to consider what an appropriate approach for WITT, and other BDs, may be, and how this is to be undertaken from a system perspective. The following steps will be required should Te Pūkenga decide to proceed:

- Agreement to proceed with potential organisational change (Q4 FY24/ Q1 FY25).
- Clarity on who will provide services and ensuring sufficient funding is in place to enable this (Q1 FY25). Detailed design and agreement to structure / shared services / systems / reporting / funding implications understood (Q1 and Q2 FY25), along with significant union engagement and the seeking of employment advice to support potential organisational change (ASAP).
- Confirmation of approach required in terms of WITT cash retention vs sweep to parent to develop associated processes (Q1 FY25).
- Recruitment (if required) and implementation (Q3 and Q4 FY25).
- Change process at WITT (Q4 FY25).
- Change expertise at both the WITT and Te Pūkenga levels supported by clear a programme and reporting.

Key steps and dependencies

Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	FY27 onwards

Decision required – Decision on potential to proceed with organisational change (see page 43)

Design, planning and pre-consultation activities* – Design shared service function, structure needed to support WITT and other BDs (as required). Financial and costing support. Agree funding needs (if any). Combine entity reporting / monitoring developed (or leverage existing TP approach).

Transition planning and implementation – Transitioning systems and processes to a Satellite operating model.

Change process – Go live as satellite

Satellite savings realised + contribution to parent commences

*Detailed information on organisational change processes is included in the **'Operating model'** and **'People'** sections of this report.*

*Note union and other engagement required

Te Pūkenga

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Satellite structure transition *continued*

WITT

Assumptions

- A satellite structure could be implemented for WITT with a minimised head office/overhead costs at a localised level.
- Our work has not included any analysis of a potential 'head' or 'parent'. Further discussions will need to take place with Te Pūkenga to understand the counterparty and the shape and cost to a parent.
- The structure will 'go live' from 1 January 2026. This is reliant on good progress being made over the coming months; consultation on organisational change (as outlined on page 44) would need to be commenced by August 2025 at the very latest.
- WITT operates relatively autonomously other than centralised shared services (i.e. it retains surplus cash and self-manages its trading 'buffer' and self-funds capex (both ongoing and deferred)). Alternative models are available where cash is swept to the parent. This would not change the proposed cost structure but would change the forecast financial information presented on pages 20 to 24.

Risks

- Savings not realised by FY26 if decisions are not made and an approach is not agreed quickly. Noting benefits could be realised sooner if Te Pūkenga is able to move forward more quickly.
- Insufficient focus on design and the risks associated with significant change may mean an incomplete or troubled transition, and / or WITT remains underserviced, impacting student and staff experience and outcomes.
- Any costings relating to potential organisational change can be viewed at best as indicative; significant additional work will be required by WITT to understand the full potential cost impacts from wider change, including people change. We also note that organisational change may face union considerations; we have not engaged with unions or assessed current BD-union relationships.

Financial Impacts (savings and costs of implementation)

Financial impact summary	Annual	One-off
Benefits		
Annual people cost saving	$3.8m	
Reduced administration costs	$2.0m	
Direct benefits	**$5.8m**	-
Costs		
Non-academic staff redundancy cost*		($2.3m)
Direct costs	-	**($2.3m)**
Net financial impact	**$5.8m**	**($2.3m)**

**Academic staff redundancy costs on page 14*

A 50% contingency has been added to redundancy payments to help mitigate the impact of unassessed major change, given detailed role mapping has not occured.

Fixed term and casual staff have not been removed from redundancy costings, WITT will be required to undertake analysis as to the actual number of staff who may be expected to receive a redundancy payment. It is expected this number may decrease significantly once role mapping has taken place. Redundancy costs have been based on an average salary equalised across all staff ($85,000).

Please see page 46 for more information on these costings.

Other

WITT

Overview

Operational cost savings and the settlement of internal debt are key other initiatives required to move WITT to a financially sustainable satellite BD.

A summary of the initiatives as follows:

- WITT has recently undertaken an extensive cost review and implemented a number of reductions in FY24F including changing cleaning and building maintenance suppliers ($0.2m), ceasing subsidised bus fares for students ($0.1m), closing the student cafe ($0.2m) and changing graduation ceremony venue (no longer requiring extensive hireage of equipment) ($0.1m). It has also identified a number of cost reductions in teaching costs including course materials, printing etc which are factored into FY25B. Our review of operating expenses and overheads has not identified any material savings in addition to the overhead costs already noted.
- Despite WITT's forecast surpluses, the majority is expected to be required to fund shared services or deferred capex. As such, WITT is unlikely to be able to service the existing intercompany loan of $15.9m (which originated before the establishment of Te Pūkenga, but includes trading losses during the period WITT has been within Te Pūkenga). A write-off of this loan would improve WITT's financial viability through reduced annual interest costs of ~$770k and removal of the need to repay the capital amount. **The analysis in this report assumes it is written off / forgiven by the end of FY24.**

Financial impacts (savings and costs of implementation)

Financial impact summary	Annual	One-off
Savings		
Annual interest cost	$0.8m	
Operating cost reductions (2A)	c.$1.0m	
Direct benefits	**c.$1.8m**	
Costs		
Settlement of Internal Debt		($15.9m)
Direct costs	**-**	**($15.9m)**
Net financial impact	**c.$1.8m**	**($15.9m)**

Key steps and dependencies

Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	FY26 onwards

Cost saving initiatives implemented — Realisation of operational cost savings included in FY25 budget

Settlement of Internal Debt — Settlement of debt with Te Pūkenga reducing annual interest costs and need to repay the capital amount

★ Other initiatives embedded

Other operating cost savings commence

Te Pūkenga

2. Financial Information

Te Pūkenga

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Indicative financial performance

WITT

Financial forecast 2024-2030

The table opposite summarises the forecast financial performance for FY24 to FY30. Modelling assumptions are detailed on page 25. Key observations:

- **Revenue** growth is due to 2% YoY funding income growth and a small international EFTS increase. Teach out contributes $1.4m revenue in FY25 and $0.4m in FY26 before delivery of those courses ceases.
- **Personnel expenses** decrease by $5.7m in FY26 after the satellite structure is actioned and change programmes are complete. The revised FY25B assumes the cost savings from WITT's cost review are implemented by the start of FY25. Contractor costs have been reduced to zero and other indirect/direct staff costs and expenses pro-rated based on reduced FTE numbers.
- **Infrastructure** savings of $0.3m per year are realised from FY26.
- **Administration** costs from FY26 include the reduced satellite functions (refer pages 37-40) with the remainder of overhead services provided by the ITP parent.
- There is no **interest income** on cash held pending guidance from Te Pūkenga on the operational structure of the Satellite model.
- We have also assumed that no further interest costs on the intercompany loan are payable. In the absence of loan forgiveness / write-off and / or interest forgiveness, WITT's profit would reduce by ~$700k p.a..
- A satellite contribution of ~$3m has been assumed providing some buffer and capacity for WITT to fund deferred capex post FY30. Refer following page for further detail.
- The amount of satellite contribution could be higher (~$4.0-4.3m from FY27 onwards) if WITT only retains an operating surplus margin of 2%. Albeit, this would provide limited operational buffer and no ability for WITT to self-fund deferred capex (these would need to be provided by the parent if all profit/cash is swept up).
- FMF metrics improve substantially following implementation of the satellite structure in FY26. See **Appendix 3** for the TEC FMF workings.

WITT Financial Performance Forecast ($'000)	FY24F	Revised FY25B	FY26F	FY27F	FY28F	FY29F	FY30F
Government Funding	11,965	11,547	11,197	11,042	11,234	11,434	11,679
Domestic Student Fees	4,832	4,898	4,586	4,679	4,773	4,868	4,965
International Student Fees	3,054	2,509	2,585	2,663	2,743	2,826	2,911
Other Teaching Income	961	1,929	1,913	1,934	1,973	2,013	2,054
Trading Income	1,514	517	485	491	501	511	472
Other Income	618	461	457	462	471	481	491
Total Revenue	**22,944**	**21,861**	**21,223**	**21,270**	**21,695**	**22,132**	**22,573**
Personnel Expenses	(16,059)	(14,852)	(9,190)	(9,204)	(9,388)	(9,576)	(9,767)
Teaching Delivery	(3,262)	(3,033)	(2,780)	(2,402)	(2,451)	(2,501)	(2,551)
Infrastructure	(2,572)	(2,215)	(1,940)	(1,961)	(2,000)	(2,041)	(2,082)
Administration	(2,962)	(3,219)	(1,189)	(1,202)	(1,226)	(1,251)	(1,276)
Other Expenses	-	-	-	-	-	-	-
Total Operating Exp.	**(24,854)**	**(23,319)**	**(15,099)**	**(14,769)**	**(15,066)**	**(15,368)**	**(15,677)**
EBITDA	**(1,910)**	**(1,458)**	**6,124**	**6,501**	**6,629**	**6,764**	**6,896**
Depreciation & Amortisation	(1,978)	(2,263)	(2,089)	(2,111)	(2,145)	(2,155)	(2,169)
Net Interest Income	(383)	125	-	-	-	-	-
Satellite Contribution	-	-	(3,000)	(3,060)	(3,121)	(3,184)	(3,247)
Total Non-Operating Exp.	**(2,361)**	**(2,138)**	**(5,089)**	**(5,171)**	**(5,266)**	**(5,339)**	**(5,416)**
Surplus / (Deficit)	**(4,271)**	**(3,596)**	**1,035**	**1,330**	**1,363**	**1,425**	**1,480**

WITT Forecast KPIs							
Total FTEs	170	146	99	97	97	97	97
Domestic EFTS	1,141	1,148	1,004	958	958	958	958
International EFTS	173	135	136	138	139	140	142
Total EFTS	1,314	1,283	1,141	1,096	1,097	1,099	1,100

Financial Monitoring Framework outputs

FMF Summary (Risk level)	FY24F	Revised FY25B	FY26F	FY27F	FY28F	FY29F	FY30F
Profitability Risk	High	High	Low	Low	Low	Low	Low
Liquidity Risk	High	High	Low	Low	Low	Low	Moderate
Debt Affordability Risk	Moderate	Low	Low	Low	Low	Low	Low

Te Pūkenga

FY27 financial performance - 2Av2 vs 2B

The chart below summarises the change in net surplus in FY27 before contribution to Satellite services is deducted from our Phase 2Av2 to this 2B report. **FY27 is the first 'steady state' year** following implementation of cost saving initiatives. This shows a surplus of $4.4m before contribution to a satellite structure.

The **level of profitability is lower than noted in the 2aV2 report** ($6.7m before contribution). This is largely due to:

- higher **personnel costs** following a more detailed review of staffing and approach to a satellite structure (see page 51). This is largely due to assuming as many existing staff members as possible will likely transition to the new organisation s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted] as this presents a more realistic approach to implementing scale of this change.
- We have also now included an estimate of kiwisaver and other non-direct employee expenses of ~$310k not estimated at the time of drafting the 2Av2 report.
- The savings represented through our potential structure also includes a zeroing out of contractors/consultants, and a pro-rata of costs associated with FTE (such as Kiwisaver and safety clothing). We note that Budget FY25B has assumed zero sick pay or holiday pay and we have carried this forward.
- Higher **depreciation** costs reflect the increases in capex from $2.1m shown in 2Av2 to $6.0m in this report. The capex increase relates to repairs to the roof of the F block which was assumed to be post FY30 in the 2Av2 report.
- We have also assumed no **interest** is receivable on cash balances pending guidance from Te Pūkenga.

WITT Net Profit Reforecast (excl. Satellite Contribution)

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Indicative balance sheet

Balance sheet 2024-2030

The table opposite summarises the forecast financial position as at 31 December from Fy24 to FY30. Modelling assumptions are detailed on page 25.

- WITT's **cash** balance grows steadily over time to ~$9.1m by FY30F as net surplus (after satellite contribution) is assumed to be retained. This cash could be used to fund deferred capex, provide operational buffer or provide an additional amount towards satellite operations. Te Pūkenga's guidance on the operational structure of the Satellite can be used to refine this assumption.
- As in the 2Av2 report, we have assumed that the operating working capital of 3 months of FY26 opex ($3.8m) less opening cash of $0.9m is received in FY25 and is included in **cash and cash equivalents** in FY25B.
- **Property plant and equipment** (PPE) includes capex investment of $6m as detailed in the Property section. It also includes IT capex of $0.2m per Te Pūkenga's digital leads. We note this IT investment is materially lower than other ITPs and will need to confirm that this capex is still required in the satellite structure.
- The PPE balance also assumes an ongoing level of BaU capex investment (in line with depreciation). This is assumed to be funded by WITT from operating cash flows (i.e. not assumed to be funded via initial recapitalisation).
- While revised forecasts show WITT generating a surplus, the majority of this is expected to be required to fund shared services and deferred capex. As such, it is unlikely to be able to service the existing **intercompany loan** of $15.9m (which originated before the establishment of Te Pūkenga, but includes trading losses during the period WITT has been within Te Pūkenga). Our forecasting assumes the loan is written off, pending Te Pūkenga confirmation.

