

Budget update 2022

Maintaining sustainable
business momentum

Kaitiakitanga – Wakaritenga – Mahi Kotahitanga

September 2021



We've come a long way

- We've come a long way financially since 2018, thanks to your hard work and our successful recovery plan, Manaakitia te Rito
- This has put us on the path to being a sustainable business
- With increased enrolments this year, we have achieved a positive operating surplus - that's the amount we have left after our costs, to invest back into our organisation
- However, we still have a way to go

Operating Surplus – creating a sustainable business

- The TEC sets criteria for all Tertiary Education Institutions (TEIs) to assess their financial wellbeing. It has established that TEIs should have an operating surplus of 9% or above to ensure they are low risk. We are working towards aligning with that.
- Having a strong operating surplus means we can reinvest into our organisation, so we can offer the best experience to our learners through our teaching, infrastructure and technology
- External factors, including the Covid-19 pandemic and the reduction in international students, have impacted our income

9%+ TEIs

Target Operating Margin

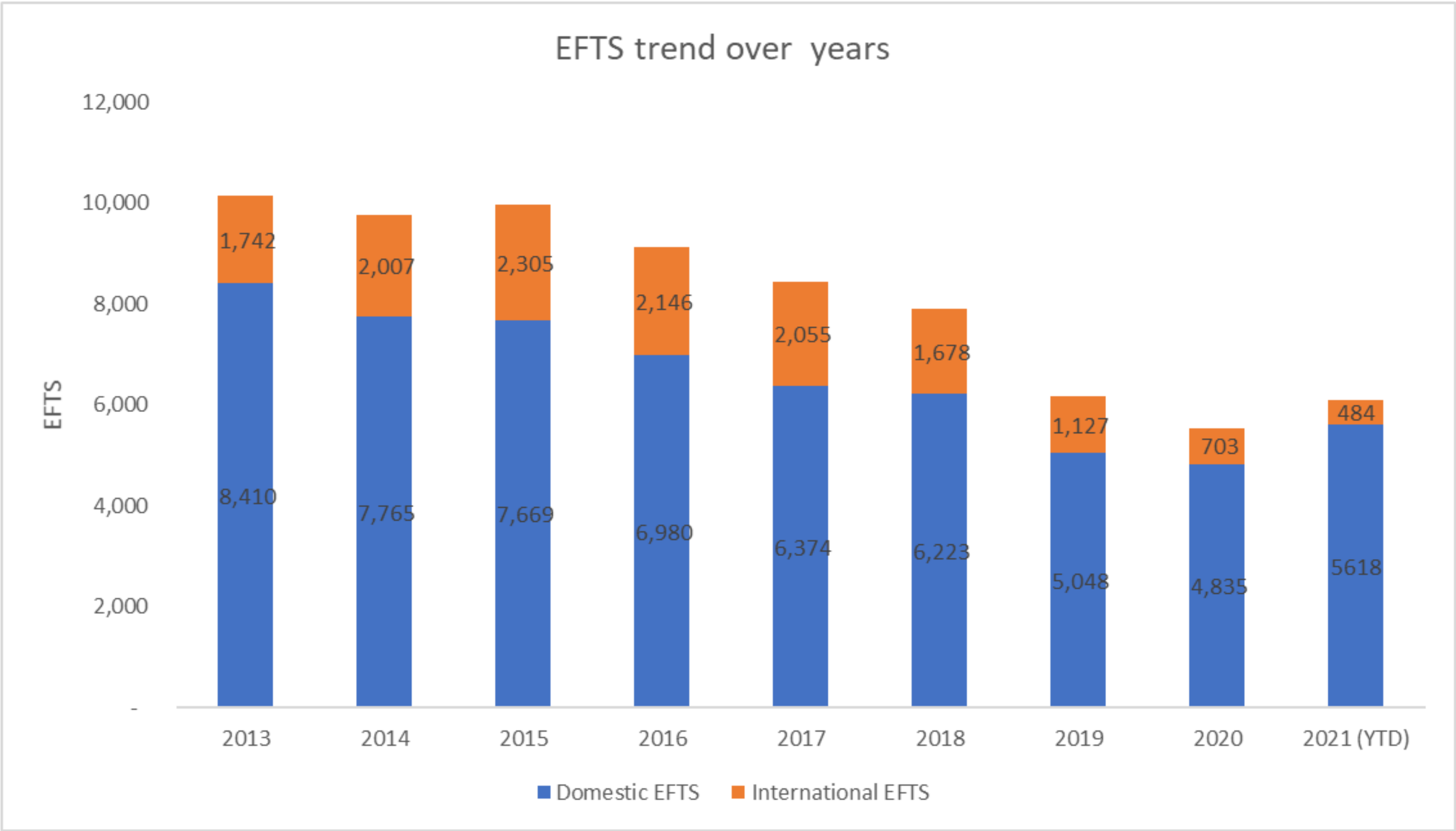
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Equivalent Full Time Students (EFTS)

Numbers of EFTS are higher than we had budgeted this year

Although the closure of our borders has impacted international EFTS, we've seen a strong uplift in international onshore EFTS and growth in domestic EFTS due to the Government support in areas of Targeted Training and Apprenticeships Fund (TTAF) along with anticipated economic recession (which leads to growth in students seeking to upskill or study)

We expect TTAF will cease from the end of 2022 – this may impact student numbers even from 2022, and therefore our 2022 budget shows a drop in revenue



EFTS – Draft Budget
2022 vs 2021

Note the budget hasn't yet been approved so 2022 budget is draft.

Student numbers are expected to reduce next year due to even lower international enrolments and the impact of the TTAF ending.

This means funding from the Government will reduce.

