UNITEC MIT MERGER BUSINESS CASE

Indicative Merger Business Case for the merger of Unitec Institute of Technology and Manukau Institute of Technology

13 December 2024
V0.1 DRAFT FOR DISCUSSION

Volte

Contents

Introduction

Background

Unitec and MIT background

In 2018, the Government initiated a review in response to the strategic issues facing the vocational education sector. In 2019, seven recommendations were approved as part of the Reform of Vocational Education (RoVE) and included the creation of Te Pūkenga – New Zealand Institute of Skills and Technology. Te Pūkenga was established as a statutory crown entity on 1 April 2020 and brought together the sixteen Institutes of Technology and Polytechnics (ITPs) and nine Industry Training Organisations (ITOs), initially as subsidiaries, through the Education and Training Act 2020.

As subsidiaries, Unitec Institute of Technology (Unitec) and Manukau Institute of Technology (MIT) began working more closely together in anticipation of formally coming together under Te Pūkenga. From 1 April 2020, Unitec and MIT each had their own governing Board, but with common membership across both Boards. The intention of having a common Board was to support the shift from competing, to operating as one regionally accessible network of provision and to better serve the needs of the Auckland region.

Following the resignation of Unitec's Interim Chief Executive in 2020, Unitec and MIT began aligning their management structures, beginning with the appointment of a shared Chief Executive in August 2020. A combined senior leadership team structure was established at the beginning of 2021, which is still in place, reporting initially to the Chief Executive and then the Regional Executive Director Rohe 1 from December 2022. Since 2022, subsequent layers of management have become more (but not fully) integrated, with a number of joint Heads of School established, for example.

Sector background

Post election 2023, the newly formed government confirmed its intention to disestablish Te Pūkenga and reestablish regional ITPs. In the first half of 2024, Te Pūkenga completed financial forecasting and modelling with the Tertiary Education Commission (TEC) to inform advice to the Minister about re-establishing ITPs as possible standalone financially viable and sustainable entities by 2026. ITPs that have a clear pathway to financial sustainability as stand-alone institutions would be given greater autonomy and re-established as autonomous entities from 1 January 2026.

In July 2024, and at TEC's direction, Te Pūkenga engaged external advisors to assess and develop ITP financial viability plans. The viability assessment shows that both Unitec and MIT, following the implementation of financial improvement plans, can be financially viable as standalone entities by January 2026.

Purpose of this business case

Although Unitec and MIT have been assessed as financially viable as standalone entities, the single management structure at Unitec and MIT and ongoing pressures on the ITP sector have prompted consideration of Unitec and MIT potentially merging. Merging could enable Unitec and MIT to build upon their existing alignment to work together to:

- further ensure short-term viability
- further ensure long-term financial sustainability
- achieve greater scalability
- enhance their combined market proposition to better serve the Auckland region.

This business case considers whether the benefits arising from merging Unitec and MIT as part of the disestablishment of Te Pūkenga outweighs the investment required to achieve these benefits and the benefits Unitec and MIT can achieve as standalone entities. To be standalone, Unitec and MIT would each incur a significant increase in personnel costs, above their current costs, due to needing to establish management roles that are currently shared across the divisions.

The purpose of this indicative business case is to provide decision-makers with information to determine whether Unitec and MIT should exit as one entity or two upon Te Pūkenga dissolution. It is an indicative business case, per Treasury guidance with a focus on the strategic and economic cases, and financial estimates based on desktop analysis. Should the merger progress, an implementation plan linked to a programme business case for digital investment should be developed to support the integration of the two entities. This merger case was originally developed in the last quarter of 2024 as part of the Regional ITP Viability Programme. The Programme is focused on ensuring the short-term viability and long-term financial sustainability of the ITP sector. Accordingly, this business case has largely focused on the financial outcomes of Unitec and MIT under different scenarios while noting that benefits of a merger can extend beyond economic benefits.

However, in response to the Government's growth agenda as outlined in the Prime Minister's Statement to Parliament in January 2025, we have updated the strategic case to explore how merger will position Unitec and MIT to better meet regional need and enable economic growth. The business case identifies efficiency savings from merger that would enable resources to be re-invested into vocational education across all regions and industries of Auckland, enabling the development of a workforce that will better contribute towards New Zealand's growth and productivity.

Key risks and decisions

The benefits of a merger are influenced by three key risks that are all part of merger implementation:

- s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
- Combining cultures - ability to bring together the two distinct cultures of MIT and Unitec to create a combined culture and organisational identity.
- Digital enablement – ensuring the implementation costs associated with the digital workstream do not outweigh the efficiency opportunities that would be enabled by digital integration.

The full merger implementation plan should further investigate and assess these risks to ensure appropriate mitigations are put in place.

Proposed way forward

This business case has been developed with a sole view of informing Government whether to establish Unitec and MIT as separate entities or as a merged entity upon their exit from Te Pūkenga. As such, this business case seeks approval from Government to merge Unitec and MIT as a fully integrated entity from 1 January 2026, upon their exit from Te Pūkenga.

Better business case process

This Business Case follows the Treasury Better Business Cases guidance and is organised around the five-case model, designed to systematically ascertain that the investment proposal:

- Is supported by a compelling case for change - the 'strategic case'
- Optimises value for money - the 'economic case'
- Is commercially viable - the 'commercial case'
- Is financially affordable - the 'financial case'
- Is achievable - the 'management case'.

Executive summary

Strategic case overview

The Auckland region is New Zealand's largest market for learners with 104,000 learners in 2023, being 36% of national learners. 132 tertiary education institutions (TEIs) compete within the region, with 14 of the 16 former ITPs operating in Auckland. The University of Auckland, Auckland University of Technology (AUT) and Massey University, are the largest TEIs in Auckland. Together, they account for 55% of Auckland's learner market. Unitec and MIT combined account for 8%.

In 2020, the RSLG released their plan for Tāmaki Makaurau 'Building the workforce for better jobs.' It identified key industries of focus, including construction and infrastructure, community health, education and social services, hospitality, horticulture, screen and creative industries, and

manufacturing, engineering, logistics and transport (see *Appendix 1*). Aligning vocational education with industry needs is essential for the economic development and workforce readiness of the region.

Unitec and MIT provide programmes that are closely aligned with many of these key industries playing a crucial role in preparing a skilled workforce that can effectively contribute to the local economy.

This business case explores whether Unitec and MIT as a combined Auckland vocational education provider can better serve Auckland and New Zealand as a whole through scale and efficiency savings that could enable MIT and Unitec to:

- expand vocational education provision to North and West Auckland
- better tailor its provision to the needs of Auckland to support New Zealand's increased growth and productivity goals
- provide a clearer point of entry for partners, learners and stakeholders enabling the needs of these three groups to be better met.

To assess this, the following key investment objectives were identified and used to assess the options contained within this business case:

1. Achieve operational cost efficiencies
2. Increase learner access and enhance market responsiveness
3. Optimise operational effectiveness and improve stakeholder engagement
4. s 9(2)(b)(ii), s 9(2)(ba)(ii)
5. Modernise and standardise digital infrastructure.

As outlined in the economic case, **Option 5: Full integration** is the preferred option. This option would establish Unitec and MIT as a merged entity. A merged entity would achieve better financial outcomes through efficiencies and would provide the scale and expertise to expand and improve vocational education provision across Auckland and its industries.

Economic case overview

Four merger options have been set out in this business case, with the main differences in merger options being the degree of integration between entities. Unitec and MIT operating as standalone entities has been included as a base case. The level at which each of the five options achieves merger benefits and the investment objectives has been assessed and balanced against the level of investment required to achieve those benefits. A preferred option of establishing Unitec and MIT as a fully integrated entity has been identified.

The economic benefits of merging Unitec and MIT are significant. Key economic benefits include:

- **Reduced operating costs:** The merger will leverage economies of scale, enabling bulk purchasing and shared resources, which will drive cost savings. Additionally, the new organisational design and centralisation of functions will reduce personnel costs.
- **Improved financial sustainability**: The merger will enhance the financial resilience of the combined entity, allowing it to better respond to financial and operational challenges. This includes operating in a competitive environment under a competitive funding model, offering a broad range of locally relevant programmes, and provide a stronger platform to guard against lower enrolments.
- **Efficient use of capital assets:** The merger will lead to more efficient use of capital assets and financial management through increased utilisation of the asset base.

The improved financial outcomes achieved through these benefits would enable the merged entity to leverage its scale and resource base to expand and tailor its provision across Auckland and its industries, and enable strategic utilisation of combined resources to improve performance.

Financial case overview

The financial case examines the financial implications of merging Unitec and MIT to enhance their long-term financial sustainability and better serve the Auckland region. The analysis focuses on the preferred option, *Option 5: Full Integration*, and assesses the combined entities' ability to cover the additional costs associated with the merger based on forecasted operations and financial benefits.

The conclusions within this section are as follows:

- Financial modelling shows that Option 5 can be funded without extra Crown capital, based on the current projected performance. However, a significant risk is the unknown initial capitalisation, as it is unclear how much cash each Te Pūkenga subsidy will retain after separation. Therefore, forecast interest income has not been included within the affordability analysis.
- The combined entities are expected to have higher earnings due to reduced operating costs, creating a more financially stable institution.

The financial case analysis has assumed a decision as to merger will be made in the first half of 2025 with the merged entity coming into existence on 1 January 2026. Any delays to this timeframe will impact the forecasted operations and financial benefits outlined in the financial case.

Commercial case overview

The delivery of the merger programme will continue to involve careful planning and sequencing for delivery of the various initiatives over three phases. Given the duration of the programme, a flexible approach to procurement options is being adopted to address potential changes in market conditions and resource availability and to ensure that risk appetite is continually addressed.

Unitec and MIT procurement policy has been adopted for the first phase of the merger. Once Unitec and MIT have been established as a merged entity, a procurement policy will be developed for the merged entity, and this policy will be adopted for the rest of the merger process. However, under both policies, the principles and expectations of the merger procurement strategy are:

- Where applicable comply with the Government Rules of Sourcing
- Outcomes and business impact is considered with the commencement of every procurement activity
- Oversight of whole of life costs rather than upfront costs only
- Manage risk appropriately.

Procurement plans and individual business cases will be prepared for individual projects or group of projects. These will go through an approval process that will ensure each project is considered within the context of the wider merger programme. The merger programme will harness in-house existing capability from Unitec and MIT where possible and engage consultants and suppliers to supplement existing capability where additional capability is required.

The most significant procurement will come from the Digital workstream. Upon approval of this business case, a Digital Programme Business Case will be developed. Individual business cases for projects within the Digital Programme Business Case will subsequently be developed, as required.

Management case overview

There are six key areas that will underpin a successful merger and enable delivery on the investment objectives. A project workstream will be established for each key area with the projects being both part of, and enabling, the merger by enabling efficiencies within the merged entity and centralisation enabling continual insight into improvement opportunities.

The six project workstreams include:

1. **Establishment** - Establish governance structures, appoint key leadership roles, and develop comprehensive plans to guide the merger process effectively.
2. **Workforce** - Design and implement a new organisational structure s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
3. **Programme** - Integrate existing programmes to eliminate duplication, streamline operations, and improve overall efficiencies.
4. **Engagement** - Develop and implement new domestic and international engagement strategies, establish core values, and actively engage with key partners.
5. **Digital** - Transition to a stable digital technology stack that supports operational needs.
6. **Property** - Create a 10-year master plan for property development that rationalises the physical footprint and optimises space utilisation for future growth.