WITT Forecast Financial Position ($'000)	FY24F	Revised FY25B	FY26F	FY27F	FY28F	FY29F	FY30F
Assets							
Cash and Cash Equivalents	868	5,794	2,445	4,019	5,622	7,289	9,076
Trade & Other Receivables	4,040	3,860	3,747	3,756	3,820	3,908	3,986
Other Current Assets	300	320	320	320	320	320	320
Total Current Asset	**5,208**	**9,974**	**6,512**	**8,095**	**9,762**	**11,517**	**13,381**
Property, Plant and Equipment	28,139	32,773	35,116	34,863	34,559	34,229	33,845
Assets Under Construction	-	-	-	-	-	-	-
Other Non-Current Assets	232	-	-	-	-	-	-
Total Non-Current Assets	**28,372**	**32,773**	**35,116**	**34,863**	**34,559**	**34,229**	**33,845**
Total Assets	**33,580**	**42,747**	**41,628**	**42,958**	**44,321**	**45,746**	**47,226**
Liabilities							
Trade & Other Payables	426	854	854	854	854	854	854
Employee Entitlements	1,114	1,114	1,114	1,114	1,114	1,114	1,114
Revenues in Advance	5,227	2,997	2,997	2,997	2,997	2,997	2,997
Other Current Liabilities	-	-	-	-	-	-	-
Total Current Liabilities	**6,768**	**4,965**	**4,965**	**4,965**	**4,965**	**4,965**	**4,965**
Intercompany Debt	15,948	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-
Employee Entitlements	193	193	193	193	193	193	193
Total Non-Current Liabilities	**16,141**	**193**	**193**	**193**	**193**	**193**	**193**
Total Liabilities	**22,909**	**5,158**	**5,158**	**5,158**	**5,158**	**5,158**	**5,158**
Net Assets	**10,671**	**37,588**	**36,470**	**37,799**	**39,163**	**40,587**	**42,067**
Equity							
Total Equity	**10,671**	**37,588**	**36,470**	**37,799**	**39,163**	**40,587**	**42,067**

Indicative cash flow

WITT

Cash flow 2025-2030

The table opposite summarises the forecast cash flow for FY24 to FY30. Modelling assumptions are detailed on page 25.

- 5 Cracroft street is assumed to be sold in FY26 for an estimated market value of $0.7m. The property is **surplus** to WITT's property requirements.
- **'Other financing cash flows'** in FY25 is the required government injection to fund the areas noted in the table below.
- We note that the total funding requirement of $30.8m increased relative to the $23.0m presented in the 2Av2 report due to:
  - $3.9m increase in critical capex requirements from $2.1m (2A) to $6.0m (2B) s 9(2)(b)(ii), s 9(2)(j)
  - $3.6m to cover the FY25 loss before the satellite structure is implemented (the 2Av2 report assumed satellite was implemented in the FY25 baseline)
  - $0.6m higher operating working capital requirement reflecting higher operating costs (Teach out and transition to satellite structure)
  - $0.3m higher redundancy costs.
- As previously noted, a degree of free cash flow is assumed to be retained to fund deferred capex. If required, TP could choose to offset FY26 and FY27 'contributions' by some or all of this amount. Noting this would limit WITT's ability to full self-fund deferred capex.

WITT Cash Flow Forecast ($'000)	Revised FY25B	FY26F	FY27F	FY28F	FY29F	FY30F
Operating Cash Flow						
Operating Inflows	22,021	21,336	21,262	21,630	22,045	22,495
Operating Outflows	(25,121)	(15,099)	(14,769)	(15,066)	(15,368)	(15,677)
Satellite Contribution	(248)	(3,061)	(3,060)	(3,121)	(3,184)	(3,247)
Net Interest Income	125	-	-	-	-	-
Net Operating Cash Flow (CFO)	**(3,224)**	**3,176**	**3,432**	**3,443**	**3,493**	**3,571**
Investment Cash Flows						
Purchase of Assets	(6,664)	(4,432)	(1,859)	(1,840)	(1,826)	(1,784)
Sale of Surplus Assets	-	738	-	-	-	-
Net Investment Cash Flow (CFI)	**(6,664)**	**(3,694)**	**(1,859)**	**(1,840)**	**(1,826)**	**(1,784)**
Financing Cash Flows						
Crown Debt	(15,948)	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Other Financing Cash Flows	30,762	(2,831)	-	-	-	-
Net Financing Cash Flow (CFF)	**14,814**	**(2,831)**	**-**	**-**	**-**	**-**
Net increase in cash held	**4,926**	**(3,349)**	**1,574**	**1,603**	**1,667**	**1,787**
Opening Cash Balance	868	5,794	2,445	4,019	5,622	7,289
Closing Cash Balance	**5,794**	**2,445**	**4,019**	**5,622**	**7,289**	**9,076**

WITT Cost of change / recapitalisation (FY25 - FY27)

Category	FY25	FY26	FY27	Total	2Av2	Variance
Critical Property capex	$3.6m	$2.4m	-	**$6.0m**	$2.1m	*$3.9m*
Critical IT capex	$0.2m	-	-	**$0.2m**	$0.2m	-
Redundancy costs	-	$2.8m	-	**$2.8m**	$2.5m	*$0.3m*
OWC (3mths FY26 opex - cash balance FY24)	$2.9m	N/A	N/A	**$2.9m**	$2.3m	*$0.6m*
Net loss in FY25*	$3.6m	N/A	N/A	**$3.6m**	-	*$3.6m*
Asset divestment	-	($0.7m)	-	**($0.7m)**	-	*($0.7m)*
Settlement of intercompany debt	$15.9m	-	-	**$15.9m**	$15.9m	-
Total Government injection	**$26.2m**	**$4.5m**	**$0.0m**	**$30.8m**	**$23.0m**	***$7.8m***

Loss after depreciation (as a proxy for BaU capex)

Approved

Performance metrics

KPIs

The table opposite summarises the KPIs provided by Te Pūkenga.

Te Pūkenga provided target KPIs for the following measures:

- Personnel to Revenue ratio <60%
- EBITDA margin 11%+
- Net operating surplus margin 2%+. We note this is calculated on the table opposite after the c$3.0m contribution for satellite services is deducted.
- Academic SSR 19:1

Following implementation of the satellite structure WITT achieve all these ratios, with the exception of the academic SSR which is slightly below the target.

			Step change in metrics following implementation of satellite structure in FY26				
	FY24F	Revised FY25B	FY26F	FY27F	FY28F	FY29F	FY30F
Personnel to Revenue ratio	70%	68%	43%	43%	43%	43%	43%
EBITDA margin	(8%)	(7%)	29%	31%	31%	31%	31%
Net operating Surplus margin	(27%)	(23%)	48%	51%	51%	51%	51%
Net surplus margin	(19%)	(16%)	5%	6%	6%	6%	7%
Academic SSR	15.65	18.79	18.92	18.80	18.82	18.84	18.87
Allied to Academic Staff ratio	1.02	1.13	0.63	0.66	0.66	0.66	0.66
Domestic EFTS	1,141	1,148	1,004	958	958	958	958
International EFTS	173	135	136	138	139	140	142
Total EFTS	1,314	1,283	1,141	1,096	1,097	1,099	1,100
Staff - Academic	84	68	60	58	58	58	58
Staff - Non Academic	86	77	38	38	38	38	38
Staff - Total FTE	170	146	99	97	97	97	97
Total Programmes Delivered*	140	104	81	79	79	79	79
Programmes Discontinued*	-	36	23	2	-	-	-

*includes 15 courses closed as part of WITT's change proposal

Te Pūkenga

Modelling risks / assumptions - forecast

WITT

FY25 Budget - assumptions and risks

Revenue	
Government funding	Revenue assumptions and allocation have been provided by Te Pūkenga. We are advised there are no material caps or constraints. Furthermore, revenue increases primarily resulting from the change from UFS to SAC.
Domestic Student Fees	6% Annual Maximum Fee Movement (AMFM) proposed by the Government in FY25 and 2% p.a. thereafter. The 6% increase may impact demand on domestic enrolments, however, it is too early to note any trends. We have reduced EFTS by 30% in courses impacted by WITT's change proposal.
International Student Fees	We have assumed a 10% fee increase on FY24F rates and the EFTS decrease in the indicative baseline, resulting in a reduction in international revenue compared to WITT's FY25B.
All other income	Assumes an increase in student services levies to match other BDs and reduced revenue from WBL per Te Pūkenga guidance. Other revenue includes the build and sale of three houses (built by students) in FY25B. There is some risk to the sale of houses occurring in the same year given FY24 house sales includes two houses from FY23. WITT current generates ~$1.2m of revenue from a roading delivery course provided offsite. If proposed changes to WBL provision are implemented, this would have a material negative impact on WITT's profitability.
Expenses	
Personnel Expenses	s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted] Salaries are forecast to increase per Te Pūkenga guidance of 4% in FY26 and 2% annually thereafter.
Teaching Delivery	Assumes a range of cost out measures are applied including in relation to teaching materials, the student cafe closure and changes to printing services. These savings appear reasonable.
Infrastructure	Cost savings were identified across facilities maintenance including changes to a commercial contract. Negotiations are underway and the contract is on a rolling basis. Savings from reduction in leased equipment for graduation ceremonies.
Administration	Includes facility, campus, print services, library and accessibility support. It is assumed that all other admin costs are incurred by the entity providing central functions going forward.

FY26 to FY30 - assumptions

Revenue	
EFTS	**Domestic EFTS:** 0% p.a. **International EFTS:** 1% growth p.a. as advised by Te Pūkenga.
Revenue Assumptions	**Government funding:** Adjusted proportionally for 2% growth on the Indicative Base FY25 forecast **All revenue (excl. Government funding):** Increasing at the rate of inflation (2% p.a.) **Interest on cash:** 0% p.a.
Expenses	
Expenditure	**All expenditure:** Increasing at the rate of inflation.
Personnel Expenses	Salary growth of 4% for FY26, then increasing at 2% per annum thereafter. We have assumed FTE growth of 0% per annum (in line with domestic EFTS growth).

Balance sheet assumptions

Trade & other receivables	Are modelled base on days sales outstanding (DSO) of 64 days.
Property Plant and Equipment	Increases by capex and decreases by depreciation
Liabilities	Payables, employee entitlements and revenue in advance are straight lined throughout the modelled periods.
Intercompany debt	Assumes the entire debt is written off at the start of FY25, with no further interest payable.

Approved

Financial management

Financial management and controls recommended

Proposed changes to WITT's operations are material. Once decisions have been made about which financial opportunities to implement, WITT should be empowered to deliver these provided the right processes are put in place to track and monitor progress. Clear roles, responsibilities and accountabilities should be defined at WITT and Te Pūkenga.

We summarise financial management practices and controls that should be implemented at WITT, noting that capabilities in programme delivery and change management are also considered important to achieve the desired financial outcomes.

Reporting and monitoring going forward

The following financial practices are required to support improved monitoring of financial performance at WITT. These behaviours should be embedded at all levels throughout the organisation with all budget holders accountable and actively monitoring and appropriately clear accountability put in place. Accountability of senior leadership at WITT and at the parent BD should be clearly defined.

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.	**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.
Reporting • **Financial reporting**: ensure that appropriate visibility of financial performance is provided to management to enable decision making and ongoing performance monitoring. • **KPI monitoring:** ensure regular monitoring of KPIs against budget to ensure that any deterioration can be quickly identified and responded to.	**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

WITT will have to deliver a number of activities to ensure that the benefits of the financial improvement initiatives implemented are achieved. This activity will require the support of a head or parent entity, or additional strategic financial management capability until such point that agreement on a potential head or parent entity is achieved. This is yet uncosted and it is expected WITT's contribution to a head or parent entity would help cover this.

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	• CEO of future head or parent entity to sponsor and drive change, Executive to be accountable for delivery. • Identify a change owner within WITT who can oversee the overall programme, and can support identifying the key owners of each initiative and holding them to account (and provide support / resources needed). • Define the role of Te Pūkenga and what it is responsible or accountable for, or needs to be consulted or informed about (RACI approach, where RACI stands for Responsible, Accountable, Consulted, and Informed).
Planning & Sequencing	• Develop and agree detailed plans including dependencies of initiatives and key milestones. • Understand any requirements or resources outside of WITT's control • Understand internal capacity or constraints on initiative delivery (including workforce changes, once confirmed) and reflect this into the sequencing.
Budgeting & Forecasting	• Agree initiative budgets and overall baseline financial improvement budget • Communicate to budget owners. • 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 baseline 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 and implement.
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.

