

# Appendix One - OIA

All redactions are made under section 9(2)(b)(ii)  
of the Official Information Act 1982

## Financial Viability Analysis 18 June 2024



# Introduction

# How to assess viability

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- There are many different methods to assess the financial health of an organisation. However, all methods fundamentally have four main areas of financial health (liquidity, solvency, profitability, and operating efficiency).
- The Crown uses the Financial Monitoring Framework (FMF) to assess financial viability and sustainability across the tertiary education sector. This framework sets targets for long term sustainability as well as shorter term profit making.
- Through engagement with the sector, the TEC has recently reviewed the FMF and is proposing to change the framework to assess risk under the lenses of Profitability, Liquidity, and Debt Affordability.
- Core to financial performance in both the old FMF and revised FMF is the level of profitability, cash flow and liquidity.
- To date, the conversation with the TEC and the Minister has focused on the level of profitability to determine viability. Given the correlation between profitability and cash flow, this is not unreasonable.
- With potential changes to the funding system and the return of international learners, another important factor is the time horizon to assess viability.
- Given timeframes for the exercise and considering risk in out-year assumptions, achieving a net surplus in FY2026 has been considered the threshold for viability. Ideally, this net surplus would be at least 2% of revenue, as per the new FMF low risk criteria, but this is not essential.

# Where business divisions sit against the long-term viability measure

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- Based on the financial forecasts previously provided to the Minister's Office, the ITP business divisions have been categorised into three categories.
- For those business divisions deemed viable or on the path to viability, further analysis has been completed on whether a breakeven position can be achieved by FY2026.
- Given the optimism in the NMIT and Wintec international growth assumptions and the gap to viability in FY2026, these business divisions have been excluded from the analysis.

	<b>Business divisions deemed viable</b>
	ARA
	Open Poly



# Viability Analysis

# Open Poly Standalone Forecast

## 2024 Budget Announcement

- 2025 Domestic student fees have been updated to 6% increase (from 2.5%) and Crown funding to 2.5% (from 2%).

## UFS to SAC Funding changes

- An increase of [REDACTED] for the 2025 year, fluctuating for movements in EFTS and inflation per annum in the out years.

## EFTS Assumptions

- Domestic EFTS: [REDACTED].
- International EFTS: [REDACTED].

## National Cost Allocation (including insurances): [REDACTED] per annum

- All costs increasing with inflation per annum, except [REDACTED].

Additional Operating Costs: [REDACTED]

Additional Capabilities Costs: [REDACTED]

## Conclusion

- Open Poly is deemed financially viable under the analysis.
- This is largely driven by a return to SAC funding, and domestic student growth which is assumed to be funded.
- Open Poly also has a strong Balance Sheet.

# Ara Standalone Forecast

## 2024 Budget Announcement

- 2025 Domestic student fees have been updated to 6% increase (from 2.5%) and Crown funding to 2.5% (from 2%).

## UFS to SAC Funding changes

- An increase of [REDACTED] for the 2025 year, fluctuating for movements in EFTS and inflation per annum in the out years.

## EFTS Assumptions

- Domestic EFTS: [REDACTED]
- International EFTS: [REDACTED]

## National Cost Allocation (including insurances): [REDACTED] per annum

- All costs increasing with inflation per annum, except [REDACTED].

Additional Operating Costs: [REDACTED]

Additional Capabilities Costs: [REDACTED]

## Specific Assumptions:

- Personnel Expenses: Fixed cost component set at 60% (rather than 50%). Ara looking to better utilise staff with increased EFTS.
- Depreciation and Amortisation: Fixed cost component grown at 3% pa with investment in CWP and BAU capex.
- Tangible fixed assets: Altered for the CWP spend [REDACTED], with assumed [REDACTED] per year after the big refurbishment.

## Conclusion

- Ara is deemed financially viable under the analysis.
- Ara also has a strong Balance Sheet.

# EIT Standalone Forecast

## UFS to SAC Funding changes

- An increase of [REDACTED] for the 2025 year, fluctuating for movements in EFTS and inflation per annum in the out years.