The work programme required to implement the preferred option is substantial and will be implemented in three phases, with the above workstreams spanning all phases:

- **Phase 1 (1 January 2025 – 31 December 2025) – Establishment and planning:** This phase will focus on:
    - Establishing Unitec and MIT as a legal entity from 1 January 2026
    - Appointing a Chief Executive for the new entity
    - Establishing an integrated leadership structure for the merged entity
    - Commencing and progressing merger planning.
- **Phase 2 (1 January 2026 – 31 December 2027) – Alignment:** This phase will focus on aligning programmes and implementing a new operating model for the merged entity.
- **Phase 3 (1 January 2028 – 31 December 2029) – Rationalisation:** This phase will focus on rationalising the footprint of the merged entity to respond to the needs of the new operating model.

Strategic Case

Divisions overview

Unitec and MIT are vocational education providers in the Auckland region. Auckland has the highest concentration of Private Training Establishments (PTEs) in the country and three universities offer bachelor's degrees similar to those of Unitec and MIT from major campuses in Auckland. As at the June 2024 forecast, Unitec and MIT had a combined 10,074 Equivalent Full-Time Students (EFTS) (Unitec 5,273; MIT 4,801) and employed 1,267 full time equivalent (FTE) employees (Unitec 642; MIT 625).

Unitec and MIT operate independently of each other yet have a history of collaboration that has increased in recent years due to sector-wide challenges and reform initiatives. While some leadership positions have been merged and functional areas are reviewed for potential integration when vacancies arise, significant areas of separation still exist. Most like-for-like functional responsibilities across Unitec and MIT remain separated, and different academic leadership operating models are in place. However, both institutions share a common senior leadership team, which has enabled people cost savings and provides a foundation for further collaboration.

In mid-2024, Unitec and MIT commissioned Kantar to undertake market-based research into stakeholder perspectives on Unitec and MIT, including around a potential merger. Stakeholders appreciated the potential benefits of merger, including the ability to provide students greater flexibility and accessibility, but expressed a strong sentiment that Unitec and MIT have distinct identities and should not lose them, or their unique strengths, in the process. Across all stakeholder groups, the primary expectation of MIT and Unitec is to deliver practical, hands-on training that aligns closely with industry needs.

Regional needs

The Auckland region is New Zealand's largest market for learners with 104,000 learners in 2023, being 36% of national learners. 132 tertiary education institutions (TEIs) compete within the region, with 14 of the 16 former ITPs operating in Auckland. The University of Auckland, Auckland University of Technology (AUT) and Massey University, are the largest TEIs in Auckland. Together, they account for 55% of Auckland's learner market. Unitec and MIT combined account for 8%.

Auckland, as New Zealand's largest market for learners, presents unique challenges and opportunities for vocational education. With an estimated population of 1.7 million in 2024, the region's population has grown by 19,550 in the last year, representing a 1.17% annual change. The region includes 104,482 learners, representing 36.1% of the national learner population.

The Auckland region is projected to account for about 40% of New Zealand's population growth between 2018 and 2048, which will increase Auckland's share of the national population from 33% in 2022 to 35% in 2048. Population growth is expected to vary across Auckland, with North Auckland

projected to grow the fastest at 0.8% per year, followed by Central Auckland at 0.7%, South Auckland at 0.6% and West Auckland at 0.8% annually between 2023 and 2033.

Compared with New Zealand's age structure, Auckland has a smaller proportion of people in 65+ age bracket (13.3% compared to 16.6% nationally) and a higher proportion of people in 20-39 age bracket (30.4% compared to 27.3% nationally). This has education and labour market implications as it suggests a larger working age population due to younger people entering the region and an exit of retirees.

Auckland's diverse economy contributes nearly 40% of New Zealand's GDP and is dominated by professional, scientific and technical services, information media and telecommunications, and financial and insurance services.

Figure 1: EFTS Auckland market by TEI type 2023 *(Source: Ngā Kete – TEC)*

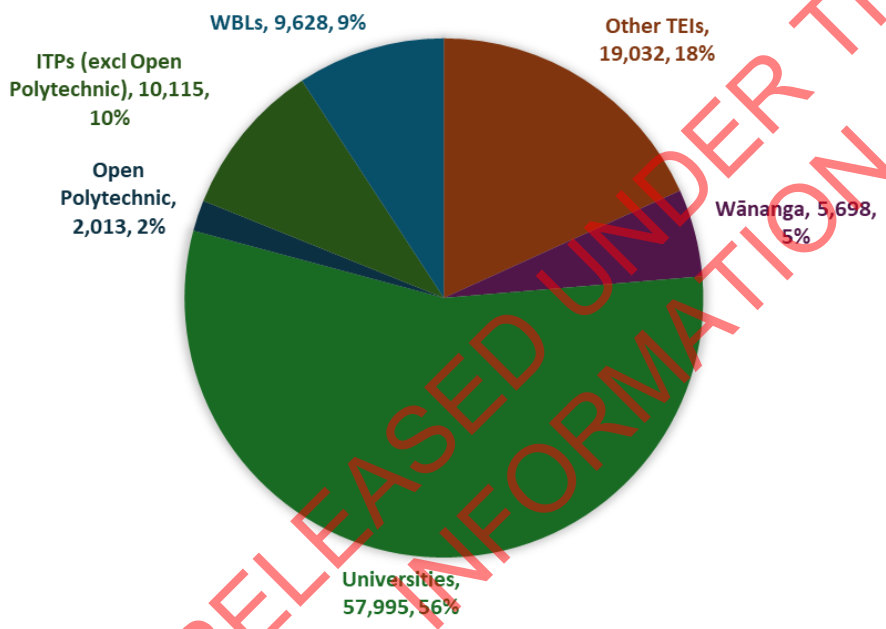
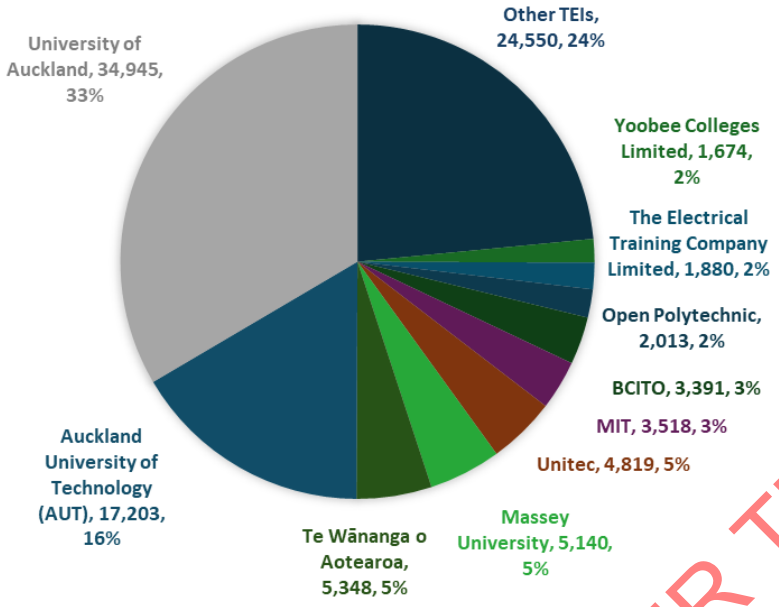


Figure 2: Auckland learner market (EFTS) 2023 *(Source: Ngā Kete – TEC)*



In 2020, the Regional Skills Leadership Group (RSLG) released their plan for Tāmaki Makaurau 'Building the workforce for better jobs' and identified key industries of focus, including construction and infrastructure, community health, education and social services, hospitality, horticulture, screen and creative industries, and manufacturing, engineering, logistics and transport (see *Appendix 1*). Aligning vocational education with industry needs is essential for the economic development and workforce readiness of the region.

In December 2024 Martin Jenkins delivered an 'Auckland socio-economic profile' for Unitec and MIT. The profile included projected job openings for Auckland over 2024 to 2029. Certificate Level 1-3 are relevant for 38% of projected job openings and degrees are relevant for 35%. Unitec and MIT provide programmes at the certificate and degree level that are closely aligned with many of the key industries identified in the RSLG report, playing a crucial role in preparing a skilled workforce that can effectively contribute to the local economy.

However, despite the highly competitive vocational education landscape in Auckland, the RSLG expressed concern about the lack of access to vocational education across the region. It noted the disparity in availability of campus-based vocational education programmes across Auckland with MIT predominantly located in Ōtara and Manukau, and Unitec based in Mt Albert and Henderson. The rest of Auckland, including the Auckland Isthmus, North Shore and West Auckland from Henderson to Helensville, has no access to polytechnic campuses within reasonable travelling distance. The disparity is the result of outward housing and population growth of Auckland over the last few decades and the transition of the Auckland Technological Institute, with campuses in the CBD and North Shore, to university status in 2000.

This business case explores whether Unitec and MIT as a combined Auckland vocational education provider can better serve Auckland through scale and efficiency savings that could enable MIT and Unitec to:

- expand vocational education provision to North and West Auckland
- better tailor its provision to the needs of Auckland to support New Zealand's increased growth and productivity goals
- provide a clearer point of entry for partners, learners and stakeholders enabling the needs of these three groups to be better met.

As outlined in the economic case, **Option 5: Full integration** is the preferred option. This option would establish Unitec and MIT as a merged entity and achieve better financial outcomes through efficiencies while providing the scale and expertise to expand and improve vocational education provision across Auckland and its industries. Investment objectives, existing arrangements and business needs.

Investment objectives, existing arrangements and business needs

Investment Logic Map

This business case is underpinned by an Investment Logic Map process, as shown in *Appendix 2.*

A facilitated case for change workshop was held in September 2024 s 9(2)(ba)(i) to identify key problems and opportunities, establish merger objectives, and explore potential merger benefits. Workshop attendees considered operational aspects of merging, discussing changes to the operating model, including school structure, core processes, workforce, and technology.

Six problem statements were developed, as outlined in the existing arrangements and business needs section below. The agreed problem statements have been used to inform the development of the merger investment objectives.

Investment Objectives

The key stakeholders identified and agreed the following key investment objectives:

1. Achieve operational cost efficiencies.
2. Increase learner access and enhance market responsiveness.
3. Optimise operational effectiveness and improve stakeholder engagement.
4. s 9(2)(b)(ii), s 9(2)(ba)(ii)
5. Modernise and standardise digital infrastructure.

Existing Arrangements and Business Needs

Table 1: Summary of the existing arrangements and business needs

Investment Objective One	**ACHIEVE OPERATIONAL COST EFFICIENCIES**
Existing Arrangements	Currently, Unitec and MIT operate as separate entities preventing them from benefiting from economies of scale, resulting in higher than necessary operating costs. This expense reduces funding for frontline education services.
Business Needs	Combining resources and operations could enable economies of scale, reducing overall operating costs and improving efficiency across both divisions. By streamlining processes and sharing resources, the merged entity could operate more cost-effectively, allowing for reinvestment in services to meet regional needs. As Auckland is New Zealand's largest learner market and accounts for 38% of NZ's GDP and 35% of employment, better meeting regional needs would be of great benefit to New Zealand as a whole.
Investment Objective Two	**INCREASE LEARNER ACCESS AND ENHANCE MARKET RESPONSIVENESS**
Existing Arrangements	Currently Unitec and MIT offer some similar programmes resulting in duplication across the region. Operating independently limits Unitec and MIT's ability to unify and optimise a comprehensive range of accessible and relevant learning programmes, which potentially restricts their capacity to meet the needs of learners in the region. As a result, outcomes for learners may not be optimised due to cost constraints limiting the ability to ensure provision is meeting all learner needs (location, mode, frequency etc.), and divisions not contributing as effectively as they could to regional growth and development.
Business Needs	Through aligning and improving the range of programmes offered and combining the strengths and resources of Unitec and MIT, it could be possible to create a more effective and accessible set of programmes that has been targeted to meet market and identified needs.
Investment Objective Three	**OPTIMISE OPERATIONAL EFFECTIVENESS AND IMPROVE STAKEHOLDER ENGAGEMENT**
Existing Arrangements	Unitec and MIT operate with inconsistent processes, which is a barrier to collaboration. Additionally, engagement with stakeholders is disjointed and inconsistent due to separate engagement channels, making it challenging for external parties to effectively connect with either division. Both these factors limit ability to respond to market shifts and adapt offerings to changing industry demands and student needs quickly. As a result, both divisions risk remaining relevant and competitive in a rapidly evolving landscape.
Business Needs	Integrating core business processes could drive operational efficiencies. Integration should focus on streamlining operations, reducing duplication, and fostering collaboration. Consolidating and rationalising educational programmes and teaching delivery methods across both divisions could create a more agile and responsive educational offering that better meets the needs of the region. By combining resources and expertise, the merged entity could more effectively monitor market trends, anticipate changes in industry requirements, and be more effective in adjusting curriculum and delivery methods to respond to identified market needs.