	2022	2021		2020
	Budget	Forecast	2022 vs 2021	Actual
EFTS SAC Funded	5,400	5,326	74	4,428
International EFTS	291	467	(177)	695
Other EFTS	222	262	(41)	391
Total EFTS	5,913	6,056	(143)	5,515

EFTS: Equivalent Full Time Students

TTAF: Targeted Training and Apprenticeship Fund

EFTS SAC: EFTS Student Achievement Component (this is how we receive most of our funding)

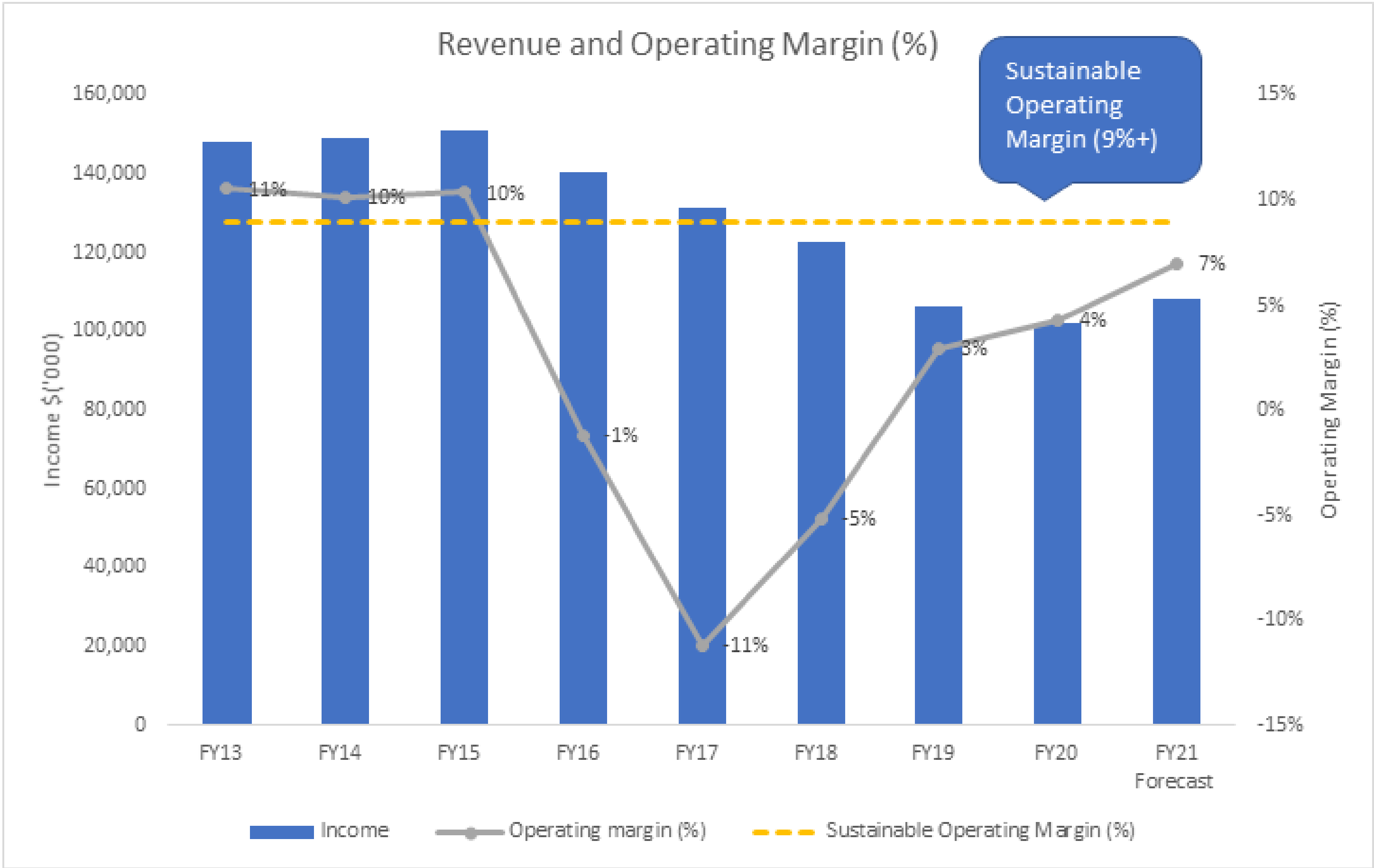
Financials – Revenue and Operating Surplus/Margin

After falling since 2013, 2021 was the first year our operating surplus increased

Due to strong revenue and continued cost control, our margin is expected to increase to 7% this year

We cannot achieve an operating surplus of 9% and above in one year – it will be a journey

With the drop in revenue for 2022, and the need to hold our operating surplus at 7%, we need to find savings of \$2.5 million



What does all this mean?

- Our 2021 operating surplus is forecast to be around 7%
- The goal of an operating surplus of 9% and above is not achievable right away so we are aiming to hold the 7% surplus in 2022
- Our costs have been, and still are, higher than many other ITPs

7% 2021

Operating Surplus Forecast

7% 2022

Operating Surplus Goal

What we need to do

- To hold our operating surplus at 7%, we need to save \$2.5 million from our budgets
- Our budgets need to be planned in readiness for 2022
- This work is being completed by our senior leaders
- Our ākonga and kaimahi are at the centre of all decision-making and will benefit from our ability to reinvest

\$2.5 M

Budget saving required

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Next steps

- The wellbeing of our staff is our top priority, and the ELT will take every care to keep you informed, involve you and allow plenty of time before decisions are made
- Our priority is to reduce non-staff spending first, to minimise any potential staff impacts
- Discussions around any impact on teams would not commence until we are back on campus
- The timeline will be confirmed soon
- We will invite suggestions from all staff around cost-saving for our future – more on this soon
- If you have any questions, concerns or ideas, please speak with your manager

Ngā mihi nui



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