## EFTS Assumptions

- Domestic EFTS: [REDACTED]
- International EFTS: [REDACTED]. This is aligned with the International strategy and considered achievable given the EIT programme offering and locations of delivery.

## National Cost Allocation (including insurances): [REDACTED] per annum

- All costs increasing with inflation per annum, [REDACTED].

## Additional Operating Costs: [REDACTED]

## Additional Capabilities Costs: [REDACTED]

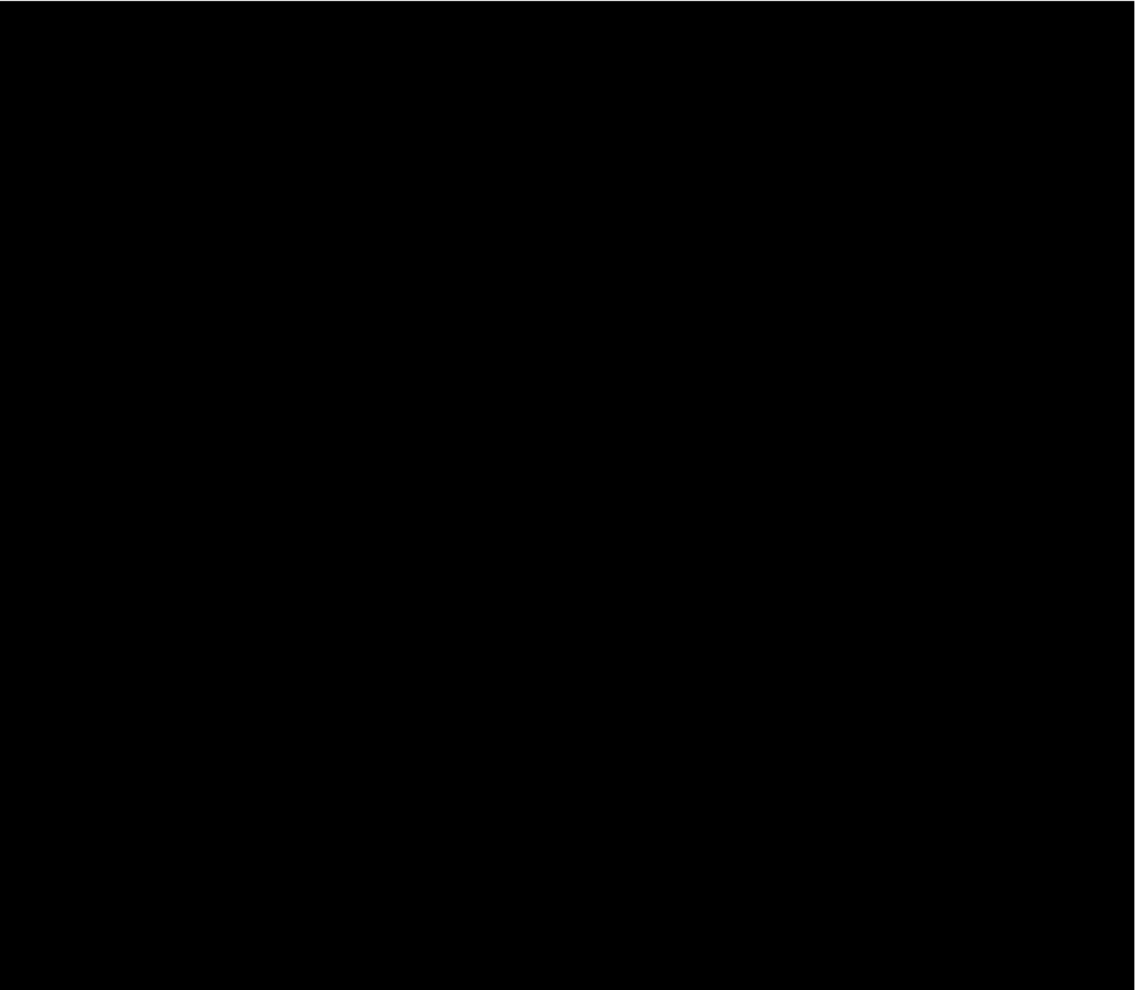
- All costs increasing with inflation per annum, [REDACTED].