	This, alongside creating a more unified and consistent approach to stakeholder interactions, could enable Unitec and MIT to better serve the region and establish and maintain effective engagement and relationships with stakeholders.
Investment Objective Four	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Existing Arrangements	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Business Needs	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Investment Objective Five	**MODERNISE AND STANDARDISE DIGITAL INFRASTRUCTURE**
Existing Arrangements	Currently, Unitec and MIT have separate digital platforms and systems, s 9(2)(b)(ii)
Business Needs	There is a pressing need to modernise and standardise digital tools and platforms across both institutions. Combining resources to transfer onto one platform and replace outdated systems where necessary with modern, integrated solutions, could serve the divisions more effectively.

Main benefits

At a facilitated workshop on 13 September 2024, stakeholders identified and prioritised the top five benefits of a merger.

Table 2: Analysis of primary benefits

BENEFIT	DESCRIPTION	PERFORMANCE MEASURE
Cost Savings and Efficiency	By consolidating administrative functions, Unitec and MIT could reduce overhead costs associated with multiple campuses, s 9(2)(b)(ii), s 9(2)(ba)(ii) Shared resources and services could lead to more efficient	• Improved resource utilisation rate. • Increased available teaching hours. • Improvement in overhead cost ratio. • Cost reduction percentage.

BENEFIT	DESCRIPTION	PERFORMANCE MEASURE
	use of funds. Additionally, moving to a new operating model could enable more effective use of resources through increasing resource availability and utilisation. Achieving cost savings and efficiency would enable Unitec and MIT to broaden its offering, both in scope to better serve Auckland key industries and location to better serve North and West Auckland.	
Greater Resilience and Stability	A merged institution is likely to be more resilient in the face of challenges such as declining enrolment, economic downturns, or funding cuts. With a larger and more diverse student body, faculty, and programme offerings, the institution could better withstand pressures and maintain stability.	• Sustainable Value Creation; growth, stability, acceptable risk, earnings profile. • Enrolment stability index.
Improved Stakeholder and Partner Experience	Merging could enable enhanced academic and pastoral student support services, including counselling, career services, and tutoring. By pooling resources, the divisions could offer specialised staff dedicated to serving a larger student population, ultimately improving the overall student experience.	• Increased Learner Voice Feedback survey results. • Average time to graduate. • Increased student retention and success. • Support services utilisation rate.
Streamlined Academic Offerings	Combining curricula allows the merged divisions to provide a streamlined range of courses and programmes. This expansion not only could attract more students but also offers greater flexibility in academic planning for both students and faculty.	• Labour market participation rate growth, segmented by region. • Percentage and detail of programmes / courses with a positive contribution margin. • Increase in enrolments in fewer courses (due to less duplication of courses). • Improved student:staff ratio (EFTS:FTE).
Enhanced Access and Flexibility	Merging the divisions could allow for a more efficient use of resources through unified administration. This consolidation could not only reduce duplication of resources but also enhance the overall learning environment. By streamlining facilities, students would benefit from improved access to high-quality programme spaces, making learning more accessible and better suited to meet the diverse needs and circumstances of all learners.	• Occupancy rates for teaching spaces. • Increase in campus utilisation rates. • Resource sharing efficiency: reduction in duplicate resources. • Increased number of referrals through international agents.

Risks, key, constraints and dependencies

Risks

The main risks to the achievement of the investment objectives are identified and analysed below.

Table 3: Initial risk analysis

Risk Ref.	MAIN RISKS	RISK MANAGEMENT STRATEGIES (MITIGATIONS)
1	Delays in the disestablishment of Te Pūkenga and associated regulatory changes may impede the merger process.	• Establish a dedicated team to liaise with government bodies and monitor regulatory progress. • Develop contingency plans for various timeline scenarios. • Maintain open communication channels with regulatory authorities.
2	Unitec and MIT may lack adequate capabilities or resources to successfully execute the complex merger.	• Ensure a merger governance framework is established prior to the commencement of the programme. • Engage external consultants with merger experience in the education sector. • Implement a robust project management framework to oversee the merger process.
3	Lack of awareness, understanding, or trust among staff and stakeholders may lead to resistance or poor contribution to the merger process.	• Develop a comprehensive engagement and communication strategy to keep all stakeholders informed. • Conduct regular town halls and feedback sessions to address concerns. • Create opportunities for staff involvement in merger planning and implementation.
4	Financial pressures may lead to inadequate consideration of Te Tiriti o Waitangi principles in governance, management, and operations.	• Allocate specific resources for Māori-focused initiatives and programmes. • Ensure dedicated responsibility across multiple roles and workstreams to Te Tiriti considerations.
5	Ineffective change management may disrupt business-as-usual operations during the transition.	• Develop a detailed transition plan with clear milestones and responsibilities. • Implement a change management framework focused on minimising operational disruptions. • Provide additional support and resources to key operational areas during the transition.

Risk Ref.	MAIN RISKS	RISK MANAGEMENT STRATEGIES (MITIGATIONS)
6	The merger process may incur unexpected costs or strain existing financial resources.	• Conduct a thorough financial due diligence and develop a realistic merger budget. • Implement strict cost control measures and regular financial reviews. • Identify potential synergies and cost-saving opportunities early in the process.
7	Uncertainty surrounding the merger may lead to a decline in student enrolments and revenue.	• Develop a strong marketing campaign to reassure current and prospective students. • Focus on maintaining and improving programme quality throughout the merger process.
8	Difficulties in integrating IT systems may lead to operational inefficiencies and increased costs	• Conduct a comprehensive IT systems audit early. • Develop a phased approach to system integration with clear priorities.
9	Differences in organisational cultures between Unitec and MIT may hinder effective integration.	• Develop a new and shared organisation culture and values that incorporates strengths from both divisions. • Implement cross-institutional teams to foster cultural integration.

Key constraints and dependencies

The merger is subject to the following constraints and dependencies. Management strategies and registers will be developed to record management of these, and they will be carefully monitored and managed during the programme.

Table 4: Key constraints and dependencies

CONSTRAINTS		NOTES
C1	Financial resources for merger implementation (cost of change)	Although efficiency gains could be made, the merger process and subsequent operational changes require investment which must be executed within the available budget, considering both the costs of merging and the potential for long-term cost savings.
C2	Organisation capacity and capability to deliver the level of change required	The capability and capacity of Unitec and MIT to actively engage with the merger programme is vital to the success of the programme. However, it is imperative the provision of education and training are maintained during this time, with minimal disruption.
C3	s 9(2)(b)(ii), s 9(2)(ba)(ii)	s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)

C4	Regulatory and legal requirements	The merger must adhere to all relevant educational regulations, including those related to the disestablishment of Te Pūkenga and the establishment of the new merged entity.
DEPENDENCIES		**NOTES**
D1	Work programme interdependencies	The programme is comprised of workstreams that need to be carefully managed and governed as a closely interconnected programme of work to ensure the merger objectives are achieved. The success or failure of any given workstream will have significant implications for the remaining workstreams.
D2	Stakeholder and Partner Engagement and Approval	Merger progress depends on effective engagement and buy-in from key stakeholders, including staff, students, unions, and community partners. A comprehensive stakeholder engagement plan would need to be developed.
D3	Academic Programme Alignment	s 9(2)(b)(ii) [redacted] This process must ensure continued quality of education and minimal disruption to students.
D4	IT Systems Integration	The successful merger relies on the effective integration of IT systems from both institutions. This process may be complex and time-consuming, potentially affecting other aspects of the merger. This workstream should be established early to enable thorough assessment and planning for IT integration.

Economic Case

Purpose of this section

This section outlines the economic choices that must be made to achieve the investment objectives and recommends the preferred way forward to achieve the desired objectives and benefits.

Having established the strategic context and established a robust case for change, the Economic Case:

- Outlines Critical Success Factors used to assess the preferred way forward for the investment
- Identifies and assesses options for the future of Unitec and MIT
- Recommends a preferred option for implementing and delivering the merger of Unitec and MIT
- Identifies affordability and funding considerations to deliver the preferred option
- Provides a high-level overview of how the merger of Unitec and MIT will be delivered

Critical success factors

We have adapted Treasury's Better Business Case (BBC) framework to provide objective analysis in a consistent format for decision-makers. The following Critical Success Factors (CSFs) were identified by stakeholders at the facilitated options workshop. The CSFs have been used to assess the options.

Table 5: Critical Success Factors

KEY CRITICAL SUCCESS FACTORS	DESCRIPTION
Strategic fit and business needs	*How well the option:* • meets the agreed investment objectives, related business needs and requirements, and • fits with other strategies, programmes and projects.
Potential value for money	*How well the option:* • optimises value for money (i.e., the optimal mix of potential benefits, costs and risks).
Potential affordability	*How well the option:* • can be met from likely available funding, and • matches other funding constraints. This is particularly important, as based on the current economic environment in New Zealand the expectation would be that no further capital funding would be provided for each entity.
Potential achievability	*How well the option:* • is likely to be delivered given the organisation's ability to respond to the changes required, and • matches the level of available skills required for successful delivery.

Merger operating model options

The purpose of this section is to identify and assess options that will enable Unitec and MIT to achieve the investment objectives.

The long list of options assessed in this business case for the future of Unitec and MIT are:

1. **Exit Te Pūkenga as standalone entities** and work independently – a return to the status quo prior to RoVE.
2. **Shared back-office functions** – Unitec and MIT are separate business divisions with shared corporate functions.
3. **Integrated development** – Unitec and MIT have a fully integrated back office and unified programmes, but delivery is independent.
4. **Integrated delivery** – Unitec and MIT develop programmes/services independently but deliver services through an integrated frontline.
5. **Full integration** – all functions and business capabilities of Unitec and MIT are integrated as one organisation.

The summary assessment of each of the options is provided below.