3. Property

Te Pūkenga

Future state overview

1 **Main Campus, Bell Street, New Plymouth**

Owned | 18,769 sqm total GFA | c.1,000+ EFTS

The main campus provides facilities for administration and teaching. While the location is good, campus buildings are of mixed condition with some spaces not fit for purpose for future teaching, and mixed levels of utilisation.

2 **5 Cracroft Place, New Plymouth**

Owned | Residential type adapted to childcare | ~$750k value

The residential type property is converted to early childhood education and is currently leased to a third party for $23k p.a. WITT is actively marketing the property for sale.

3 **Hawera Campus, 13a Union Street, Hawera**

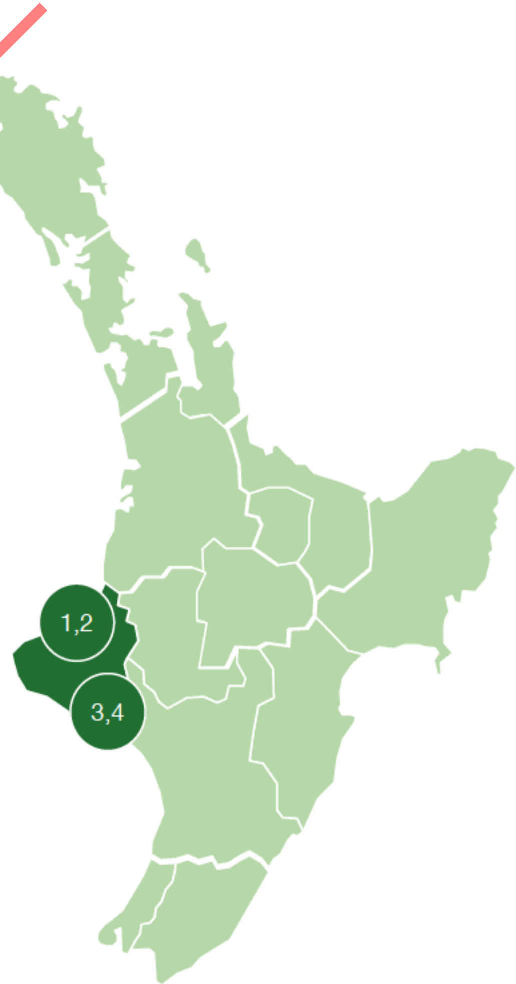
Leased | 77 sqm | s 9(2)(b)(ii)

Teaching in Hawera is reduced to one classroom.

4 **13 Camberwell Road, Hawera**

Leased | s 9(2)(b)(ii)

Build-a-bach delivery located on corner of playing field in a school. Only substantive property costs are the portacom rental.



Note that WITT also has use (through a gift from the owner) of Grassmere Farm for Agriculture delivery. There is no direct property cost relating to the farm, and as such it is not included throughout this report.

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Future state overview *continued*

WITT

Footprint

18,482 sqm GFA
Current total (usable GFA)

4,888 sqm GFA
Footprint reduction

13,594 sqm GFA
Future total (usable GFA)

Current	Future	Change
6,965 sqm GFA General teaching space	**6,357** sqm GFA	**-9%** Change
5,176 sqm GFA Specialist teaching space	**3,984** sqm GFA	**-23%** Change
3,472 sqm GFA Admin office space	**2,084** sqm GFA	**-40%** 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.

Cost

$6.0m
Investment in change (FY25-26)

$252k p.a. from 2026
Infrastructure avoided costs

$0.74m
Gross asset sales revenue

$1.9m p.a.
Current property infrastructure costs

$1.6m p.a.
Future property infrastructure costs

-14%
Change

s 9(2)(b)(ii), s 9(2)(j) [redacted]
Current third party lease revenue

s 9(2)(b)(ii), s 9(2)(j) [redacted] from 2026
Future third party lease revenue

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

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Key activities / opportunities

	New Plymouth	Hawera
Challenges	The New Plymouth campus has more space than is required, and various buildings with quality and deferred maintenance issues. This results in an overall excess of space, and varying quality of spaces between buildings. The campus shape (elongated) poses additional challenges, with the useful buildings located at each end, and potentially surplus space in the centre. This negates any significant opportunity to divest one end of the campus.	Profitability of provision in Hawera once all costs are factored in (including property).
Opportunities	The opportunities are to consolidate, mothball excess space to save operating costs and leverage opportunities to lease excess space where possible.	Opportunities are very limited in Hawera. Facilities are small, with no opportunity to downsize. Effectively, the opportunity in Hawera comes down to whether to remain or exit. Exiting Hawera is an organisational (community presence) decision and as such property will be assumed to be retained until any future decision to exit Hawera may be made.
Proposed changes	Consolidate into each end of the campus (Admin, A, B and F in the south, and trade blocks in the north). Mothball or lease space out not utilised. Complete improvement works across retained blocks. These changes are highlighted further on the next three pages.	The two small sites in Hawera remain and continue provision for now. As opportunities to exit these sites arise in future (in 2025 and 2026) the continued retention of these sites should be assessed.

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Activity description and cost of change

Overall, there is around $5.6m that needs to be invested within the next five years in order to support footprint consolidation and to be fit for the future.

New Plymouth Campus

Various capital improvements need to be made largely in the southern half of the campus in order to support consolidation, and subsequently enable the mothballing of the buildings in the centre of the campus. Blocks retained for teaching purposes include A, B, F, M, N, K, S, P and R (and T for student facilities in the northern end of campus).

Improvements and changes include:

- Upgrades to automatic doors and fire alarms in A & B Blocks
- Minor internal works in A & B Blocks to support optimum utilisation and consolidation out of other buildings
- Reroofing of F Block
- Extractor system and toilet block upgrades to K Block for compliance
- Removal of U Block with asbestos cladding
- Consolidation of third party lessees into C Block
- Mothballing of E, L and D blocks.

Some key infrastructure upgrades required for end of life assets have been deferred into years 6-10 pursuant to Te Pūkenga guidance to defer expenditure not immediately critical. An example of this deferred expenditure is the gas boiler providing hot water and heating to A & B Blocks as well as others. This deferred expenditure is expected to be around $6m and would likely be unaffordable for WITT to address in the medium term.

Investment required	Asset sales revenue	Infrastructure avoided costs
~$6m	~$740k	s 9(2)(b)(ii)

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

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

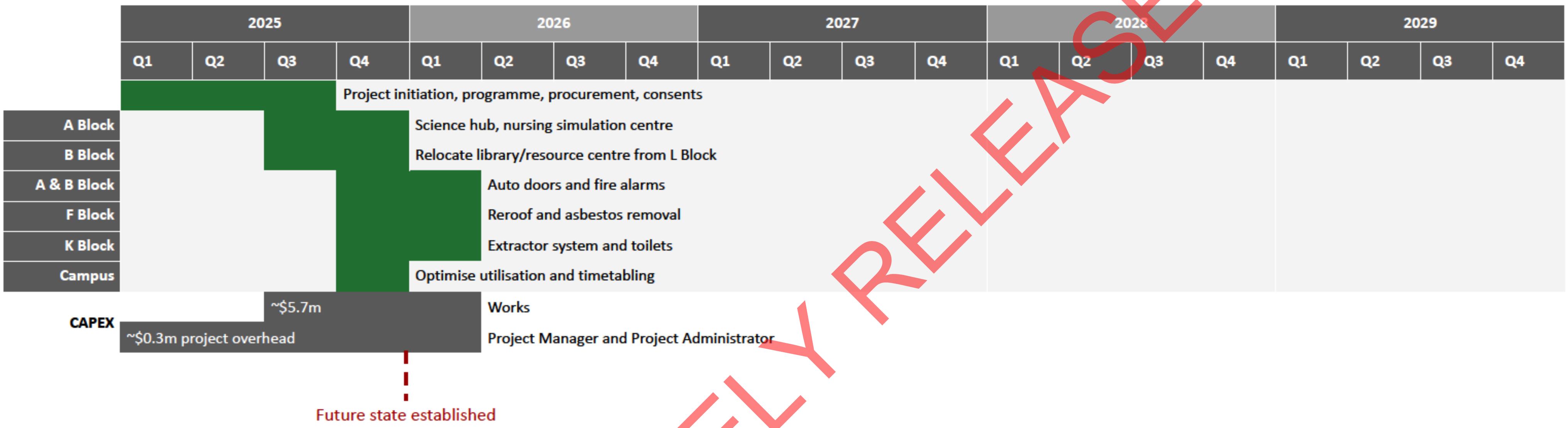
WITT also has use (through a gift from the owner) of Grassmere Farm for Agriculture delivery. There is no direct property cost relating to the farm, and as such it is not included throughout this report.

Hawera

There are two very small sites in Hawera, with no specific opportunities to downsize or substantively eliminate costs other than opting to exit the sites, and effectively cease operations in Hawera.

New Plymouth campus indicative programme

Change-related works will take place across 2025 and part of 2026, with the campus being re-optimised to future teaching by the end of 2025.



Next steps

- The key next step for WITT is ensuring the property change programme is initiated as soon as possible in 2025. Without a full five months of preparatory activity (including procurement, design, and consenting), the programme for delivering the works will likely be delayed.
- Initiate project activities, such as appointing a project manager and administrator, conducting campus master planning and timetabling/utilisation analysis, and managing procurement.
- Explore the potential to lease all or part of E Block s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)

Te Pūkenga

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New Plymouth Campus map

WITT will consolidate into the northern and southern ends of the campus, and mothball or lease out the buildings in the centre.

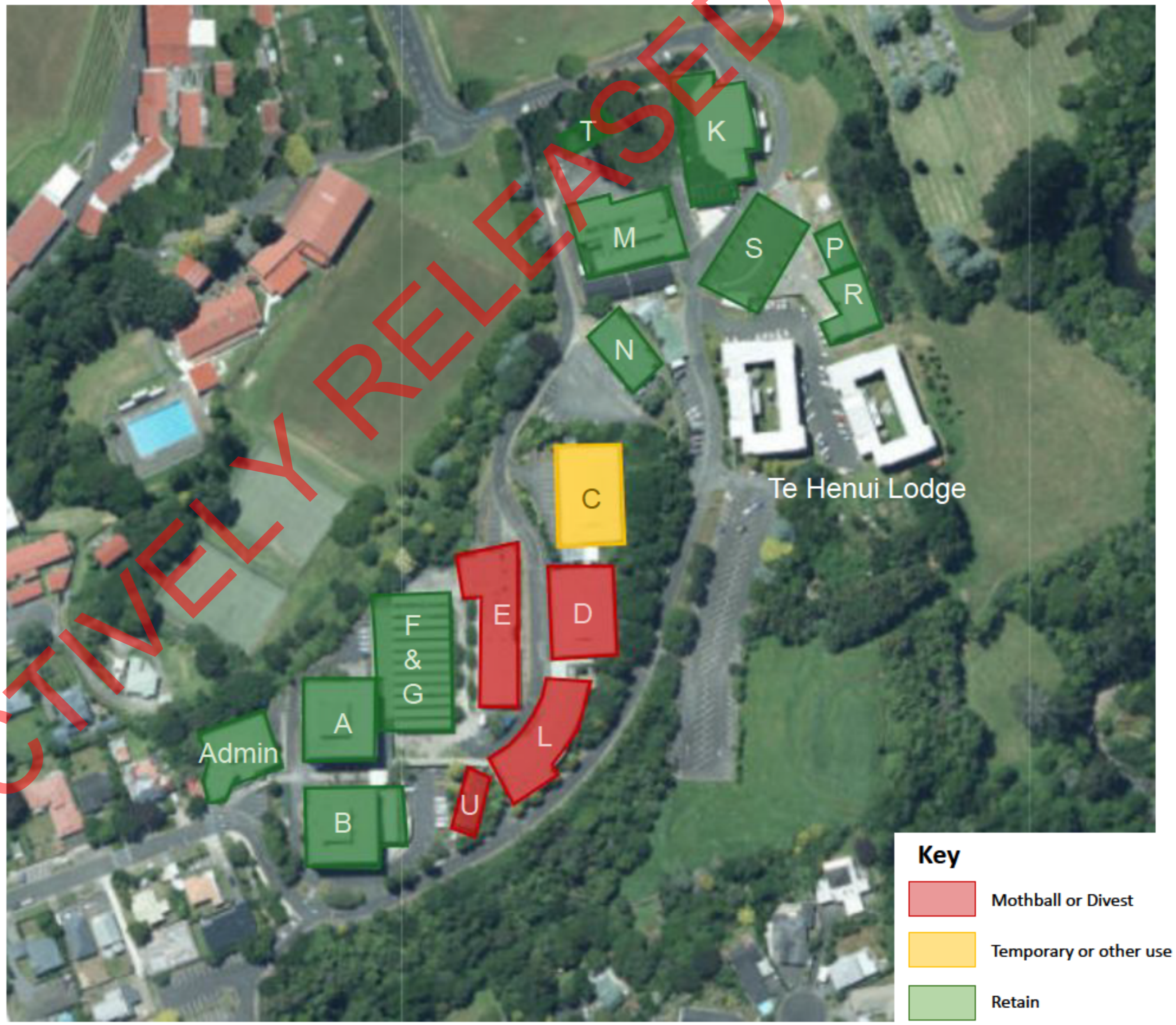
Improvement works will be completed to A, B, F and K Blocks.

