



14 June 2024

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Tēnā koe Sue

Requirement for Te Pūkenga to obtain specialist help

This letter serves as written notice under section 332 of the Education and Training Act 2020 (the Act) requiring Te Pūkenga to obtain specialist help.

My reason for giving this notice is that I believe on reasonable grounds that the long-term financial sustainability of Te Pūkenga may be at risk. The basis on which I have formed that view is that:

- Te Pūkenga is forecasting an \$85 million deficit for 2024, including a cumulative deficit of \$118 million for the former institute of technology and polytechnic (ITP) business divisions. All ITP business divisions are forecasting to report a deficit in 2024.
- Recent forecasts show that the former ITP business divisions as a group are expected to report ongoing deficits over the next four years. Only three business divisions are forecast to report a surplus by 2026, and the TEC's view is that some of the assumptions underpinning the forecasts are optimistic.
- Nearly all former ITP business divisions need to make significant changes to support their financial sustainability. Some are likely to require wholesale changes to their operating models to become financially sustainable.
- I do not believe that Te Pūkenga has sufficient management capability and capacity to maintain its day-to-day operations whilst supporting and undertaking the extensive operational changes that are likely required and to do so in a timely manner.

As such, I consider additional capability and capacity will be required to support Te Pūkenga head office and regional leadership teams to deliver this work. I am therefore requiring Te Pūkenga to obtain specialist independent help.

For each former ITP business division Te Pūkenga must obtain specialist help to:

- Confirm the financial position of each business division (including undertaking downside sensitivity analysis), understand the profitability of programmes and delivery sites, and the utilisation of assets.
- Work with regional stakeholders to confirm what academic delivery should be delivered in each region, and in what mode. This should take into account financial performance, learner demand, and other tertiary delivery that occurs. Te Pūkenga must use this work to identify what impacts any proposed changes would have for learners and regions.



- Decide what operating model would be needed to achieve the required delivery, including academic and non-academic staffing levels.
- Decide what property and capital assets would be required to deliver the chosen operating model and delivery and what divestment of any surplus assets could occur.
- Develop a detailed plan to transition each business division to its new operating and delivery model, including what capability is needed to deliver on the plan.
- Support Te Pūkenga to execute the plan including, for the avoidance of doubt, undertaking the necessary cost out, divesting of surplus assets, and standing up the new, sustainable operating model.

Given the scale of work involved, I require Te Pūkenga to obtain the specialist help detailed above from independent consultancies and individuals with the necessary restructuring expertise, capacity, and capability to deliver this work as quickly as is feasible. The TEC should be kept closely informed of the work that is undertaken.

I intend to specify the specific persons and/or organisations from which Te Pūkenga is required to obtain specialist help in respect of its different business divisions by way of a further notice. This further notice will be provided to you after I have discussed with you and the chief executive the most appropriate arrangements for how this work can be delivered with Te Pūkenga. I am meeting with the Te Pūkenga chief executive on 17 June 2024 and expect to be in a position to issue a further notice shortly thereafter.

As soon as practicable after receiving this, and any subsequent, notice Te Pūkenga is required by section 332 of the Act to comply with it. This includes that Te Pūkenga and its council must—

- provide the information and access, and do all other things, reasonably necessary to enable the person or organisation engaged to provide the help;
- to the extent that the help provided is advice, take the advice into account in performing its functions and duties; and
- pay the person's or organisation's reasonable fees and expenses.

I look forward to advice from you as to how Te Pūkenga is complying with this notice.

Nāku noa, nā



Tim Fowler
Chief Executive

Cc Gus Gilmore, Chief Executive, Te Pūkenga
Bill Moran, Council Member, Te Pūkenga
Jeremy Morley, Council Member, Te Pūkenga



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