Table 6: Options appraisal

Option 1	**STANDALONE AND INDEPENDENT**
Description	Under this option, Unitec and MIT would exit Te Pūkenga as standalone, independent entities with individual governance structures. This represents a return to the status quo prior to RoVE and has been included as a base case to provide a point of comparison for the other options.
Advantages	• Value proposition of each entity retained. • Agreeability and perceived ability to better serve existing stakeholders and partners.
Disadvantages	• Limits ability to achieve economies of scale and further economies of scope. • Significant investment required to re-establish separate governance and leadership for each entity. • Limited ability to leverage combined expertise and resources. • Difficulty in responding to broader regional or national workforce needs. • Duplication of programmes across entities.
Conclusion	This option allows both institutions to maintain their unique identities and avoid the challenges of a merger. While economies of scale and scope can offer cost efficiencies and resource optimisation, merging two economically viable institutions can also lead to significant challenges. These challenges include potential cultural clashes, disruption of established processes, and the dilution of each institution's brand and reputation. Additionally, the transition costs and the effort required to integrate systems, staff, and operations can be substantial.
Option 2	**SHARED BACK-OFFICE FUNCTIONS**
Description	Under this option, Unitec and MIT would exit Te Pūkenga as two distinct divisions with separate purposes, visions and strategies. Common back-offices functions such as s 9(2)(b)(ii), s 9(2)(ba)(ii)

	s 9(2)(b)(ii), s [redacted] would be established with consistent procedures and guidelines for shared functions implemented. Student-facing, teaching, academic and pastoral support, and research functions of each division would be kept distinct with separate policies and procedures. Divisions would each have separate governance and senior leadership teams with accountabilities for aspects of the shared back office.
Advantages	• Enables process standardisation. • Enables some economies of scale with some digital infrastructure and back-office functions able to be shared across.
Disadvantages	• Limits ability to improve stakeholder and partner experience. • Limits ability to make significant changes to offerings. • Complexity regarding delivery of core education products. • Duplication of efforts with a number of key tasks required to be done twice, i.e. two Investment Plans, two annual reports and two internal and external audit programmes. • Complications with regards to cost sharing and internal charging would likely see a level of duplication.
Conclusion	The key advantages of this option are available under the full integration option (option 5). However, option 5 has additional benefits such as consolidated leadership and development and reduced complications regarding cost sharing. The costs involved with this option would be similar to those costs under option 5. Therefore, a lesser level of benefits would be achieved under this option for a similar cost to option 5.
Option 3	**INTEGRATED DEVELOPMENT**
Description	Under this option, Unitec and MIT would exit Te Pūkenga as two distinct divisions with separate trading brands and different market propositions. Strategy, policy and programme development would be managed centrally with centralisation of some common functions such as s 9(2)(b)(ii), s 9(2)(ba)(ii) [redacted] Teaching delivery would be separated with separate policies. Programmes would be unified but delivered by the brands. There would be two governance and leadership teams with clear responsibilities across back-office functions.
Advantages	• Enables dedicated frontline connection to local communities with a shared strategy and vision. • Allows for tailored approaches to serve specific local community needs. • Enables some economies of scale. • Facilitates knowledge sharing and best practices between entities.
Disadvantages	• Limits ability to improve stakeholder and partner experience. • Significant duplication in delivery. • Complexity in aligning different organisational cultures and processes. • Increased administrative burden in coordinating centralised and decentralised functions.
Conclusion	The operational model for this option would result in duplication and complications due to the lack of unified leadership to guide development. Consequently, the development team would face competing priorities. Although this model could be seen as a transitional phase for a merger, its structure makes successful integrated development unlikely. Additionally, the establishment and transition costs from standalone to integrated operations would make this a challenging path to a full merger.

Option 4	INTEGRATED DELIVERY
Description	Under this option Unitec and MIT would exit Te Pūkenga as two distinct divisions with separate back-office, strategy, policy and programme development functions. However, teaching delivery would be integrated.
Advantages	• Increased ability to provide flexible delivery. • Enables some economics of scale and scope on education delivery.
Disadvantages	• Limits ability to achieve operational efficiencies as unable to deliver single end to end process for learners. • Investment required to consolidate delivery. • Complications regarding cost sharing and shared resources will likely lead to each division duplicating shared functions. • Complications arise from shared responsibility for education performance, TEC reporting, and overall stakeholder satisfaction, due to the absence of direct reporting lines.
Conclusion	Despite the potential advantages of this option, its long-term viability is undermined by significant challenges. The inability to establish a cohesive end-to-end process for learners likely would lead to operational inefficiencies and confusion. Additionally, the complications surrounding cost sharing and shared resources may result in duplicated functions, while unclear accountability for education performance could hinder stakeholder satisfaction.
Option 5	**FULLY INTEGRATED**
Description	Under this option Unitec and MIT would exit Te Pūkenga as a single entity with a single suite of offerings. The new entity would comprise a single organisational structure throughout, including governance. Locations/modes/services would align to customers and offerings. Programmes would be aligned with one programme per NZQA qualification. The entity would have one academic board and all enabling functions would be centralised.
Advantages	• Highest ability to achieve economies of scale (i.e. ability to reduce cost via scale on leadership, admin functions etc). • Highest ability to achieve economies of scope utilising the combined resources of MIT and Unitec (i.e. broader course offerings without significant cost increase). • Current interim state of both entities with some shared leadership and identity underneath Te Pūkenga. • Increased bargaining power for contracts and partnerships. • Better alignment with regional and national workforce needs. • Potential for stronger brand recognition and market position.
Disadvantages	• High level of investment required. • May decrease ability to serve existing stakeholders and partners. • Potential loss of unique institutional identities and cultures. • Risk of short-term operational disruptions during the transition period.
Conclusion	By merging, Unitec and MIT would likely be able to achieve significant cost efficiencies, improve resource utilisation, and enhance their ability to respond to market demands. This could ultimately lead to a more sustainable and effective educational institution. These advantages need to be considered against the cost associated with transitioning to this structure and culture challenges associated with creating a jointed institution. However, if ever there was a time to pursue a merger

	of Unitec and MIT, the current disestablishment of Te Pūkenga and current shared leadership structures provide the ideal conditions.

Long-list option assessment against critical success factors

The five options were assessed against the investment objectives and critical success factors as shown in the table below.

Table 7: Options assessment

		Assessment scores for each option (1-5, 5 high)									
		1: STANDALONE ENTITIES		2: SHARED BACK-OFFICE		3: INTEGRATED DEVELOPMENT		4: INTEGRATED DELIVERY		5: FULL INTEGRATION	
		Score	Comment	Score	Comment	Score	Comment	Score	Comment	Score	Comment
Optimise Investment Objectives	Achieve operational cost efficiencies	1	Working independently means Unitec and MIT will not be able to leverage economies of scale to be more efficient and reduce operating costs. Additionally, separating out the existing leadership structure will add approx. $2.4m in personnel costs per entity.	3	This option will achieve some operational cost efficiencies by enabling some reduction in back-office FTE and some cost savings through providing a centralised view of costs enabling identification of opportunities for efficiency gains.	3	This option will achieve some operational cost efficiencies through centralising some common functions.	3	This option will achieve some operational cost efficiencies through reducing resource needed for delivery.	5	This option would enable the merged entity to leverage economies of scale to be more efficient and reduce operating costs. Efficiencies would also be gained through removing duplication.
	Increase learner access and enhance market responsiveness	1	This option may make access more difficult for learners and industry. Although the two entities have retained strong separate brand awareness in spite of Te Pūkenga brand, the distinction of each entity may be unclear to the Auckland market they both serve.	2	This option will somewhat enhance market responsiveness by enabling some cost savings, allowing for reinvestment, and some centralised view of learner and market needs.	4	This option will somewhat enhance market responsiveness by enabling some cost savings, allowing for reinvestment, and some centralised view of learner and market needs.	2	This option will somewhat enhance market responsiveness by enabling some cost savings, allowing for reinvestment, and some centralised view of learner and market needs.	5	A consolidated Auckland provider could adopt a more strategic approach to identifying and responding to workforce and learner needs. This option would improve learner access and market responsiveness by offering a broader and more accessible range of learning programmes and enable more effective delivery to the Auckland market.

	Assessment scores for each option (1-5, 5 high)									
	1: STANDALONE ENTITIES		2: SHARED BACK-OFFICE		3: INTEGRATED DEVELOPMENT		4: INTEGRATED DELIVERY		5: FULL INTEGRATION	
	Score	Comment	Score	Comment	Score	Comment	Score	Comment	Score	Comment
operational effectiveness and improve stakeholder engagement	1	This option will not enable increased operational effectiveness due to duplicative process, nor will improved stakeholder engagement be achieved due to each division having to respond separately to stakeholder needs as opposed to pooling resources to more effectively respond.	3	This option will enable increased operational effectiveness and improved stakeholder engagement.	3	This option will enable increased operational effectiveness and improved stakeholder engagement.	3	This option will enable increased operational effectiveness and improved stakeholder engagement.	5	This option will enable increased operational effectiveness and improved stakeholder engagement by strengthening the ability to fulfil local needs by developing solutions that draw upon the combined resources and expertise of Unitec and MIT.
s 9(2)(b)(ii), s 9(2)(ba)(ii)	1	This option will not improve s 9(2)(b)(ii), s 9(2)(ba)(ii)	3	This option may enable some improvement in s 9(2)(b)(ii), s 9(2)(ba)(ii)	3	This option may enable some improvement in s 9(2)(b)(ii), s 9(2)(ba)(ii)	3	This option may enable some improvement in s 9(2)(b)(ii), s 9(2)(ba)(ii)	4	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Modernise and standardise digital infrastructure	1	This option will not enable the entities to strategically modernise and standardise digital infrastructure due to each entity lacking sufficient funding for investment.	3	This option will allow for some strategic modernisation and standardisation of digital infrastructure.	3	This option will allow for some strategic modernisation and standardisation of digital infrastructure.	3	This option will allow for some strategic modernisation and standardisation of digital infrastructure.	5	This option will enable strategic modernisation and standardisation of digital infrastructure to enable the two divisions to work as a merged entity.

	Assessment scores for each option (1-5, 5 high)									
	1: STANDALONE ENTITIES		2: SHARED BACK-OFFICE		3: INTEGRATED DEVELOPMENT		4: INTEGRATED DELIVERY		5: FULL INTEGRATION	
	Score	Comment	Score	Comment	Score	Comment	Score	Comment	Score	Comment
Integration with other strategies, programmes and projects	3	This option is consistent with wider sector considerations as Unitec and MIT have been found to be financially viable as standalone entities.	3	This option is somewhat consistent with wider sector considerations.	3	This option is somewhat consistent with wider sector considerations.	3	This option is somewhat consistent with wider sector considerations.	3	This option is consistent with wider sector considerations as a merged entity will likely be more financially sustainable than as standalone entities.
Potential value-for-money		This option would not provide value for money as removing the existing integrated leadership structure would add additional cost to each division beyond current levels.	3	This option would provide some value for money as, although a level of investment would be required, some ongoing cost savings could be realised.	3	This option would provide some value for money as, although a level of investment would be required, some ongoing cost savings could be realised.	3	This option would provide some value for money as, although a level of investment would be required, some ongoing cost savings could be realised.	5	This option would realise long-term ongoing cost savings and not require separate leadership positions.
Potential affordability	3	This option would be affordable as it is a return to the status quo to RoVE and each division has been assessed as financially viable to enable standalone status.	2	This option would require some investment to establish shared services (i.e. some shared digital technology, such as common finance systems).	2	This option would require some investment.	2	This option would require some investment (i.e. some shared digital technology, such as timetabling).	3	This option would require investment due to the costs associated with the project workstreams, particularly digital and people costs. However, it would not require the costs associated with separate leadership structures.

	Assessment scores for each option (1-5, 5 high)									
	1: STANDALONE ENTITIES		2: SHARED BACK-OFFICE		3: INTEGRATED DEVELOPMENT		4: INTEGRATED DELIVERY		5: FULL INTEGRATION	
	Score	Comment	Score	Comment	Score	Comment	Score	Comment	Score	Comment
Potential achievability	5	This option is achievable as it is a return to the status quo to RoVE and each division has been assessed as financially viable to enable standalone status. There is sufficient capacity and capability to deliver this option.	3	Developing shared back-office functions would require significant mahi to implement. Unitec and MIT likely have sufficient capacity and capability to deliver this option, although specialised, applied resource will be required.	3	Integrating development would require significant mahi to establish and implement. Unitec and MIT likely have sufficient capacity and capability to deliver this option, although specialised, applied resource will be required.	3	Integrating delivery would require significant mahi to establish and implement. Unitec and MIT likely have sufficient capacity and capability to deliver this option, although some specialised, applied resource will be required.	3	Merging would require significant mahi, alongside ensuring BAU operations are not negatively impacted. This option will require the highest level of mahi and investment to achieve which will require capacity and capability beyond that required to deliver BAU functions. Supporting capacity and capability will be required for this option.
Overall Assessment	17	This option is the least preferred option as it enables the fewest benefits to be realised and requires separate leadership structures that add additional cost beyond that associated with the current structure.	25	This option would enable a level of benefit to be achieved but significant cost would be incurred to realise this.	27	This option would enable a level of benefit to be achieved but significant cost would be incurred to realise this.	25	This option would enable a level of benefit to be achieved but significant cost would be incurred to realise this.	38	This option is the most preferred option. Although investment is required, a significant level of savings is able to be realised through an integrated leadership structure and efficiencies through scale and efficiencies.