U Block (subject to asbestos cladding and weathertightness issues) will be removed and the ground landscaped very simply (e.g. level and grass).

E, L and D Blocks will be mothballed. E Block can be reactivated s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted], and L Block can be reactivated should WITT grow in future and need more space. s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j) [redacted]

C Block will accommodate third party lessees, and some academic staff office space if required. If these parties opt to exit from the campus in future, C Block can be mothballed or reused if needed at that time.

Te Henui Lodge will continue to operate on its current ground lease terms. WITT benefits from this arrangement as the Lodge provides affordable student accommodation on a preferred access basis, when WITT has such students enrol. As the Lodge's ground lease nears its expiry WITT can assess if it wishes to sell the land. Given its position behind the campus and relatively small size, a feasibility and market study should be commissioned if a sale is sought in the future.



Te Pūkenga

4. Operating Model

Te Pūkenga

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Operating model considerations

WITT

WITT will be required to partner formally, perhaps through a merger, with a 'head' or 'parent' ITP to achieve viability

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

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. WITT will be required to undertake strategic operating model assessment work to understand how its strategy will inform future operations and the shape of its model (i.e. steps 1 and 2 opposite). However, for this work, our focus on business capabilities - critical functions such as finance, human resources, student support, teaching and learning, administration, and IT - has allowed us to understand what WITT needs to continue as a satellite (i.e. focusing on step 3 only at this stage). Our structural design approach presumes that capacity equates to capability. Further discussion on internal capability to manage significant changes at WITT is summarised on page 41. Where possible, we have minimised changes to the academic office (beyond those necessitated by potential programme closure). However, for WITT, operation as a satellite required us to design a fundamentally new operating model, which is required to leverage strategic and functional capabilities from another ITP.

On page 36, following an outline of our ITP operating model, we have stated how well the proposed structural design of WITT (included on pages 37-40) is likely to be able to deliver against each stated function. For WITT, a number of functions are excluded, and we have noted where this would need to be 'purchased' in to WITT in future.

It is important to recognise that the structures presented represent **a potential 2026 future state model** and that it will take some time to transition towards this, particularly given the need to support WITT's operating model through a partnership or merger with a 'head' or 'parent'. We acknowledge that our operating model approach has only been undertaken at the highest level, and has not been informed by the potential strategic intent of WITT in future, given discussion is underway about the potential strategic role of the ITP sector. Discussions on potential phasing for organisational change are included on page 48. Independent employment advice will need to be sought, along with considerable role mapping, union engagement, and design work, to progress towards any future state, and the future operating model of WITT will vastly differ from how it operates now. WITT's journey forward will involve **significant transformation in its operational strategy, necessitating both immediate and longer-term adjustments.** Future effort will be essential to refine WITT's operating model and organisational structure, so that it can achieve not just financial viability, but financial sustainability as part of the wider operations of another ITP, or group of ITPs. Adoption of changes considered during Phases 2A /2B, whether partially or fully, will necessitate a paradigm shift in WITT's operations. We do not provide a perspective on the achievability of this, but note that it would be a challenge for any organisation to successfully transition through the scale of change possible. We also note the recent work at WITT to right-size its operating model, and that further change may result in increased uncertainty within the organisation.

As noted, **the proposed structural design in the 'People and workforce' section of this document are a future minimum viable product.** It is presented as only one potential structure; noting that detailed organisational design work (including job mapping, union process requirements, impact analysis and consultation) would be required before any decision on a future structure is determined. We provide guidance on what a potential organisational change process could look like on page 44.

Strategy	1
Delivery model	2
Functional capabilities	3
Functional enablers	4
Legislative and corporate structure	5

Operating model considerations

WITT

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

Strategy (1)

- Agenda
- Strategic foundation
- Differentiators and/or competitive advantage
- Community role
- Governance

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

Delivery model (2)

- Target learner market
- Strategic partnerships
- Staffing profile
- Mix of provision
- Delivery mode
- International vs domestic role and delivery
- Footprint

Many functions will not be delivered by WITT but will be outsourced to the parent organisation. For more details, refer to next page.

The baseline functional capabilities required for a standalone ITP. ***We note that WITT will not be equipped to deliver all of these functions in future; and currently outsources some.***

Functional capabilities (3)

- Finance
- Procurement
- Legal
- Facilities management
- Student support
- Student administration inc. enrolments/registry
- Academic quality
- Curriculum/course design
- People & HR inc. payroll
- International education
- Strategy
- Equity/Māori and Pasifika support
- Library
- Print/Reprographic
- Administrative support
- Teaching and learning
- Research
- IT
- Faculty support
- Information and business analysis
- Community engagement
- Marketing and communications

The enabling factors that will support effective operations and delivery.

Functional enablers (4)

- Technology
- Processes and policies
- Workforce
- Infrastructure (property and IT)
- Organisational Structure
- Roles and accountabilities
- Information and data
- Governance

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

Legislative and corporate structure (5)

- Legal and regulatory structure/s
- Capital structure
- Cash, banking, tax and treasury structure

Functional capability assessment (1/4)

Function	Included elements	In structure?	Outsourced to parent?	Notes
Finance	Includes strategic finance and accounts management functionality		✔	*It is expected that WITT would outsource these functions to an ITP parent.*
Procurement*	Contract assessment, contract review		✔	
Legal*	Legal advice, legal review		✔	
Facilities management*	Facilities management, facilities operations, maintenance, security	✔ limited presence	✔	*A single Facilities Advisor is represented in the structure, and would be expected to interact closely with the Facilities/Property Lead of an ITP parent. Strategic property asset and facilities management would be delivered through the ITP parent.*
Student support	Māori/Pasifika student support, student health, careers advice, student engagement, mentoring, learning support	✔ limited presence	✔	*A small number of learner support, engagement and advisory support positions are retained 'on the ground' at WITT, including a Counsellor. Additional support is expected to be delivered through the ITP parent.*
Student administration	Enrolment administration functions, enrolment data management, enrolment advice	✔ limited presence	✔	*A small number of student administration positions are retained 'on the ground' at WITT. Additional support is expected to be delivered through the ITP parent.*
Academic quality	Includes quality assurance, academic data management		✔	*It is expected that WITT would outsource these functions to an ITP parent.*
Curriculum/course design*	Includes instructional design, course design		✔	

** 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.*

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Functional capability assessment (2/4)

Function	Included elements	In structure?	Outsourced to parent?	Notes
People & HR inc. payroll*	Payroll, recruitment, employment relations, functional HR, health and safety	✔ limited presence	✔	*Single HR Advisor/Payroll Advisor retained, all strategic functions to be outsourced to an ITP parent.*
International education	International education advisors, international education strategy and recruitment		✔	*No specific roles within the structure related to international support, but student administration and support roles are not isolated only to domestic learners. Any marketing function would be outsourced to an ITP parent.*
Strategy	Strategic development, planning and reporting		✔	*It is expected that WITT would outsource strategic support to an ITP parent, acknowledging that the Campus Manager would play a key role in ensuring that the needs/demands of the local community form part of strategic development, supported by the Community Engagement Lead.*
Equity/Māori and Pasifika support	Student support tailored to Māori and Pasifika, Māori and Pasifika strategy	✔ limited presence	✔	*While specific Māori and Pasifika Advisor roles have not been isolated in the Student Success teams, there is the ability for any number of these to be focused on Māori and Pasifika. More specialist support may be outsourced, acknowledging the challenge with a desire to offer this service kanohi ki te kanohi.*
Library	Library staffing	✔ limited presence	✔	*Single staff member retained on-site, it is expected that WITT would outsource other library services to an ITP parent.*
Print/Reprographic*			✔	*It is expected that WITT would outsource print to an ITP parent or to a local provider, depending on economic efficiencies.*
Administrative support	Non-academic support roles	✔		*The small back office structure of WITT has seen a significant reduction in Administrative roles to ensure priority is placed on Faculty support and Academic delivery.*
Teaching and learning	All academic roles	✔		*Except to reduce overall numbers in accordance with potential programme closures, we have not reduced academic roles.*

** 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.*

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Functional capability assessment (3/4)

Function	Included elements	In structure?	Outsourced to parent?	Notes
Research	Research roles		✔	*It is expected that WITT would outsource research to an ITP parent, where it is a not a component of existing academic roles.*
IT*	Helpdesk, technology function and support, technology maintenance	✔ limited presence	✔	*One on-site individual retained for support. All other support would be expected to be facilitated through an ITP Parent.*
Faculty support	Academic (faculty) and non-academic support roles	✔ limited presence	✔	*We have reduced back office support roles in accordance with programme closures. It is likely that remote support may also be able to be offered via an ITP parent.*
Information and business analysis	Planning, reporting, business analysis, KPI tracking, Government reporting and monitoring, Investment Plan development		✔	*It is expected that WITT would outsource this function to an ITP parent.*
Community engagement	Engagement with employers to support job brokering, connections with schooling system, connection to iwi/hapu and Pasifika communities	✔		*Single Community Engagement Lead retained in a Strategic role.*
Marketing and communications*	Marketing, international marketing, social media, communications (internal and external		✔	*It is expected that WITT would outsource this function to an ITP parent.*
Governance**	Council, audit and risk committee and other boards (see **Appendix 4**)		✔	*It is expected that WITT would outsource this function to an ITP parent.*

** 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.*

*** Governance is technically within the strategic layer of the operating model, but there are core business functions that may be required to enable it.*

Approved

Functional capability assessment (4/4)

A summary of capability by FTE count

For each functional capability area, we have shown the indicative FTE headcount currently within WITT's operating model and the potential FTE under a revised satellite model. Detailed organisational design decisions will determine possible future FTE headcount levels. Note that this table does not tally with the existing FTE structure, as there are some FTE that are currently employed that do not align to core business functionalities (such as a cafe). 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 0.5 FTE and 1 FTE for casual and fixed-term roles within FTE information in payroll data.

Function	Current FTE within WITT BD	Potential future FTE level
Finance	3 FTE	0 FTE
Procurement	0 FTE	0 FTE
Legal	0 FTE	0 FTE
Facilities (strategic and management)	2 FTE	1 FTE
Student support	23.9 FTE	12 FTE
Student administration	4 FTE	2 FTE
Academic quality	Incorporated into Academic Director	Incorporated into Academic Director
Curriculum/course design	0 FTE	0 FTE
People & HR inc. payroll	1.8 FTE	0.8 FTE
International education	No explicit role, likely split across roles	No explicit role, likely split across roles
Strategy	Likely to be incorporated into executive roles, no explicit strategy roles	To be incorporated into Campus Manager role (1 FTE) but broadly delivered by the head/parent ITP
Equity/Māori and Pasifika support	Included in student support	Included in student support

Function	Current FTE within WITT BD	Potential future FTE level
Library	4.12 FTE	1 FTE
Print/Reprographic	1 FTE	0 FTE
Administrative support	~3.8 FTE*	3 FTE
Teaching and learning	~87.4 FTE	58.7 FTE
Research	Incorporated into academic roles	Incorporated into academic roles
IT	7 FTE	1 FTE
Faculty support	~18.8 FTE**	11.5 FTE
Information and business analysis	2 FTE	0 FTE
Community engagement	No explicit role, likely split across roles	1 FTE
Marketing and communications	3.5 FTE	0 FTE
Governance	Te Pūkenga hosted overall Governance functions	To be hosted at head/parent ITP

** Includes Timetabling and Bookings Coordinator, Support Administrator, Project Coordinator and Administrator, Administrator, Business Support Administrator, Registry Coordinator and in future state Operations Lead*
*** Includes Head of School, Deputy Director, Technician, Faculty Coordinator, Faculty Administrator roles*

Strategic capabilities within WITT

Capability assessment in a readiness construct

Our Phase 1 report provided a brief change readiness assessment for WITT. 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 BDs during this review and that this assessment should serve as a foundation for further discussion and validation regarding readiness between Te Pūkenga and the WITT BD. 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.

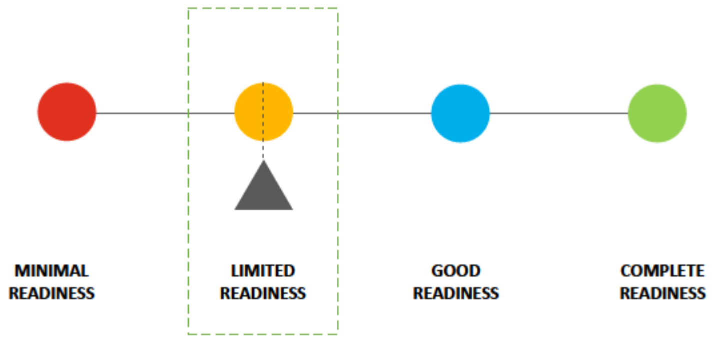
The rating provided offers a comprehensive overview of both acceptance and preparedness. Please note that this assessment does not take into consideration any readiness related to core systems; basic information on core systems were included in Phase 2A reports as provided by Te Pūkenga, and information on funding to achieve core system functionality has been incorporated into this report.