## Specific Assumptions:

- [REDACTED]
- Personnel Expenses: Fixed cost component set at 60% (rather than 50%). Looking to better utilise staff with increased EFTS.

## Conclusion

- EIT is deemed financially viable under the analysis.
- This is largely driven by the assumption that EFTS will return to pre-cyclone levels in 2026 following the campus rebuild and international growth.
- EIT also has a strong Balance Sheet.





# Unitec and MIT Combination Standalone Forecast

## UFS to SAC Funding changes

- An increase of [REDACTED] for the 2025 year, fluctuating for movements in EFTS and inflation per annum in the out years.

## EFTS Assumptions

- Domestic EFTS: [REDACTED] MIT 2024 (base year)  
domestic EFTS appear conservative in the modelling.
- International EFTS: [REDACTED]

## National Cost Allocation (including insurances): [REDACTED] per annum

- All costs increasing with inflation per annum, [REDACTED]

## Additional Operating Costs: [REDACTED]

## Additional Capabilities Costs: [REDACTED]

## Specific Assumptions:

- Personnel Expenses: Fixed cost component set at 70% (rather than 50%). Looking to better utilise staff with increased EFTS.

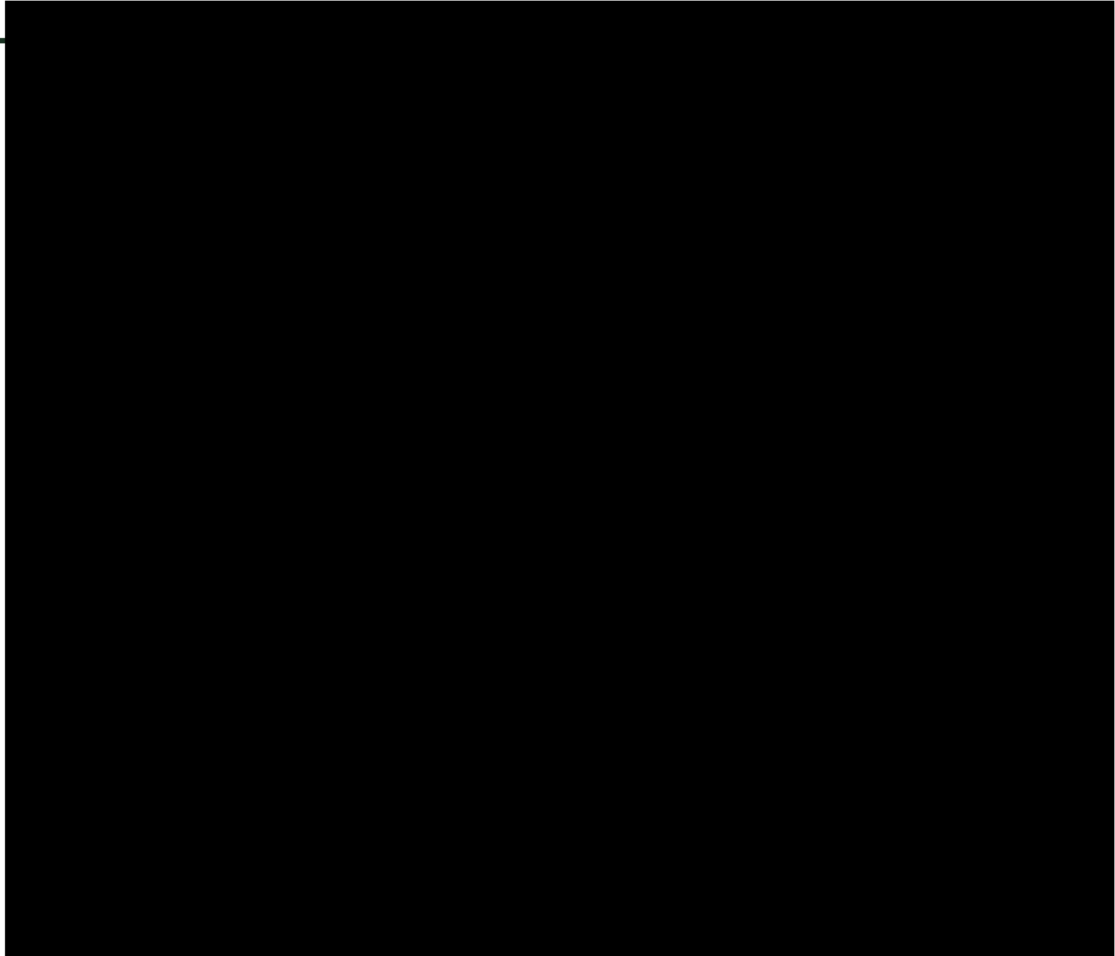
## Unitec/MIT combination

- Estimated [REDACTED] of saving through combination. This is at the leadership and governance level only.
- There is significant potential in moving to single systems, processes and support service capabilities. Currently common heads of school are being implemented and other areas being cascaded down the levels.

- [REDACTED]

## Conclusion

- The combination of Unitec and MIT gets to a deficit level of [REDACTED]  
[REDACTED] Although further work is required, given the further opportunities from consolidation, it is believed that the combination will likely be in surplus in 2026.
- MIT/Unitec also has a strong Balance Sheet.



# SIT Standalone Forecast

## UFS to SAC Funding changes

- An increase of [REDACTED] for the 2025 year, fluctuating for movements in EFTS and inflation per annum in the out years.

## EFTS Assumptions

- Domestic EFTS: [REDACTED] It is assumed that the growth is funded.
- International EFTS: [REDACTED] Updated due to improved control over fees and marketing.

## National Cost Allocation (including insurances): [REDACTED] per annum

- All costs increasing with inflation per annum, [REDACTED]