The options assessment shows that the key advantages of options 2, 3 and 4 (all three being partial mergers of Unitec and MIT) are available under option 5 (full merger). However, option 5 provides the full benefit of these advantages. Therefore, options 2, 3 and 4 have been discounted, and precluded from the short-list.

The rest of this case assesses *Option 1: Standalone* against the preferred *Option 5: Full integration*. Note that options 2, 3 and 4 are available to pursue as part of option 5, if a staged merger approach is preferable.

Preferred option

Based on the assessment above, **Option 5: Full integration** is the preferred option. Option 5 would establish Unitec and MIT as a merged entity. Details of the initiatives that comprise the preferred option are included in the Management Case.

The forecast financial benefits of the merged entity are predicated on three key financial benefits:

- **Shared Leadership** resulting in substantial cost savings compared to the standalone entity.
- **Consolidation of international teams** provides significant scope to increase student numbers, diversify markets and reduce acquisition costs.
- **Shared digital infrastructure and process -** significant consolidation of digital applications to drive licence savings and a larger revenue base to support digital infrastructure development and upgrades.

Second order benefits not included within the financial forecast for the merged entity include:

- **Operational efficiencies** resulting from consolidation of key activities such as curriculum development, enrolment processing, audit, shared digital infrastructure etc.
- Domestic product delivery in Auckland **making use of the multiple locations for multi-model delivery** of blended learning increasing the addressable market for programmes offered at Unitec vs MIT.
- **Property savings** due to the combining of physical assets enabling property rationalisation and scale enabling potential expansion into new markets such as the s 9(2)(b)(ii)

The second order benefits are detailed below.

The improved financial outcomes achieved through the first and second order benefits would enable the merged entity to leverage its scale and resource base to expand and tailor its provision across Auckland and its industries, and enable strategic utilisation of combined resources to improve performance.

Operational Efficiency

Further cost savings between $2.2 - $4.2 million could be achieved through the consolidation of digital platforms and processes. s 9(2)(b)(ii), s 9(2)(ba)(ii)

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

Table 9: Potential operational efficiencies

ASSOCIATED FUNCTIONS	WORKFORCE BENEFITS TO INVESTIGATE	COMBINED FTE LEVELS (MERGED STRUCTURE)	POTENTIAL BENEFIT LEVEL	ESTIMATED ANNUAL FUTURE BENEFIT
s 9(2)(b)(ii), s 9(2)(ba)(ii)				$0.6- $1.2m per annum (based on 1% – 2% efficiency uplift).
				$0.9 – $1.8m, likely the area with the highest benefit (estimate based on 5 – 10% efficiency gain).
				$0.3 - $0.5m savings on compliance duplication.
				$0.0 - $0.5m but not until merger has been bedded in.
				Savings not apparent - further investigation required.
				Savings not apparent - further investigation required.

ASSOCIATED FUNCTIONS	WORKFORCE BENEFITS TO INVESTIGATE	COMBINED FTE LEVELS (MERGED STRUCTURE)	POTENTIAL BENEFIT LEVEL	ESTIMATED ANNUAL FUTURE BENEFIT
s 9(2)(b)(ii), s 9(2)(ba)(ii)				
				Savings not apparent - further investigation required.

Domestic product delivery

This case evaluates the potential alignment and consolidation of Unitec and MIT programmes if integrated as a single entity. However, due to TEC funding constraints, no additional uplift in delivery has been assumed, as clarification from the TEC regarding growth funding would be a prerequisite before Unitec or MIT should expand domestic delivery. Likewise, to not risk overstating merger benefits, no further uplift in international student has been assumed under full integration. The NPV analysis below assumes lower cost in commissions following utilisation of combined international networks.

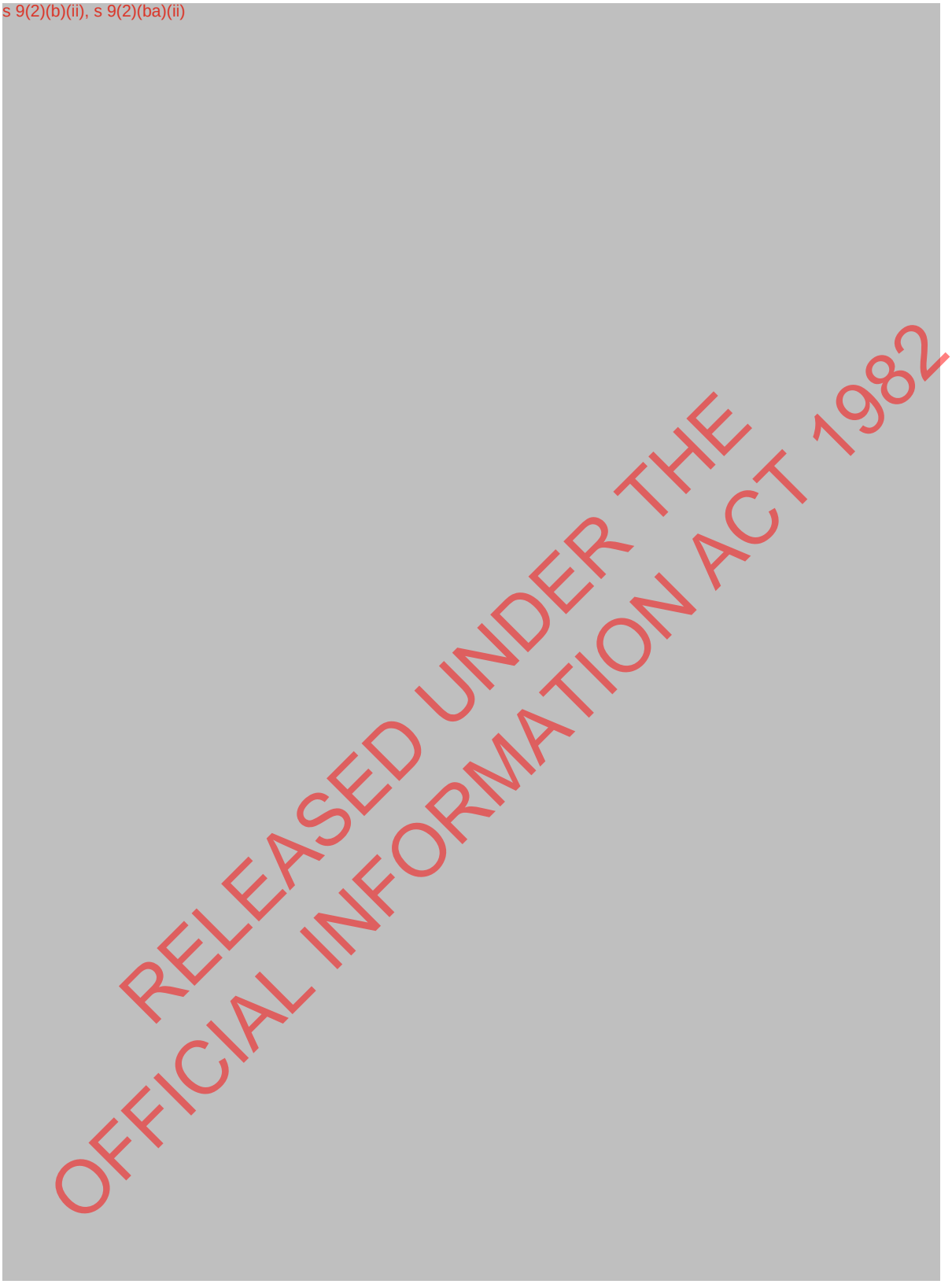
The table below highlights opportunities for a merged entity to align programmes (by integrating operating models and academic management structures) versus opportunities to consolidate programmes (by creating unified programmes, eliminating course duplication, and rationalising delivery locations and modes to achieve scale and operational efficiencies).

Where there is currently no offering at either Unitec or MIT, there is expansion opportunity for further regional delivery. Expansion requires further market evidence and confirmation of TEC funding for domestic programmes. There is also the option to consider different delivery models, with minimal additional cost associated with hybrid learning and mixed classrooms. Initially, it appears that the largest economic benefit would be alignment and consolidation for international products between both institutions, allowing both to potentially benefit from higher international enrolments.

Table 10: Potential alignment and consolidation of programmes

SCHOOL	MIT PROGRAMME	UNITEC PROGRAMME	POTENTIAL INTEGRATION
s 9(2)(b)(ii), s 9(2)(ba)(ii)			

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



Property savings

A merger of Unitec and MIT would enable property consolidation due to the large physical footprint exceeding space requirements for the merged entity. Ongoing property operating costs make it uneconomic to maintain such a footprint and maintaining a large footprint diverts focus from core

functions.

Consolidating the operating footprint of the merged entity would allow for revenue generation through leasing or sale of surplus space. Although this is a real and recognised opportunity, this has not been quantified in this business case as the manner of consolidation requires a strategic lens, therefore further work is required to understand the best way of realising this significant opportunity.

Net Present Value - the preferred way forward

Economic assessment of option assessment

The multi-criteria analysis above confirms there are two short-list options for Unitec and MIT to consider and concluded that *Option 5: Full integration* is the preferred option.

As shown in the table below, economic analysis of the cost and benefit for both short-listed options indicates that *Option 5: Full integration* has the highest potential value in terms of financial benefit, with an estimated Net Present Value (NPV) of $53.9m compared to Option 1.

The following table includes the NPV for the preferred option (*Option 5: Full integration*) over the 5-year discounted NPV with an allowance for terminal value (Terminal Value is to account for benefits beyond the five-year forecast period). A 5-year projection was used as currently there is unlikely to be material changes in the benefit estimates beyond the five-year timeframe, as such the use of terminal value accounts for the ongoing benefits.

Table 8: Short-list options economic analysis

		OPTION 1: EXIT TE PŪKENGA AS STANDALONE ENTITIES AND WORK INDEPENDENTLY		OPTION 5: FULL INTEGRATION	
		Present Value ($m)	Comment	Present Value ($m)	Comment
BENEFITS	Revenue	s 9(2)(b)(ii)	Revenue projection based on latest five-year forecast for each entity.	s 9(2)(b)(ii)	**$0m benefit** No uplift in revenue assumed within the business case.
	Personnel Cost (Benefit 1)	s 9(2)(b)(ii)	Working independently means Unitec and MIT will not be able to leverage economies of scale and separating out the existing leadership structure will add approx. $2.4m in personnel costs.	s 9(2)(b)(ii)	This option would enable the merged entity to leverage economies of scale to be more efficient and reduce operating costs. s 9(2)(b)(ii), s 9(2)(ba)(ii)
	International Commission Payments (Benefit 2)	s 9(2)(b)(ii)	Based on projected international revenue and forecast commission payments.	s 9(2)(b)(ii)	Based on a 15% saving at MIT utilising the Unitec network for direct acquisition.