Summary of assessment

- WITT's team engaged willingly through this process and provided supporting information in a timely manner.
- In parallel to our early engagement, WITT undertook a programme rationalisation exercise and undertook an extensive review to identify potential cost savings resulting in a change proposal. As far as we are aware these changes are all being implemented before the end of FY24. This demonstrates an openness to change and desire to see WITT return to financial viability.
- The extent of change proposed (moving to a satellite structure) will no doubt come as a surprise to WITT. Albeit, management has consistently voiced a desire for greater shared resources and capability.
- Historically, WITT's management and budget holders have not been financially focused (budgeting, monitoring, decision-making). This will need to change to support the change process and sustain benefits over the long term.
- A culture change towards disciplined budgeting and programme viability is required; this process has begun but will take time to develop, and in the future state may have to be led by the 'head' or 'parent' ITP.
- There are evident gaps in the leadership team's financial capability; a strong CEO or CFO within a 'head' or 'parent' ITP with a strong financial focus is critical to future success.
- WITT will require significant change support to adopt to the new model discussed in this report. This is not necessarily due to any organisational limitation, but a recognition that the sheer scope and scale of change would be substantial for any organisation, and that WITT currently does not have specific transformational change capability within its BD. Noting some of the change will need to be driven by Te Pūkenga and / or the parent BD.

Overall rating

Limited readiness



We maintain our earlier assessment; that WITT will require significant support, particularly transformational change, to evolve. It will be highly dependent on a capable ITP supporting it in future as a 'head' or 'parent'.

5. People and workforce

Te Pūkenga

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Introduction to potential structure

WITT's organisational structure in light of operating under another ITP

WITT does not have the breadth and depth of EFTS delivery to operate as a standalone viable entity. In order to continue to deliver provision within the Taranaki region, it requires a streamlined back-office structure that will broadly leverage the back office functionalities and strategic support of another ITP. We have not determined which entity could provide this support, but acknowledge that a partnership through merger should not necessarily be predicated by regional location. We do note, however, that the structure presented on the following pages could align with the structures developed for UCOL and W&W, should they be assessed as the most logical 'parent' for WITT.

The structure provided on the following pages represents a potential structure for WITT, based on our analysis to date, which could be operational from 2026. We acknowledge that there has been minimal discussion with WITT over structural design, and it therefore represents an independent view developed with a focus on financial viability, (but as we note on page 5, not financial sustainability). 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 for the FY26 year; given there will be a need to identify a potential host for WITT, we estimate that no structural change can be implemented until FY26. We have costed a small number of additional FTE (1.7 FTE) which will be retained for teach out in 2026; these are shown on a separate box on the structure chart.

We acknowledge that further workforce analysis and preliminary mapping has allowed us to refine our reduction in Academic compared to Non-Academic staff, this has been undertaken in accordance with role-type classification and has resulted in higher potential reductions in Non-Academic staff, and a lower reduction in Academic staff. This also builds on the WITT change proposal, given this had a higher level of proposed changes to Academic roles.

The structure included in this section is presented as only one potential structure; noting that detailed organisational design work (including job mapping, union process requirements, impact analysis and consultation) would be required before any decision on a future structure is determined. Information on the potential process to achieve this is noted on page 48. Where possible, we have shifted all non-academic delivery from the academic office to the the non-academic classification to achieve our final FTE numbers. This reduces the 'non academic to academic' ratio (1.5:1), but presents a fairer representation of teaching vs non teaching roles. As a consistent taxonomy of academic roles within the former ITP sector does not appear to exist and classification differs across BDs, we have used a derived version of university academic and non-academic roles to identity which role sits where. However, we note there may be errors or inconsistencies in this approach.

Please see page 51 for further assumptions on this structure, and risks identified. Our structure assumes the full realisation of WITT's current proposal for change and FTE reduction. We acknowledge there is not a exact correlation between teaching FTE and structural FTE; our structure has tried to take this into account.

The management layer structure (Tiers 1 and 2) for WITT can also be seen on the following pages. Note that it is expected that the Campus Manager would report to the CEO of the 'parent' ITP which WITT is nested under. All roles listed on the next page sit in the *non-academic* office, but we acknowledge that the Academic Director role is a 'faculty' support role.

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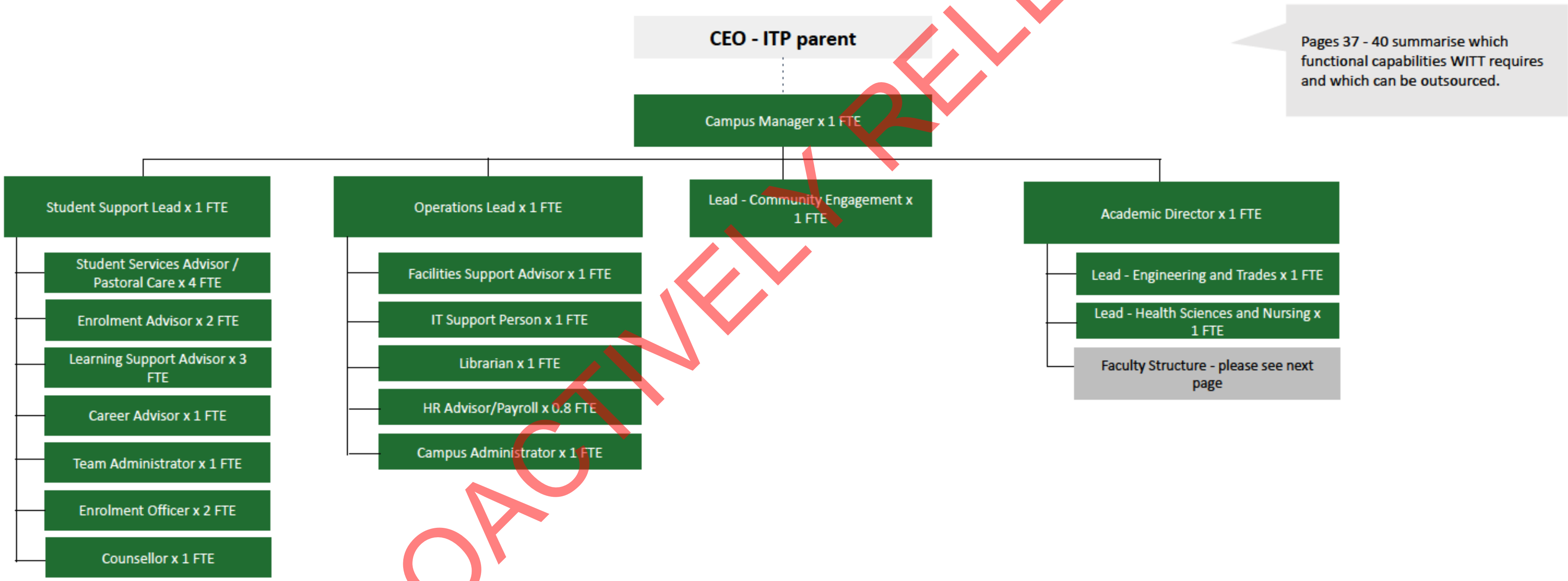
Potential organisational structure - 2026

2026 WITT organisational structure

This is a minimal 'back office' operating structure for WITT focused on the core services that may be required 'on the ground' to support educational delivery, and students. This approach is proposed on the basis that the functional capabilities not featured in this structure could be provided by an ITP parent. The faculty structure of WITT is summarised on the following page. It is anticipated that two Lead roles and the Academic Director role would report on strategic matters to the Director equivalent in the ITP Parent, but have a day to day working and operational relationship with the Campus Manager. The Campus Manager would strategically manage the Lead - Community Engagement, given it is a locally focused role focused on ensuring WITT remains connected to local business, industry, schools and iwi/hapu.



Please see the following page for more detail on the ***Faculty*** *structure.*

Key

Role is Non-academic

Role is Academic

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Potential faculty structure - 2026

- Lead - Engineering and Trades x 1 FTE
  - Director*** x 1 FTE
    - ASM Pest Control x 1 FTE
    - ASM Conservation x 1 FTE
    - ASM Painting x 1 FTE
    - ASM Construction Management x 3 FTE
    - ASM Automotive x 4 FTE
    - ASM Electrical x 2 FTE
    - ASM Horticulture x 1 FTE
    - ASM Engineering x 9 FTE
    - ASM Plumbing/Gas x 1 FTE
    - ASM Agriculture x 1 FTE
    - ASM Scaffolding x 1 FTE
  - Technician - School Trades Training x 1 FTE
  - Short Course/Programme Manager x 1 FTE
  - Secondary Tertiary Pathways Coordinator x 1 FTE
  - Business Support Administrator x 1 FTE**
- Lead - Health Sciences and Nursing / Business Creative x 1 FTE
  - Director*** x 1 FTE
    - P/T Tutor Nursing Clinicals x 1.5*
    - AMS Nursing x 13 FTE
    - Principal Academic Staff Member Nursing x 1 FTE
    - ASM Health and Fitness x 1 FTE
    - ASM Health and Wellbeing x 1 FTE
  - Clinical Placement Coordinator 1 FTE
  - Simulation Assistant/Coordinator 1.5 FTE
  - Coordinator Bachelor of Nursing/Administrator x 1 FTE
  - Director*** x 1 FTE
    - Snr ASM/ASM Hair and Beauty x 6 FTE
    - AMS Bachelor Applied Management/Business x 1.5 FTE
    - AMS Māori Enterprise x 2 FTE
    - ASM English x 1 FTE
    - ASM Creative x 2.5
    - ASM Foundation x 3 FTE
    - ASM Business and Computing x 1.7 FTE
  - Administrator x 1 FTE
  - Assistant - Foundation x 1 FTE

Key

- Role is Non-academic
- Role is Academic
- Deferred redundancy teach-out role

2026 WITT faculty structure

The potential faculty structure summarised opposite has been developed based on potential programme closures, acknowledging that closure based solely on programme data does not necessarily represent the 'non-teaching' time built into roles. Therefore, these potential FTE cuts do not align exactly with the FTE number isolated from programme closure information, but are informed by that data.

We have maintained faculty structures for Business / Computing / Creative and Health Sciences, but nested these under two Directors and one Lead.

We acknowledge that the faculty:academic ratio at WITT is high. This is because there is a core minimum of faculty support required to operate, even as a satellite structure. We have tried to accommodate appropriate faculty role closures, but have maintained a level of FTE that appears plausible to support those leading educational delivery. The ratio of faculty staff to academic staff is 1:0.26 (i.e one faculty staff member for 3.85 academic staff members), but we note this is a liberal classification that includes Leads, the Academic Director, Deputy Directors, and all dark green administration roles identified at left.

The total FTE count for faculty staff is 15.48 compared to a back office of 38.28 FTE in total, and an academic office of 58.7 FTE.

* Five staff are listed as casual for 2.5 FTE, but 1 FTE is listed as finishing in December 2024, and have therefore been excluded from this headcount above.
** Fixed term until July 2025, costed into FY26 structure as anticipated that a permanent Administrator will be hired.
*** Currently called Deputy Director, further analysis required by WITT to determine if role change will constitute a major change or not.

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Structure costings - 2026

WITT

Cost of the potential new WITT structure

During Phase 2B, we have undertaken preliminary role mapping to better understand cost implications which has resulted in additional cost being brought into the WITT structure. s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted]

The role mapping to cost this structure is assumption based and further work is required by WITT 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 could 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.

Salary adjustments could be considered through design. s 9(2)(a), s 9(2)(b)(ii) [redacted]

The costing information listed opposite is based on total fixed remuneration, excluding Kiwisaver, allowances and leave, but includes a 4% salary increase in future structure costs. When working out our overall 'savings' earlier in this pack, this has considered other elements of people indirect and direct expenses.

We also acknowledge that 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 a 'similar' position exists in any new structure. Again, this will require union discussion, and we understand s 9(2)(h) [redacted] We have not had access to job descriptions during this process, nor have we sought to design new roles for any potential structure, but have issued job titles that broadly allude to role responsibilities.

As we do not expect WITT to have its own Governance structure, we have not included Governance costings. More information on the potential Governance structure required by ITPs (based on historical requirements) are outlined in **Appendix Four**.