## Additional Operating Costs: [REDACTED]

## Additional Capabilities Costs: [REDACTED]

## Specific Assumptions:

- Personnel Expenses: Fixed cost component set at 85% (rather than 50%). SIT looking to better utilise staff with increased EFTS.
- Teaching Delivery: Fixed cost component set at 85% (rather than 50%). SIT looking to better utilise teaching items with increased EFTS.
- Infrastructure: Fixed cost component set at 100% (rather than 75%). SIT looking to better utilise infrastructure with increased EFTS.
- Administration: Fixed cost component set at 85% (rather than 75%). SIT looking to better utilise administration with increased EFTS.
- Estimated that 50% of the depreciation will be used for Capex.

## Conclusion

- SIT returns to a surplus in 2026 under the modelling.
- The financial improvement is driven by aggressive EFTS growth and relatively fixed cost assumptions. Therefore, there is considerable risk in the financial projections.
- Statement from SIT - [REDACTED] (as opposed to fixing costs) and to strengthen our claim that the surplus position for 2026 is achievable."
- SIT has a strong Balance Sheet.

# Otago Poly Standalone Forecast

## UFS to SAC Funding changes

- An increase of [REDACTED] for the 2025 year, fluctuating for movements in EFTS and inflation per annum in the out years.

## EFTS Assumptions

- Domestic EFTS: [REDACTED]
- International EFTS: [REDACTED]

## National Cost Allocation (including insurances): [REDACTED] per annum

- All costs increasing with inflation per annum, [REDACTED]

## Additional Operating Costs: [REDACTED]

## Additional Capabilities Costs: [REDACTED]

## Specific Assumptions:

- Personnel Expenses: Fixed cost component set at 95% (rather than 50%). Otago looking to better utilise staff with [REDACTED]

## Conclusion

- Otago gets to a deficit level of [REDACTED] in 2026 on a revenue base of [REDACTED]
- Otago are in the process of reviewing marginal programmes and FTE ratios, of which any outcomes have not been reflected in the forecast.
- Although there should be upside from the review process, the financial improvement is driven by EFTS growth and fixed cost assumptions. Therefore, there is considerable risk in the financial projections.



**Te Pūkenga**