	OPTION 1: EXIT TE PŪKENGA AS STANDALONE ENTITIES AND WORK INDEPENDENTLY		OPTION 5: FULL INTEGRATION	
	Present Value ($m)	Comment	Present Value ($m)	Comment
Total operating cost (including Benefits 3 digital licence savings)	s 9(2)(b)(ii)	This option will not enable the entities to strategically modernise and standardise digital infrastructure.	s 9(2)(b)(ii)	This option will enable strategic modernisation and standardisation of digital infrastructure to enable the two divisions to work as a merged entity. As such, lower operating cost.
Investment Capex (incremental cost relating to Benefit 3)	s 9(2)(b)(ii)	Discounted investment capex with a provision for terminal value based on normalised capital spend.	s 9(2)(b)(ii)	Higher investment capex largely relating to digital spend. This option will enable strategic modernisation and standardisation of digital infrastructure to enable the two divisions to work as a merged entity.
Merger Project Costs (Benefit 4)	-	Nil	s 9(2)(b)(ii)	Merger programme costs discounted
Overall Assessment	s 9(2)(b)(ii)	**Discounted present value of free cash flow.**	s 9(2)(b)(ii)	Higher present value than under option one.
Discounted Cash Flow Benefit of Full integration (Option 1 less Option 5)			**$53.9m**	Net Present Value of $53.9m as workforce and opex saving offset forecast investment requirements.

Establishment and development costs

NPV analysis includes the total cost of transformation in the preferred option as set out in the table below.

Table 11: Indicative establishment and development costs per financial year ($ millions)

COST DETAIL	DESCRIPTION	5 YEAR + TERMINAL VALUE DISCOUNTED COST ($m)
Benefit 1: Establishment cost for leadership structure	Cost associated with recruitment and redundancy for new leadership structure.	s 9(2)(b)(ii)
Benefit 2: Combined international strategy development and implementation	Provisional allowance for development of a combined international strategy.	s 9(2)(b)(ii)

COST DETAIL	DESCRIPTION	5 YEAR + TERMINAL VALUE DISCOUNTED COST ($m)
Benefit 3: Incremental Digital Cost – (FY25-FY29)	Total project cost associated with the consolidation of digital platforms. Nominal project costs of s 9(2)(b)(ii) excluding contingency. An s 9(2)(b)(ii) contingency has been included based on a 30% allowance for optimism bias on each key element of time, incremental resource requirements and the average cost of incremental resource – resulting in a total contingency of approximately 87%.	s 9(2)(b)(ii)
Benefit 4: Merger Integration cost	Cost associated with running the merger integration workstream.	s 9(2)(b)(II)
Total discounted cost of transformation	**Total transformation cost associated with achieving key benefits.**	**$24.0m**

Benefits

A number of financial benefits have been identified and quantified as part of the NPV calculations. Each benefit is detailed and quantified in the table below:

Table 12: Indicative 5-year discounted benefits ($ Millions)

BENEFIT	DESCRIPTION	5 YEAR + TERMINAL VALUE DISCOUNTED BENEFIT ($m)
Benefit 1: Savings from consolidated leadership	As outlined in more detail in *Appendix 4*, the net increase in FTE is 46 under a standalone structure for MIT and Unitec. The joint leadership structure provides the single largest financial benefit measured within this Indicative Merger Case.	s 9(2)(b)(ii)
Benefit 2: International Uplift	Estimated financial benefit included in this analysis is considered conservative, as it is based on reducing MIT commission payments by use of Unitec's direct market channels. As outlined in *Appendix 5* there are further opportunities to increase and diversify international markets via a merged entity.	s 9(2)(b)(II)
Benefit 3: License (and platform upgrades) savings from digital transformation	License saving are small within the first few years, as several licenses need to run concurrently. License savings increase to s 9(2)(b)(ii) by FY29 following platform consolidation. The consolidation brings forward upgrades that standalone entities could push out in their standalone digital plans s 9(2)(b)(ii)	s 9(2)(b)(II)
Benefit 4: Merger integration workstream	No financial benefit has been included for merger implementation workstream above – but likely that there would be some ongoing benefit to the new entity following completing the organisational development and strategy work required as part of the integration. s 9(2)(b)(ii), s 9(2)(ba)(ii)	Nil
TOTAL		**$77.9m**

Summary of discounted monetary costs and benefits

The summary discounted costs and benefits[1] over a 5-year forecast period, plus a discounted terminal value to represent the ongoing benefits and costs are presented in the table below.

The NPV analysis concludes that *Option 5: Full integration* is preferable to *Option 1: Standalone*. As outlined in *Appendix 4* the cost of moving to Option 5 is currently lower than would traditionally be expected under the merger of two separate entities, as there is currently shared leadership and central governance at Te Pūkenga. We note that some of this potential benefit would be removed should the institutions be set up as individual institutions then proceed to merge.

Table 13: Discounted monetary costs and benefits ($ Millions)

DETAIL	5 YEAR + TERMINAL VALUE NPV ($m)
Benefit 1: Savings from consolidated leadership	s 9(2)(b)(ii)
Benefit 2: International Uplift	
Benefit 3: License and platform upgrades savings from digital transformation	
Benefit 4: Merger integration workstream cost	
TOTAL	**$53.9m**

[1] Discounted costs and benefits refers to the process of adjusting future cash flows (both costs and benefits) to their present value using a discount rate. This allows for a fair comparison of cash inflows and outflows that occur at different points in time, typically over multiple periods.

Financial Case

Purpose of this section

The financial case examines the financial implications of the preferred option (Option 5: Full Integration) and assesses the combined entities' ability to cover the additional costs associated with the merger based on forecasted operations and financial benefits. The body of the financial case provides an overview of the key financial considerations, which is supplemented with *Appendix 6*, including forecast financial statements and further details on specific modelling assumptions and approaches. The conclusions within this section are as follows:

1. **The preferred option is affordable:** Financial modelling indicates that there is sufficient capacity within the current balance sheet and forecasted operating performance of the combined entities to fund the implementation of Option 5 without requiring additional Crown capital. A key risk to consider, beyond those typically expected within the financial performance for an ITP, is that the initial capitalisation is currently unknown (i.e., cash holdings at the establishment of the ITP).
2. **The preferred option provides a more financially stable operating platform:** The combined entities are forecasted to have higher earnings potential due to a lower cost base. The anticipated reduction in operating costs would, all else being equal, create a more stable operating base for the combined entities.
3. **The financial case does not rely on incremental domestic or international student growth from merger to pay for implementation costs.** However, the business case references that this could be a potential future benefit from a fully integrated MIT and Unitec. Given current funding constraints regarding SAC funding growth and the base projections assuming increase in international growth, further upside potential has been reflected in the scenario analysis.

Standalone versus merger EBITDA

The Unitec and MIT merger is expected to yield medium to long-term benefits despite short-term costs. Figures 3 and 4 show that while standalone entities perform better in FY25 by $0.1 million, the merged entity's EBITDA improves by 19-23% annually from FY26 to FY29 due[redacted]

Figure 3: Standalone entities EBITDA Forecast

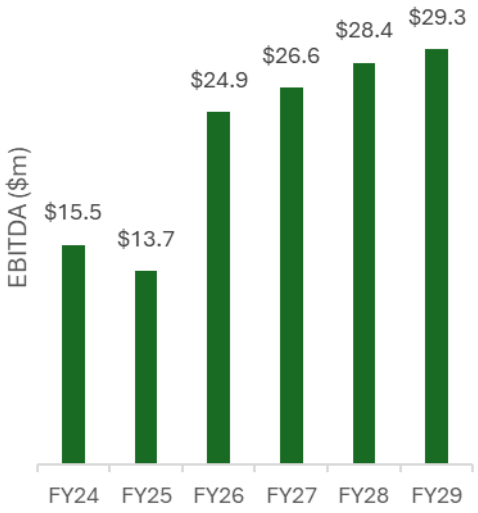
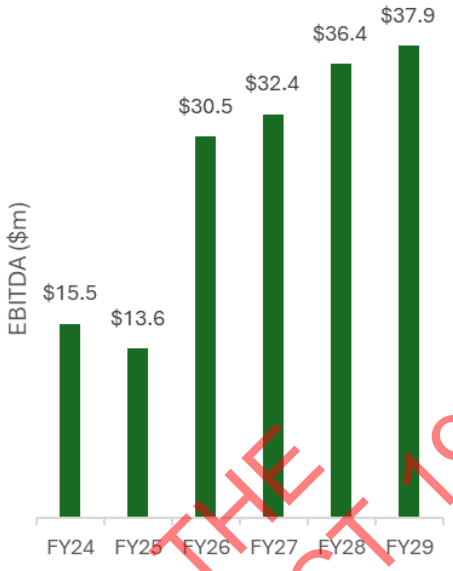
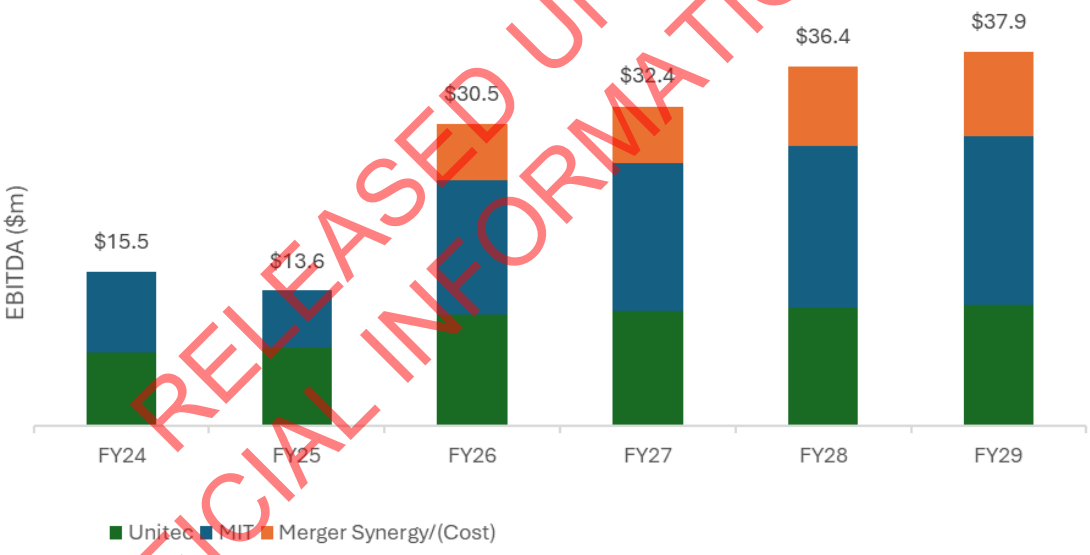


Figure 4: Merger entity EBITDA Forecast



The incremental forecast financial performance can be defined as synergy value and for illustrative purposes is outlined in Figure 5 below.

Figure 5: Merged Entity EBITDA Contributions



Key performance indicators for merged entity

Combined EFTS would place the combined entity as the largest of the former ITPs with Ara the second largest at 6,909 EFTS (excluding Open Polytechnic New Zealand at 8,643 EFTS). Total merged EFTS represent 8% of Auckland market and approximately 11% of ITP and work-based NZ delivery. Forecast student staff ratios and allied (non-academic) to academic staff ratios are financially favourable to the most logical comparator, Ara. s 9(2)(b)(ii), s 9(2)(ba)(ii)

International students would make up between 15.0% - 20.0% of total EFTS over the forecast period s 9(2)(b)(ii) . Forecast EBITDA margin is strong from FY26 and above the generally adopted industry target benchmarking of 11.0%. Likewise forecast net surplus margin is above the generally adopted target industry benchmark target of 2.0% of operating revenue.

The combined level of forecast depreciation is forecast to be affordable for the combined entity, but we note that there are further opportunities to consider a reduction in delivery assets that would further strengthen the position of the combined entities.