Summary - WITT workforce costs	
Total FTE reduction back office compared to Budget FY25B	38.92
Total FTE reduction academic compared to Budget FY25B	10.9
Total FTE reduction compared to Budget FY25B	49.82
New structure back office size	**38.28**
New structure academic office size	**58.7**
Total new FTE size	**96.98**
Cost of new Academic Office	$4,823,406.90
Cost of new Non-Academic Office	$3,543,026.16
Total cost for remuneration	**$8,366,433.06**
Inclusive of 4% salary increase	*$8,701,090.38*
Total potential cost of change including 50% contingency*	$2,830,673.36
Additional teach out costs FY26	$171,992
Inclusive of 4% salary increase	*$178,871*

A 50% contingency has been added to redundancy payments to help mitigate the impact of unassessed major change, given detailed role mapping has not occured.

Fixed term and casual staff have **not** been removed from redundancy costings, WITT will be required to undertake analysis as to the actual number of staff who may be expected to receive a redundancy payment. It is expected this number may decrease significantly once role mapping has taken place, resulting in potential upside.

Redundancy costs have been based on an average salary equalised across all staff ($85,000), with an average tenure of 4.59 years for Academic staff, 7.32 years for non-academic staff, and assuming four weeks annual leave.

Please see page 48 for more information on these costings.

Phased changes over time

Further FTE changes will be staged over consecutive years

It is anticipated that the staffing profile described on the previous few pages will be realised by the start of FY26. This is because considerable preparation work will be required by WITT in 2025 to identify a 'host' or parent ITP; this will need to take place before confirmation of any satellite structure can be formed. The following pages present a potential timeline of how change may be phased at WITT. It is therefore anticipated that, should any organisational change occur, this would occur in the second half of calendar year 2025, with implementation (at the earliest) in FY26. Any redundancies required for FY26 teach out would be deferred redundancies, the value of the salaries are noted under under additional teach out costs FY26 on the previous page, but a small portion of redundancy payments would not be paid until FY26.

Below, we have estimated how the minimal level of FTE teach out movement may occur, acknowledging that changes will be broadly determined by programme closure sequencing. In addition, WITT will likely make decisions related to employment in the course of its normal business operations, through standard annual programme and course review.

	Now	FY25	FY26	FY27
Structure size	Total budgeted structure size* - 146.8 FTE total 69.6 academic 77.2 non-academic $14.8M total budgeted cost		Total potential structure size - 98.68 FTE total 60.4 academic 38.28 non-academic $8.7m total budgeted cost + $179k of teach out cost + 310k of indirect/other direct employee expenses (totalling $9.2m)	Total potential structure size - 96.98 FTE total 58.7 academic 38.28 non-academic $8.9m total budgeted cost + 310k of indirect/other direct employee expenses (totalling $9.2m)
Potential phased reductions		Potential organisational change in FY25, for implementation in FY26. Teach out (9.7 FTE) is therefore included in current budget.	Potential for up to an additional 1.7 Academic FTE to be reduced.	Further reductions as per normal business operations.
Total cost of structure after change	$14.8M budgeted cost for personnel		$8.7M	
Notes	This budgeted FTE, provided by WITT, assumes the full realisation of WITT's current proposal for change as a starting point.	s 9(2)(b)(ii) [redacted]	s 9(2)(b)(ii) [redacted]	

Te Pūkenga

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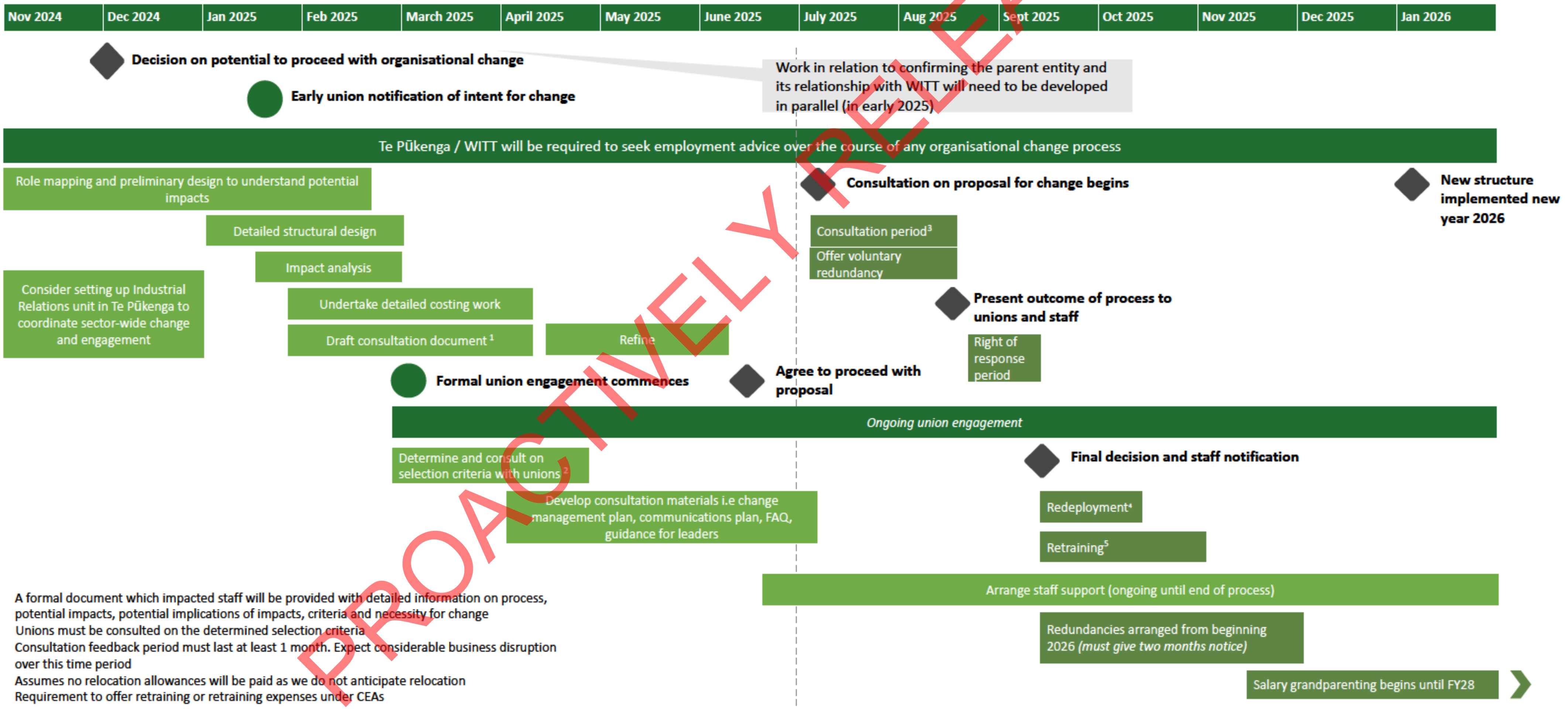
Potential pathway for organisational change

WITT

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 an organisational change process. This is predicated on Te Pukenga determining a new 'parent' or 'head' ITP for WITT to partner with during the same time period as WITT is preparing for consultation, and ideally agreement being reached on this by April-May 2025. Any delay in this timeframe is likely to have a significant impact for the progression of any organisational change process at WITT. Please see **Appendix Seven** for more information on potential CEA clauses that Te Pūkenga/WITT may need to consider.



1 A formal document which impacted staff will be provided with detailed information on process, potential impacts, potential implications of impacts, criteria and necessity for change
2 Unions must be consulted on the determined selection criteria
3 Consultation feedback period must last at least 1 month. Expect considerable business disruption over this time period
4 Assumes no relocation allowances will be paid as we do not anticipate relocation
5 Requirement to offer retraining or retraining expenses under CEAs

KEY: Major milestone | Pre-consultation activities | Post-consultation activities | Union engagement

Te Pūkenga

6. Risks, assumptions and sensitivities

Te Pūkenga

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Risks / assumptions - financial

WITT

Assumptions and risks/issues identified

General

- WITT's obligations in relation to te tiriti o Waitangi have not been taken into account. Potential changes to programmes that support cultural uplift may have ramifications under te tiriti, and will need to be explored in detail with iwi, hapu and whānau.
- We have not completed any engagement with stakeholders (outside of WITT leadership) to understand community needs, and to test potential models, the appropriateness, and the suitability/alignment to community/regional needs.
- Due to limited timeframes to complete financial analysis we are unable to assess the impacts of a satellite campus on the entity that will be delivering the central functions, noting there may be potential for other satellite campus' to also adopt a similar scenario.
- The Minister's consultation process on the future of the ITP sector 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 WITT).
- Workforce and structural organisational change risks are outlined on page 49.

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.
- We recognise that removing specific courses or qualifications could have adverse societal and educational impacts; each decision will need to consider wider impacts.
- We have not considered opportunities created through a change to delivery mode.

Property

- If sufficient funding is unavailable to ITP's to carry out capital works and ongoing maintenance then property assets will continue to be run-to-failure, impacting ongoing feasibility.
- Some capital works costs have been professionally estimated, while others have not yet been scoped and costed and provisional estimates have been utilised. A full capital works programme needs to be developed, phased and costed including verifying estimates used.
- WITT has no substantive opportunity to release capital from its property assets. No practical divestment opportunity of campus land has been identified; the portion proposed to be mothballed is in the centre of the campus thereby negating an opportunity to sell, and the remaining portion not utilised (or needed) by WITT is subject to a ground lease so needs to be reassessed in the future once the lease is closer to expiry. In any case, the current land value is low (likely due to location, size, shape and contour) and sale of a portion would not be expected to generate much revenue.

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Risks / assumptions - workforce

WITT

Assumptions - workforce and structural organisational change

- This work therefore does not constitute employment advice; no assessment on its achievability within employment legislation or employment agreements is provided.
- Potential FTE reductions are based solely on financial viability and have not been tested with WITT. 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 that WITT would operate as a satellite of another organisation, and would effectively be 'merged' into that organisation. WITT's FTE reductions therefore only account for what bare minimum FTE may be critical 'on the ground' at the campus.
- We have reclassified some support staff to the back office; this may impact on comparisons to current state data.
- FTE reductions are exploratory; they do not present any definitive recommendation for restructure or follow a standard, complete organisational design process. Full role analysis was not conducted to understand how roles may map into a potential new structure, but we undertook some preliminary mapping, which allowed us to refine workforce cost based on individuals that may be able to transfer.
- Current state workforce costs are based on July 2024 payroll data apportioned to FY25B FTE numbers. Where permanent or fixed-term staff were missing FTE data, we assumed 1 FTE to support overall payroll cost (but have not added additional FTE). Casual staff without FTE information were calculated at 0.25 FTE using payroll salary information to understand current potential payroll costs. Changes to payroll data since July, and/or any vacancies that occurred then or following, have not been considered.
- We have used average WITT back office and academic remuneration to identify potential redundancy costs (average tenure, salary, and a four week annual leave liability). Costing assumes all FTE as permanent roles, but for those that are casuals, may under or overestimate actual payroll cost. Our payroll data did not match the budget information provided by WITT.
- We assume WITT will consider casual and fixed-term staff first in the case of potential organisational restructure. However, we have included redundancy costings for the full FTE value of the potential reduction; role mapping will reduce any actual redundancy payable.
- Potential training and relocation costs were not included in analysis.
- Individual redundancy costs may vary by role, tenure, contract terms, and annual leave balance. A standard redundancy approach using CEA clauses was applied for all potential FTE reductions, we have excluded fixed term and casual staff from redundancy calculations.
- 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').

Risks/issues identified

- We have assumed the full impact of WITT's change proposal will be realised.
- We used a pragmatic approach to identify potential remuneration and redundancy costings, but this work is preliminary, indicative, and subject to change.
- Grandparenting existing staff may reduce immediate redundancy costs but maintain future redundancy liabilities.
- 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. This is particularly pertinent for WITT, given the analysis in this report assumes it will be operating as a satellite and there will be extensive consolidation of its footprint and course offerings; FTE reduction has not sought to retain key strategic capabilities.
- The WITT data set received from Te Pūkenga is incomplete, which may cause inaccuracies in our analysis, such as skewed average salary calculations. Further work is required clarify cost implications. In addition, vacancies were not included in our data set. We are not aware of the scale of potential current vacancies.
- 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.
- We have removed all contracting from workforce costs going forward, and note that the zero value of holiday and sick pay has been carried forward. This may need revisiting. It will appear that, on an FTE basis, the value of workforce reduction is overstated, this is because it represents other workforce costs (i.e indirect/other direct employee expenses/contract personnel)
- Double hatting (i.e., people working across multiple roles) may be common at WITT. 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.
- Redundancy has been calculated on a per FTE basis, not a headcount basis, assuming 1 FTE per position. Redundancy calculations may change based on actual headcount change.
- We have calculated redundancy costs as if all staff are six months into their year of work. The actual date of any change will impact on overall costs. WITT may be more likely to restructure later in year, impacting on cost. An average salary of $85,000 was used for redundancy costing.
- WITT appears to have higher average workforce costs. There may be the opportunity to undertake benchmarking and appropriately re-grade or review some role salaries through the new structure.
- Current state costs used payroll data and potential roles that would transition to the new structure, which included the aforementioned assumptions around casual/fixed term staff without FTE information.
- Potential significant costs (including tax) related to redundancy payments (and/or any other type of payment payable to staff) have not been fully explored.