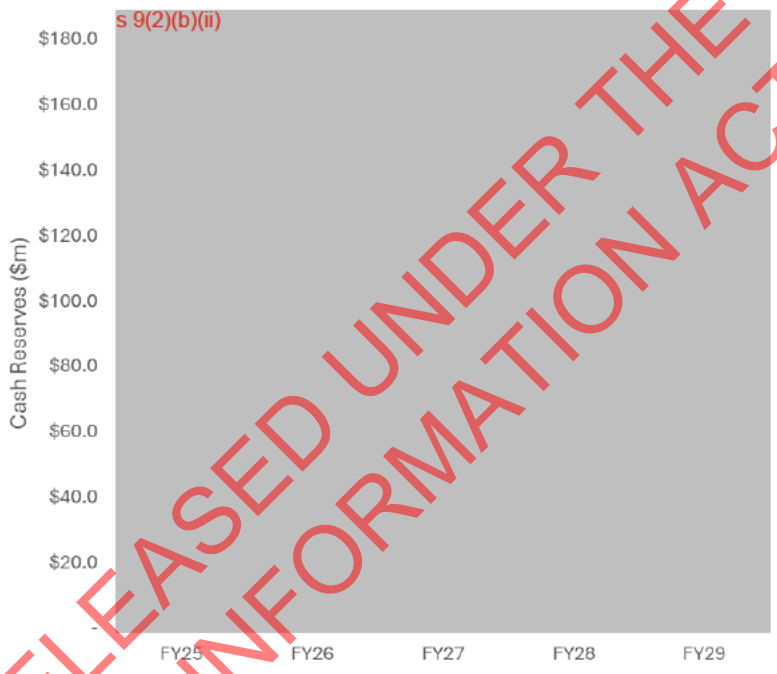
Conclusion: The combined entity has financially beneficial key performance indicators resulting from scaled delivery, high levels of international tuition fees and does not forecast excessive ratios regarding non-academic support roles.

Table 14: Key Merged Entity Forecast Metrics

COMBINED KEY METRICS	FY25	FY26	FY27	FY28	FY29
Domestic Students (EFTS)	8,488	8,488	8,488	8,488	8,488
International Students (EFTS)	1,685	1,890	1,965	2,034	2,090
Total Students (EFTS)	**10,173**	**10,378**	**10,453**	**10,522**	**10,578**
Academic FTE	s 9(2)(b)(ii)				
Non-Academic FTE					
Total FTE					
SSR					
Allied (Non-Academic) to Academic Staff Ratio					
Staff / Total Revenue					
Revenue ($m)					
Personnel Expenditure ($m)					
Other Expenditure ($m)					
Total Operating Expenditure ($m)					
EBITDA ($m)	**$13.6**	**$30.5**	**$32.4**	**$36.4**	**$37.9**
EBITDA / Operating Revenue	6%	14%	14%	15%	16%

COMBINED KEY METRICS	FY25	FY26	FY27	FY28	FY29
Net Surplus Before Unusual Items ($m)	s 9(2)(b)(ii)				
Net Surplus (Before Un-usuals) / Operating Revenue					
Cash and Cash Equivalents ($m)					
Capital Expenditure ($m)					

Figure 6: Cash and Cash Equivalents ($m)



Funding Requirements

Assessing the ability of the merged entity to fund this merger, shows that across the forecast period (FY25-FY29), s 9(2)(b)(ii) in funds can be generated by the merged entity. This forecast is s 9(2)(b)(ii) greater than the forecast investment requirements for the merged entity. As opening capitalisation for both entities is currently unknown[2], interest income has been excluded from the potential funding sources.

Forecast investment requirements for the merged entity are based on the combined current standalone capital investment plans for Unitec and MIT, plus the estimated digital integration costs.

[2] Opening cash balances for the 2025 year has not been confirmed with regards to the dissolution of Te Pūkenga. It has been assumed that current division's will retain their cash balances, but this has not been confirmed by the TEC.

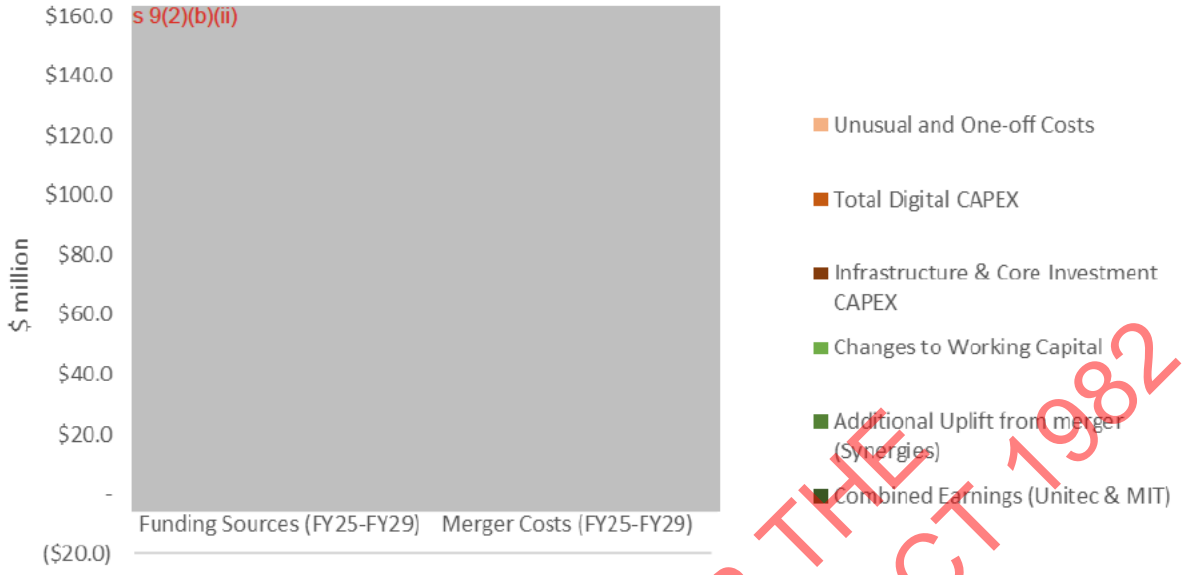
The majority of investment requirements for the merged entity relate to maintaining core infrastructure, with the digital integration costs (excluding contingency) are currently estimated at s 9(2)(b)(ii) of total investment requirements over the period. As such, with strong planning and governance, the merged entity should be able to fund the majority of integration cost within what would be slightly higher than typical annual investment costs. As per the management case, a dedicated merger project team will be established to manage the higher level of change management and project investment. The project team is anticipated to run akin to a value management office ensuring that investment is in line with benefit realisation this cost is accounted for within operating EBITDA.

Table 15: Funding Sources and Investment Requirements

AVAILABLE FUNDING SOURCES	FY25-FY29 ($m)
Combined Earnings (Unitec and MIT)	s 9(2)(b)(ii)
Additional Uplift from merger (Synergies)	
Changes to Working Capital	
Total Forecast Funds Generated	
FUNDING REQUIREMENTS	
Unusual and One-off Costs	s 9(2)(b)(ii)
Total Digital CAPEX	
Digital Integration Costs	
Digital Infrastructure/BAU	
Infrastructure and Core Investment CAPEX	
Total Costs	
SURPLUS/(SHORTFALL) FROM OPERATIONS	s 9(2)(b)(ii)
Assumed Opening Cash Balance FY25 (Unitec and MIT)	
Asset Sales Realisation s 9(2)(b)(ii), s 9(2)(j)	
Other Potential Funding Sources	
NET FUNDING SURPLUS / (SHORTFALL)	

Figure 7 below summarises the key operating and investment cash flows over the forecast period FY25-FY29. As per the table above forecast operating earnings are expected to significantly outstrip investment requirements over the forecast period.

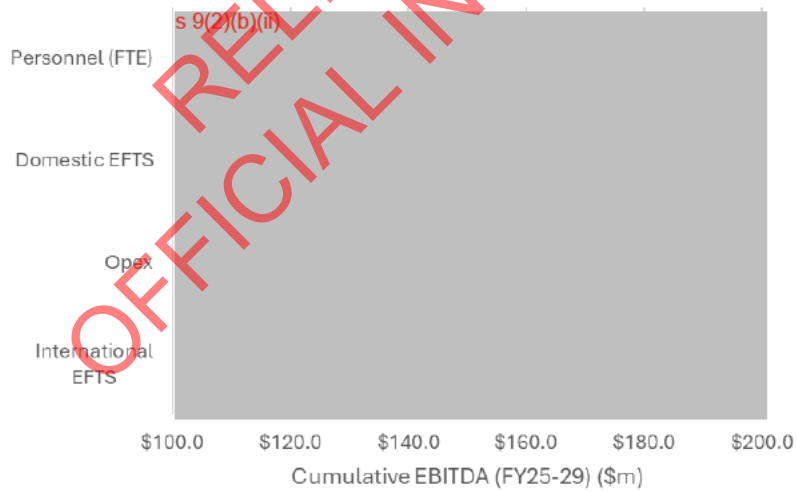
Figure 7: Funding Sources and Investment Requirements (FY25-FY29)



Sensitivity analysis

A sensitivity analysis[3] was undertaken to evaluate which of the key drivers/variables would impact cumulative EBITDA levels across the forecasted period (FY25-FY29). s 9(2)(b)(ii) Limited upside was considered under SAC funding with a maximum TEC plan growth of 2% considered over the period. s 9(2)(b)(ii)

Figure 8: Sensitivity Analysis



[3] A sensitivity analysis is a method used to assess how the variation in the output of a model can be attributed to different changes in the input variables. It helps identify which variables have the most significant impact on the outcome, allowing decision-makers to understand the uncertainty/risk associated with forecasts.

Underlying assumptions and sensitivity ranges that underpinned this sensitivity analysis are captured in Table 16 below.

Table 16: Sensitivity analysis assumptions and ranges

KEY ASSUMPTION	SENSITIVITY RANGE
Higher/Lower Total FTE	Sensitivity range for + / - 5% in Total FTE
Higher/Lower Domestic EFTS	Sensitivity range for + / - 5% in Domestic EFTS
Higher/Lower Opex	Sensitivity range for + / - 5% in Opex
Higher/Lower International EFTS	Sensitivity range for + / - 5% in International EFTS

Scenarios analysis

A scenario analysis[4] was undertaken to stress test how the merged entity may perform under both an upside and downside scenarios informed by the sensitivity testing.

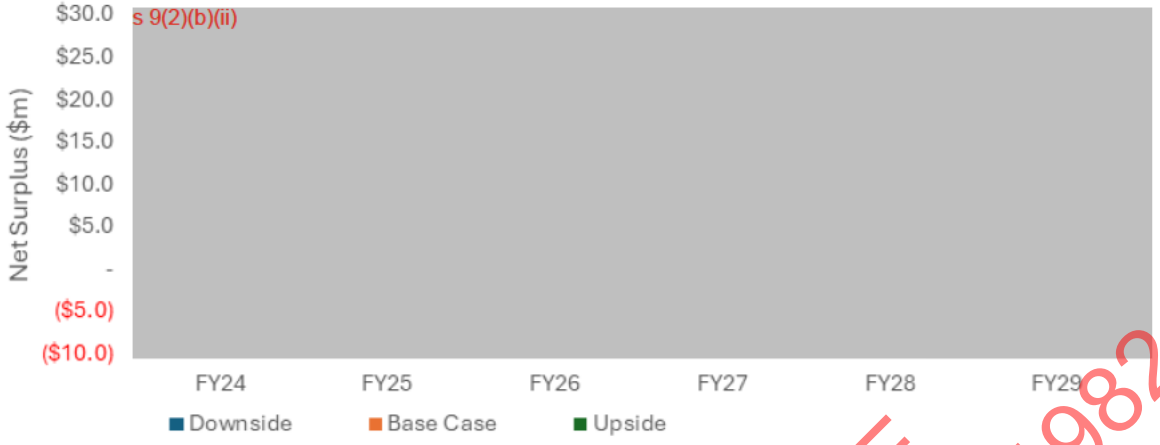
The merged entity should plan for EBITDA scenarios ranging from s 9(2)(b)(ii) in FY26 (See figure below). s 9(2)(b)(ii)

Figure 9: Scenario analysis forecast EBITDA

Figure 10 below indicates that the merged entity should plan for Net Surplus/(Deficit) before unusual items, of s 9(2)(b)(ii).