Te Pūkenga

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Risks / assumptions - property

Assumptions	Risks/issues identified
• 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. • 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. • Assumptions used in modelling include: ○ Market rent of $175psm in New Plymouth Campus and $235psm in Hawera ○ Discount rate (nominal) of 10% (real NZ Treasury discount rate of 8% plus 2% inflation) ○ 2% annual inflation ○ 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) ○ 4% (of current asset value, WITT Fixed Asset Register) annual capex maintenance ○ 10sqm per EFTS for space utilisation planning ○ $6m estimated cost of boiler replacement works and related costs (deferred to 2030-2025 period), source: Beca.	• Only immediately critical capital works required to continue delivery or enable consolidation have been included. We note there will still be further significant capital improvements of around $6m likely needing to be rectified over the medium term which is being deferred beyond year five as it is required but not considered immediately critical. • 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. WITT (and potentially any partner under the satellite scenario) does not have the capability to do this themselves. • 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 a full five months of preparatory activity (including procurement, design and consenting), the programme for delivering the works will likely be delayed. • WITT has no substantive opportunity to release capital from its property assets. No practical divestment opportunity of campus land has been identified; the portion proposed to be mothballed is in the centre of the campus thereby negating an opportunity to sell, and the remaining portion not utilised (or needed) by WITT is subject to a ground lease so needs to be reassessed in the future once the lease is closer to expiry. In any case, the current land value is low (likely due to location, size, shape and contour) and sale of a portion would not be expected to generate material revenue.

Te Pūkenga

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Sensitivity analysis

Scenarios and financial implications

Overview of scenarios

The transition to a satellite state is the single largest initiative being considered for WITT. We have considered two sensitivities to gauge the potential impact on WITT's profitability over time as well as any implications on the initial capital requirement.

The following high-level sensitivities were run:

- **Deferred satellite 'go live'** - associated staff and overhead cost savings do not occur until FY27. Noting satellite contributions would not start until FY27 either.

  Performance returns in line with base case expectations from FY27 onwards, however, the ~$7.5m savings from FY26 are not recovered. In addition, FY26 net loss ($3.4m) is added to the initial capital requirement.

- **Partial satellite** - this scenario assumes that only half of the satellite cost savings are realised from FY26 onwards.

  This results in reduced profitability on an annual basis of ~$3m (cumulative ~$15m EBITDA reduction vs the base case) and much lower level of potential satellite contribution (noting less services would be required by the parent). Under this scenario, it would be more challenging for WITT to remain financially viable on an ongoing basis.

Capital requirement implication

Category	Base case	Deferred 'go-live'	Partial satellite
Critical Property capex	$6.0m	$6.0m	$6.0m
Critical IT capex	$0.2m	$0.2m	$0.2m
Redundancy costs	$2.8m	$2.8m	$2.8m
OWC (3mths FY26 opex - cash balance FY24)	$2.9m	$4.8m	$3.6m
Net loss (pre-satellite funding)	$3.6m	**$7.0m**	**$3.6m**
Asset divestment	($0.7m)	($0.7m)	($0.7m)
Settlement of intercompany debt	$15.9m	$15.9m	$15.9m
Total Government injection	**$30.8m**	**$35.9m**	**$31.5m**

EBITDA sensitivity

Cumulative EBITDA difference to base case

$'000	Revised FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Deferred 'go-live'	0	(7,406)	(7,422)	(7,439)	(7,456)	(7,473)
Partial Satellite	0	(2,893)	(5,823)	(8,811)	(11,842)	(14,933)

Satellite contribution 'capacity' (assuming 2% operating margin retained)

$'000	Revised FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Base case	n/a	3,611	3,964	4,050	4,166	4,276
Deferred 'go-live'	n/a	n/a	3,948	4,034	4,149	4,259
Partial satellite	n/a	718	1,035	1,062	1,118	1,167

Te Pūkenga

7. Appendices

Te Pūkenga

Appendix One — Scope of Services

Scope	Process
Scope	This Report has been prepared in accordance with our Consultancy Services Order (CSO) dated 17 July 2024 (variations dated 30 August 2024 and 12 November 2024) and covers the following matters in respect of Phase 2 Operating Model and Financial Improvement Plan of the Regional ITP Viability Programme. Te Pūkenga has not provided a template for Phase 2B. Consultants were are required to draft a report that ensures the below points were addressed as outlined in the Te Pūkenga's Minutes of Consultants dated 31 October 2024 and distributed to attendees: • 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 • Financial forecasting for each year through to 2029, including a full set of financial statements (including cash flows) • Assessment against the Financial Monitoring Framework • Key modelling assumptions underpinning the financial forecasts (EFTS demand, pricing assumptions, etc) • 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.

Approved

Appendix Two — Courses

WITT

Course summary tables

Domain	Revenue $000s	Contribution $000s	CM %

s 9(2)(b)(ii)

Course rationalisation summary	FY24	Mvmt from WITT change proposal	Mvmt from additional opportunities identified	Total indicative baseline (2A)
Number of courses	s 9(2)(b)(ii)			
% of FY24 courses				
Total EFTS				
% of FY24 EFTS				
Total FTEs				
% of FY24 FTEs				

Domain	Number of courses closing	Year course closes

s 9(2)(b)(ii)

Te Pūkenga

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Appendix Two — Courses *continued*

WITT

List of programmes s 9(2)(b)(ii) [redacted]

N.B: The table below is per WITT's FY25 budget, noting we have applied adjustments to FY25 figures quoted in this report.

Department	Programme	Course	EFTS	Revenue $000s	FTE	Payroll $000s	Materials $000s	Other Costs $000s	Total Costs $000s	Contribution $000s	CM %
Business	TK1402	Bachelor of Applied Management Lv7	s 9(2)(b)(ii) [redacted]								
Construction	NZ2834	New Zealand Certificate in Construction Trade Skills (Level									
Construction	NZ2420	NZD in Construction Management (L6)									
Construction	TKFCR	Business Development (Fcr)									
Construction	WI3001	Student Built House Project NP 1									
Construction	WI3002	Student Built House Project NP 2									
Construction	WI3003	Student Built House Project HW 1									
Construction	NZ2416	NZD in Architectural Technology L6									
Construction	WB3568	WBL - Painting & Decorating (BCITO)									
Construction	WB3710	WBL - Skills Scaffolding									
Construction	WI2007	FCR - Construction & Scaffolding									
Creative Industries	NZ2636	A47-17 New Zealand Diploma in Arts and Design (Level 5)									
Creative Industries	MA4379	Bachelor of Design & Arts Lv7 (UCOL's code)									
Creative Industries	NZ2627	New Zealand Certificate in Arts and Design (Level 4)									
Creative Industries	NZ2637	A48-17 New Zealand Diploma in Arts and Design (Level 6)									
Creative Industries	WI2005	FCR - Creative Industries									
Engineering	NZ2612	NZ Diploma Engineering L6 (Civil)									
Engineering	TK0502	Grad Dip Engineering (Highways) Lv7									
Engineering	TK1907	Bach of Engineering Technology Lv7									
Engineering	TK1903	Intro Engineering Mathmatics Training Scheme Lv3									
Engineering	TK1505	NZ Dip Engineering Mechanical Lv6									
Foundation	NZ2862	New Zealand Certificate in Foundation Skills (Level 2)									
Foundation	NZ2860	NZC Study and Employment Pathways L4									
Hairdressing, Beauty & Makeup	NZ3444	New Zealand Certificate in Beauty Therapy (Level 4)									
Hairdressing, Beauty & Makeup	NZ3442	New Zealand Certificate in Makeup and Skin Care (Introductio									
Hairdressing, Beauty & Makeup	NZ2411	NZC in Hairdressing (Salon Support) L3									
Hairdressing, Beauty & Makeup	NZ3445	G27-17 Diploma in Beauty Therapy (Level 5)									
Hairdressing, Beauty & Makeup	NZ2115	NZC in Commercial Barbering L4									
Hairdressing, Beauty & Makeup	NZ2412	New Zealand Certificate in Hairdressing (Emerging Stylist) (									
Hairdressing, Beauty & Makeup	WB2413	WBL - Hairdressing									
Hairdressing, Beauty & Makeup	WI2002	FCR - Beauty & Makeup									
Infrastructure	NZ3614	New Zealand Certificate in Electrical Equipment in Explosive									
Maori Enterprise	NZ3043	I14-18 Te Pokaitahi Reo (Reo Rua) (Kaupae 1)									
Maori Enterprise	NZ3044	Te Pokaitahi Reo (Rumaki, Reo Rua) (Kaupae 2)									
Nursing & Health	TK1901	Bachelor of Nursing Lv7									
Nursing & Health	NZ2889	NZ Diploma in Enrolled Nursing L5									
Nursing & Health	NZ2992	New Zealand Certificate in Health and Wellbeing (Social and									
Nursing & Health	TK1902	Nursing Competency Assessment Programme (CAP) Lv7									
Nursing & Health	NZ2470	New Zealand Certificate in Health and Wellbeing (Level 3)									
Nursing & Health	TK1904	Micro Credential - Trauma Informed Care Lv7									
Nursing & Health	WI2019	FCR - Nursing									

Te Pūkenga

Approved

Appendix Two — Courses *continued*

WITT

List of programmes s 9(2)(b)(ii) [redacted]

N.B: FCR courses are codes for full cost recovery delivery which offsets against the remainder of the domain. Engineering Lvl 3 is part of the trades engineering domain which has offsetting revenues and the domain overall generates a contribution margin of s 9(2)(b)(ii) [redacted]

Department	Programme	Course	EFTS	Revenue $000s	FTE	Payroll $000s	Materials $000s	Other Costs $000s	Total Costs $000s	Contribution $000s	CM %
NZIHT FCR & Short Courses	WI2012	FCR - NZIHT Short Courses	s 9(2)(b)(ii) [redacted]								
Primary Industries	NZ2443	NZC in Pest Operations L3									
Primary Industries	NZ2963	NZC in Conservation (Operations) L4									
Primary Industries	NZ2677	NZC in Horticulture (General) (Level 3)									
Primary Industries	NZ2681	New Zealand Certificate in Organic Primary Production (Level									
Primary Industries	NZ2215	NZC Primary Industry Operational Skills (L3)									
Primary Industries	NZ2964	NZD in Environmental Management L5 (Terrestial strand)									
Primary Industries	TK1106	Cert of Proficiency									
Primary Industries	WI2004	FCR - Primary Industries									
Services	NZ4316	New Zealand Certificate in Electrical Pre-Trade (Level 3)									
Services	NZ2660	NZC in Plumbing, Gasfitting and Drainlaying L3									
Services	WB2388	WBL - Electrical									
Services	WI2008	FCR - Services									
Trades Academy	WI0101	Trades Academy - Build a Bach									
Trades Academy	WI0116	Trades Academy - Beauty & Makeup									
Trades Academy	WI0109	Trades Academy - Joinery									
Trades Academy	WI0104	Trades Academy - Hairdressing									
Trades Academy	WI0125	Trades Academy - Barbering									
Trades Academy	WI0105	Trades Academy - Automotive									
Trades Academy	WI0117	Trades Academy - Plumbing									
Trades Academy	WI0118	Trades Academy - Electrical									
Trades Academy	WI0119	Trades Academy - Engineering Lv2									
Trades Academy	WI0203	Trades Academy - Sport & Fitness									
Trades Academy	WI0106	Trades Academy - Engineering Lv3									
Trades Academy	WI0202	Trades Academy - Creative Arts (Digital Media)									
Trades Academy	WI0341	Trades Academy - Civil Infrastructure (Build a Bridge)									
Trades Academy	WI0107	Trades Academy - Agriculture Lv2									
Trades Academy	WI0113	Trades Academy - Conservation Skills									
Trades Engineering	NZ3097	NZC in Automotive Engineering L3									
Trades Engineering	NZ2715	NZC in Mechanical Engineering (Level 3)									
Trades Engineering	WB4204	New Zealand Apprenticeship In Electrical Trade (Level 4)									
Trades Engineering	WB2719	WBL - Fab, Machining & Toolmaking									
Trades Engineering	WB2714	WBL - NZCME General									
Trades Engineering	WB3450	WBL - Automotive									
Trades Engineering	WI2006	FCR - Trades Engineering									
Wellness	NZ3563	New Zealand Certificate in Exercise (Level 4)									
Wellness	NZ3625	NZC in Sport, Recreation and Exercise (MultiSector) L3									
Wellness	NZ3564	New Zealand Certificate in Exercise (Level 5)									
Total	**79**	**79**									

Te Pūkenga

Appendix Two — Courses ~~continued~~ Approved

List of programmes s 9(2)(b)(ii)

Department	Programme	Course	EFTS	Revenue $000s	FTE	Payroll $000s	Materials $000s	Other Costs $000s	Total Costs $000s	Contribution $000s	CM %
Business	NZ2459	NZ Diploma in Business L5	s 9(2)(b)(ii)								
Business	NZ2452	NZC in Business (Administration and Technology) L3									
Business	NZ2461	NZC in Business (Administration and Technology) L4									
Business	NZ2456	NZC in Business (First Line Management) L4									
Business	TP4775	Bachelor in Accounting Lv7									
Computing	NZ2596	C39-16 New Zealand Diploma in Information Technology Technic									
Computing	NZ2594	NZC in Information Technology Essentials L4									
Construction	NZ2738	NZ Certificate in Carpentry L4									
Construction	WI1010	Star - Construction									
Creative Industries	WI1006	Star - Creative Industries									
Energy	TK2114	Micro Credential - Grid-connected PV systems, Design&Install									
Energy	TK1701	Cert in Energy Process Operations Lv3									
Energy	TK2115	Micro Credential - Grid-connected Battery Storage Systems,									
Energy	WI2010	FCR - Energy									
Hairdressing, Beauty & Makeup	WI1002	Star - Beauty & Makeup									
Hairdressing, Beauty & Makeup	WI1003	Star - Hairdressing									
Hospitality	NZ2104	NZC in Food and Beverage Service L3									
Hospitality	NZ2100	NZ Certificate in Cookery L3									
Hospitality	NZ2101	NZ Certificate in Cookery L4									
Hospitality	NZ1841	New Zealand Certificate in Baking (Level 3)									
Hospitality	NZ2105	NZC in Food and Beverage Service L4									
Hospitality	TK2105	Plant Based Cooking Lv3 Training Scheme									
Hospitality	STARBU	Star - Hospitality									
Hospitality	TK0004	Achievement in Licence Controller									
Hospitality	TK0017	Achievement in Food Safety									
Hospitality	WI1001	Star - Hospitality									
Hospitality	WI2001	FCR - Hospitality									
Hospitality	WI9999	Community									
Maori Enterprise	NZ2426	Manu Taiko - Toro Parirau (Kaupae 4)									
Primary Industries	TK2203	Micro Credential - Pruning & Training for Organic Primary									
Primary Industries	WI1004	Star - Agriculture									
Services	WI1011	Star - Plumbing									
Services	WI1012	Star - Electrical									

Te Pūkenga

Approved

Appendix Two — Courses *continued*

WITT

List of programmes s 9(2)(b)(ii) [redacted]

rtment	Programme	Course	EFTS	Revenue $000s	FTE	Payroll $000s	Materials $000s	Other Costs $000s	Total Costs $000s	Contribution $000s
Skills for Living	NZ2853	New Zealand Certificate in Skills for Living for Supported L	s 9(2)(b)(ii) [redacted]							
Skills for Living	G9999	Community Education								
Skills for Living	STARAH	Star - Skills For Living								
Skills for Living	WI1016	Star - Skills For Living								
Trades Academy	WI0103	Trades Academy - Cookery								
Trades Academy	WI0102	Trades Academy - Restaurant Services								
Trades Academy	TK1202	WI Short courses (Trades Academy Qual code)								
Trades Engineering	STARTC	Star - Automotive								
Trades Engineering	NZ3915	New Zealand Certificate in Electric Vehicle Automotive Engin								
Trades Engineering	WI1007	Star - Automotive								
Trades Engineering	WI1008	Star - Mechanical Engineering								
Trades Engineering	WI1009	Star - Welding								
Wellness	WI1015	Star - Sport and Fitness								
Total	**46**	**46**								

Approved

Appendix Two — Courses *continued*

List of courses impacted by change proposal (adjustments assumed in FY25)

NZQA Number	Program	Domain	Delivery Location

s 9(2)(b)(ii)

[redacted]

Approved

Appendix Three
TEC FMF

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 measure, 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 summarised opposite

Profitability Scoring

Measure	Definition / Calculation	Scoring table performance bands					
		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 after 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 Scoring

Measure	Definition / Calculation	Scoring table performance bands					
		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	Cash inflows (receipts) from operations to cash outflows (payments) from operations	< 104%	104% to 108%	108% to 111%	111% to 113%	113% to 115%	115% +

Debt Affordability Scoring

Measure	Definition / Calculation	Scoring table performance bands					
		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

Dimensions					
Profitability		Liquidity		Debt Affordability	
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%

Approved

Appendix Four - Governance considerations

WITT

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, the 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.

In future, we expect that ITPs will have to host, at a minimum, an ITP Council. However, we expect that WITT will be expected to contribute towards the cost of this structure, hosted at the 'head' or 'parent', rather than facilitating it completely itself, or bearing the full cost. The potential cost of a core ITP governance structure has been assessed 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 Pūkenga) 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.

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.

Approved

Appendix Five - Mode of delivery

WITT

The property portfolio of WITT will determine optionality around mode of delivery

WITT's campus requires significant remediation work where maintenance and upgrades have been deferred over time. Also, some portions of the New Plymouth campus are underutilised. These factors drive a campus strategy of consolidation, improvements to retained 'in use' buildings and mothballing or leasing out unused areas. The overall strategy outcome is to optimise infrastructure costs and efficiently support delivery provision. We iteratively developed scenarios to find an optimum balance between property footprint and reduced provision (focusing on programmes with reasonable profitability). WITT will need to make operational decisions around delivery optionality in accordance with its reduced property footprint. It has been assumed that optimisation of general teaching delivery (specialist teaching like Trades will remain using current spaces) will occur in late 2025 and the 'future state' footprint will be in play from Q1 2026.

Across the BD's that PwC has analysed, we acknowledge that mode of delivery will be broadly determined by:

- Future property decisions and the 'phasing out' of any current property holdings;
- Whether course material is owned in-house, by 'the network' as an aggregate, by the Open Polytechnic of New Zealand, or by some other BD within the Te Pūkenga organisation.

Our understanding is that some curriculum and course material used by WITT is currently owned by the Open Polytechnic of New Zealand and ARA. At present, a decision does not appear to have been made on how costs for this access will be realised, but this will need to be a core consideration for WITT. Noting no cost for use of materials or shared provision has been allowed for in forecast information. In the absence of confirmation of how intellectual property owned by other BDs or the network will be treated in the case of separation, we have not investigated potential mode of delivery changes for WITT. We would also note that this would require a detailed understanding of the WITT learner demographic and proposed learner cohorts, to understand whether other modes of learning - particularly fully online or blended learning - are likely to achieve successful learner outcomes.

However, provided WITT has sufficient technology capability to deliver remotely, distance or blended learning may be considered in future to help provide additional delivery across New Zealand (within the bounds of Government-approved EFTS allocations, or without restriction to international learners).

We also acknowledge the increased competition that will likely result from the separation of BDs. It is anticipated that any agreement (or unspoken agreement) currently in existence to focus delivery, primarily, within region, may cease to exist. While some organisations have continued with out of region delivery in pockets or due to a focus on distance learning (such as the Southern Institute of Technology), it is likely that a number of newly-separated ITPs may choose to ramp up distance delivery in programmes that are profitable, but may not actually benefit the communities which ITPs exist to serve. Current courses such as business, creative technologies, IT, and Māori language/business are often focus areas for distance or blended learning. This report suggests reducing these areas, which might lead to increased competition. As a result, ITPs may offer fee-free or scholarship education to attract students, hoping to still receive government funding despite losing out on student fees. This will likely adversely impact profitability further. Furthermore, it's unclear if distance learning is actually any more cost-efficient than traditional methods, without significant scale. It is also unlikely that introduction of distance learning would impact property needs or enable any additional property disposals.

It is recommended that, once decisions are made about how curriculum and learning material currently in existence will be treated in future, WITT undertake analysis to understand if mode of delivery changes are required (or desirable) to support its ongoing viability and delivery, in accordance with the strategic direction proposed by its 'head' or 'parent' ITP. This may also present an opportunity to leverage the materials and content of the parent entity to expand access to local Taranaki based learners through the offering of a widened, combined course catalogue.

Appendix Six - Shared services

WITT

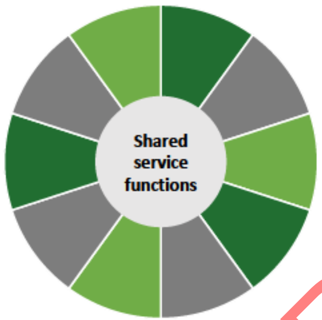
There are a range of functionalities that could potentially be offered through a shared service arrangement

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' out 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 the new operating environment post Te Pūkenga; which may move any consideration of shared service towards a joint commercial contracting approach (rather than a 'collaborate' model). **We also note that for WITT, accessing shared services through a 'head' or 'parent' will be a core component of its operating model, agnostic of any approach below.**

More centralised control (in the system) — Balanced — More commercial reliance (outside of the system)

Centralised organisation (Model One)

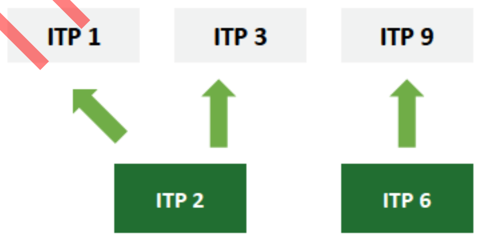
All ITPs that will benefit from a shared function or functions pay into that function, and/or pay a fee for access or service. This may more appropriate for services accessed irregularly and unevenly.



Each ITP broadly operates independently, but is able to access centralised shared services, and pays towards this upkeep. They are not required to provide services to each other under this arrangement.

ITP contracts services out (Model Two)

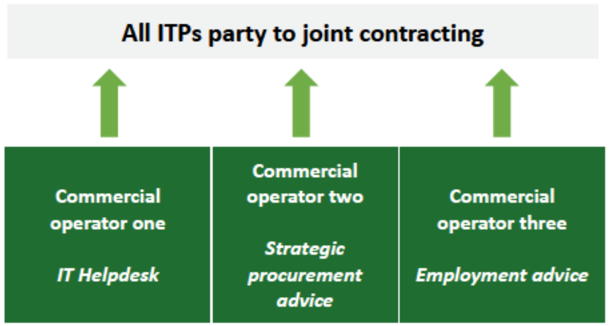
All ITPs that will benefit from a function or functions at another ITP pay that ITP for access or service.



Each ITP can contract another ITP to provide specific agreed services. An ITP may hold a contracting relationship with more than one other ITP. This approach may require minimum service level agreements to ensure ITPS have sufficient capacity/capability to meet external need.

Joint commercial contracting (Model Three)

All ITPs that will benefit from a function or functions seek to commercially contract for the function/s through joint contracting arrangements, seeking economies of scale through the commercial contracting environment.



Appendix Six - Shared services *continued*

WITT

Functionalities that could be shared services

The shared services presented below could incorporate one or more of the models identified on the page previous. For example, curriculum design could be centralised, but helpdesk 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 of whether a shared service functionality could support a number of organisations at once (i.e. frequency and access in model one), 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 Two	Model Three
✔	✔	✔

Strategic procurement

Description: *provision of services related to strategic procurement specific to the IT sector or non-property assets, including large scale IT and systems*

Model One	Model Two	Model Three
		✔

IT Helpdesk

Description: *provision of day-to-day technology and IT support to staff and/or students*

Model One	Model Two	Model Three
	✔	✔

Print and reprographic

Description: *provision of printing and education related graphic design services*

Model One	Model Two	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
		✔

Property asset and facilities management

Description: *provision of strategic property asset management, particularly related to major investment, divestment and improvements, and planning and oversight of regular facilities management*

Model One	Model Two	Model Three
	✔	✔

Legal services

Description: *provision of generalised legal advice to support day to day operations at future ITPs*

Model One	Model Two	Model Three
		✔

Curriculum design and course development

Description: *provision of educational development, curriculum design and course development services to support future ITPs*

Model One	Model Two	Model Three
✔	✔	

Marketing and communications including international

Description: *provision of services to support communications, marketing social media and design related to communications and marketing*

Model One	Model Two	Model Three
✔		✔

Payroll

Description: *provision of people payroll services and payroll data management*

Model One	Model Two	Model Three
		✔

Insurance

Description: *seeking optimum contracted terms for insurance arrangements for ITPs*

Model One	Model Two	Model Three
		✔

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 'blocker' to closer operations, noting progress has been achieved in standardising some finance systems across the network.

Approved

Appendix Seven - Employment Agreement requirements

WITT'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 Pūkenga 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 Pūkenga must consult with the unions regarding the selection criteria for redundancy (TEU CEA clause only).
- Te Pūkenga 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 Pūkenga 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 WITT 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 46 of this report, we provide a high level overview of the work we believe may be required to deliver the people side of 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.

For WITT, we note that a single change process in 2025, following agreement on the potential ITP 'host' or 'parent' for WITT, can potentially achieve the scale of organisational change sought; noting a small number of redundancies would be deferred until 2026.