[4] A scenario analysis is a method used to assess the potential outcomes of a project, investment or decision under different future scenarios. Typically, this involves creating a range of scenarios from pessimistic to optimistic, creating a banded range of expected results. This enables decision-makers to better account for uncertainties and risks, inherent within a project.

Figure 10: Scenario Analysis forecast Net Surplus/(Deficit)



Commercial Case

Purpose of this section

The commercial case outlines the proposed procurement arrangements for the preferred option.

The delivery of the merger programme has and will continue to involve careful planning and sequencing for delivery of the various initiatives over three phases (refer to the *Management case* for phase details). Given the duration of the programme, a flexible approach to procurement options is being adopted to address potential changes in market conditions and resource availability. This approach will ensure that risk appetite is continually addressed.

Procurement strategy

Unitec and MIT procurement policy has been adopted for the first phase of the merger. Once Unitec and MIT have been established as a merged entity, a procurement policy will be developed for the merged entity, and this policy will be adopted for the rest of the merger process. However, under both policies, the principles and expectations of the merger procurement strategy are:

- Where applicable comply with the Government Rules of Sourcing
- Outcomes and business impact is considered with the commencement of every procurement activity
- Oversight of whole of life costs rather than upfront costs only
- Look for new and innovative solutions
- Manage risk appropriately.

Procurement governance

Governance and accountability of procurement outcomes will initially sit with Unitec and MIT procurement functions. Once the merged entities procurement function is established, this will become accountable for merger related procurement. The procurement function in both instances will work closely with each entity's Finance team to best source and manage procurement.

A delegations approval process for the merger will be developed that supports:

- ensuring procurement strategies and desired outcomes are clearly aligned with merger objectives and the merged entities strategic vision.
- ensuring decisions are based on the benefits to the business and required outcomes.
- providing deep understanding of how the different parts of the business are working and opportunities to work together.
- delivering results which bring the clearest commercial benefit over whole of life cost.

Procurement plans

Procurement plans and individual business cases will be prepared for individual projects or group of projects. These will go through an approval process that will ensure each project is considered within the context of the wider merger programme.

The most significant procurement will come from the Digital workstream. Upon approval of this business case, a Digital Programme Business Case will be developed. Individual business cases for projects within the Digital Programme Business Case will subsequently be developed, as required.

The merger programme will utilise in-house existing capability from Unitec and MIT where possible and engage consultants and suppliers to supplement existing capability where additional capability is required.

For the Programme workstream, an internal business model for product development will be implemented to ensure the existing skills from within Unitec and MIT are utilised to deliver the programme. These skills will be supplemented by external support, as required.

Contract provisions

It is intended that contract provisions will be addressed as Unitec and MIT go to market for individual projects or groupings of projects. Contracts will follow standard forms unless there is specific commercial rationale to do otherwise.

For each service procured, a contract or service order will be developed with each supplier. Each deliverable and ongoing support of the services will be linked to milestone payments and agreed performance criteria.

Market approach

In line with the government procurement principles, and Unitec and MIT procurement policy, it is proposed to undertake public contestable sourcing exercises as part of the procurement process for major projects.

Proposals will be evaluated by a team of 3-5 evaluators. Recommendation for the award of the contract will be submitted to the business owner/sponsor having the appropriate delegated financial authority for the final approval.

Procurement risks

The following procurement risks have been identified with corresponding mitigating factors.

Table 17: Procurement risks

MAIN RISKS		RISK MANAGEMENT STRATEGIES (MITIGATIONS)
1	Lack of probity or conflict of interest may endanger a fair and transparent process	• Anyone involved in a procurement activity will complete a conflict-of-interest declaration prior to their involvement.
2	Inadequate project funding provision including for contract award and other project resources such as resourcing for project management	• All procurement will be robustly planned with all anticipated costs factored into the relevant business case.
3	Scope/requirements do not address actual business need	• Principle of need vs. want applied to each project • Expected outcomes will be well defined including relevant associated requirements, such as delivery milestones, key performance outcomes and other key factors, in tender documents to help ensure that there is no scope creep.
4	Compliance requirements are not followed	• Subject matter experts will be involved in development of tender documents to ensure compliance.
5	Planned time frames are not met	• Appropriate time contingencies built into procurement timelines. • Timelines developed to ensure least disruption to BAU activities to minimise required changes in schedule.
6	Limited potential for market to respond at required times	• Pro-active engagement with market. • Programme timeline planned in advance.

Potential for risk sharing

The potential for risk sharing will be addressed at the project initiation/business case stage for each significant individual project and/or grouping of projects. The principle of fair and reasonable assignment of risk will be applied to ensure risk allocation takes into account each party's ability to control or influence the risk.

Management Case

Outlining the management case

This section describes the arrangements that will be put in place for the successful delivery of the programme and its constituent projects and initiatives, to ensure successful delivery and to manage programme risks.

Project workstreams

Six key areas have been identified that will underpin and enable delivery of the merger with key initiatives being included within the relevant workstream. A project workstream will be established for each key area with the projects being both part of, and enabling, the merger by enabling efficiencies within the merged entity and centralisation enabling continual insight into improvement opportunities. The six project workstreams are set out in the table below.

Table 18: Key project workstreams

WORKSTREAM
1. Establishment The Establishment workstream will lay the foundation for a successful merger and confirm the goals and expected outcomes. Merger governance and management structures will be established as well as workstream plans detailing key activities, strategies and timelines. A key aspect of this workstream is overseeing the transition period between decision and establishment of the merger governance and management structure.
2. Workforce A thorough assessment of the existing workforce across both organisations will be undertaken, s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)
3. Programme This workstream aims to streamline and enhance the merged organisation's offerings. It will involve a comprehensive review of existing programmes from both entities, evaluating their effectiveness, relevance, and financial viability. This review will be closely aligned with financial improvement planning to ensure long-term sustainability. Based on this analysis, a consolidation plan will be developed and implemented, which may involve merging similar programmes, discontinuing underperforming ones, and identifying opportunities for new, innovative offerings that leverage the combined strengths of the merged organisation.
4. Engagement This workstream will focus on developing a comprehensive strategy to ensure effective communication and engagement throughout the merger process, with a particular emphasis on fostering meaningful

partnerships with the iwi involved. The strategy will include creating a robust communications and engagement plan to connect with all key stakeholders, promoting transparency and encouraging buy-in. Additionally, a new set of values will be collaboratively developed to reflect the combined strengths and aspirations. A branding strategy will also be crafted to effectively represent the newly merged entity and its expanded portfolio of programmes.

5. Digital

This workstream will oversee the gradual alignment and integration of existing digital systems, ensuring minimal disruption to operations. A digital master plan and digital programme business case will need to be developed early. Key considerations are the requirement to carefully migrate data from legacy systems, maintain data integrity and maintain digital accessibility throughout the process. The workstream must ensure robust cybersecurity measures to safeguard the merged organisation's digital assets and sensitive information are planned for and implemented.

6. Property

The Property workstream will review the physical footprint of the merged organisation to identify and act on opportunities for rationalisation. Central to this is the development and implementation of a comprehensive campus master plan, which will provide a strategic roadmap for future facility needs and space utilisation. The masterplan will incorporate facility upgrades that are needed to ensure all properties meet the standards required for the merged entity's operations. A key focus of the campus master plan will be the identification and evaluation of rationalisation opportunities, potentially consolidating locations to improve efficiency and reduce costs while maintaining operational effectiveness.

Details on the workstreams are provided below. Additional resourcing to implement merger initiatives has been indicated where current BAU levels of resource are considered insufficient.

The resourcing costs have then been used to assess the total cost of *Option 5: Full integration*, the preferred option.

Establishment workstream

The Establishment workstream will comprise three main components:

- Establish merger governance and management – establishment of the structure responsible for overseeing and implementing the merger programme.
- Establish leadership team – establishment of an integrated senior leadership team for the merged entity including a Chief Executive and direct reports.
- Develop key merger programme plans – development of key strategic merger documents.

This workstream will span phase one of the merger. Key initiatives are outlined in the table below.

Table 19: Establishment workstream initiatives and phasing

PHASE	INITIATIVE	INDICATIVE ADDITIONAL RESOURCING
Phase 1 2025 **(resourcing for 3 years)**	• Establishment of Establishment Advisory Board accountable for merger programme governance • Establishment Advisory Board appoints Chief Executive of merged entity • Appoint Programme Director for the merger • Establish and initiate Merger Programme • Develop key plans: - Communication and Engagement Plan - Risk Management Plan - Change Management Plan • Chief Executive appoints key leadership and management positions	s 9(2)(b)(ii), s 9(2)(ba)(ii)

Workforce workstream

The Workforce workstream will comprise three main strategies to position the merged entity's workforce for the future:

- Design operational model and organisational structure of merged entity – alignment and right-sizing of Unitec and MIT current workforces to fit a new merged entity.
- Alignment of workforce to meet product and service provision – tailoring of workforce to ensure capacity and capability to deliver future products. This will be informed by outcomes from the other workstreams, particularly the Programme workstream.
- s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)

Key initiatives within the three strategies are outlined in the table below.

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

Table 20: Workforce workstream initiatives and phasing

PHASE	INITIATIVE	INDICATIVE ADDITIONAL RESOURCING
Phase 1 **2025**	• s 9(2)(b)(ii), s 9(2)(ba)(ii)	
Phase 2 **2026 - 2027**	• s 9(2)(b)(ii), s 9(2)(ba)(ii)	
Phase 3 **2028 - 2029**	• s 9(2)(b)(ii)	

Digital workstream

This workstream is a key enabler for the continued delivery of education and integration of Unitec and MIT. Digital consolidation across Te Pūkenga network has been limited as, although a $220 million loan was provided by the Government in Budget 2023 for Te Pūkenga digital transformation programme, the programme was put on hold at the end of 2023 in response to Government direction that it would be disestablishing Te Pūkenga. As such, both MIT and Unitec operate on largely separate digital ecosystems.

With regards to the implementation approach for this workstream there are four broad options to consider:

1. Status Quo – maintain largely separate enrolments, delivery and financial systems.
2. Adopt and merge – select either Unitec's or MIT's digital platform and move all delivery and operations to follow that entities process and system design.
3. Move to stable foundation and accelerate – choose the most suitable platform of either Unitec and MIT on a system by system basis and move to follow that system.
4. New technology stack.

The advantages and disadvantages of these approaches is considered in the table below.

Table 21: Digital implementation approach assessment

DIGITAL OPTION	RELATIVE ADVANTAGES	RELATIVE DISADVANTAGES
Status Quo	• Enables merged entity to pick foundation based on most stable (i.e. low risk) and highest value (i.e. lower cost or higher functionality) option. • Lower employee change than option 4. • No requirement to merge, align or redevelop online learning content, academic rules etc.	• Unable to leverage workforce savings from platform and process consolidation. • Unable to share licence cost and upgrade cost across larger operating base.
Adopt Unitec or MIT technology	• Enables merged entity to pick foundation based on most stable (i.e. low risk) and highest value (i.e. lower cost or higher functionality) option. • Lower employee change than option 4.	• Neither entity has a perfect digital technology stack, with each requiring future upgrades.
Move to stable foundation	• Enables merged entity to pick foundation based on most stable (i.e. low risk) and highest value (i.e. lower cost or higher functionality) option. • Lower employee change than option 4 as approximately 50% of the combined team are familiar with the current system and process.	• Change required to adopt business process and establish common system • Additional complexity in integration compared to Option 2 or 4. • Requirement to retain data within source systems.
New technology stack	• Although this would require the building of a new ecosystem from scratch, it would maximise value for investment as the result would be a modern digital environment for the new entity.	• Likely the most expensive option in terms of digital development and change management. • Opportunity cost for having key employees involved in the development of new technology stack vs delay in any alignment and consolidation.

For the purpose of analysis in the Financial Case, option 3 has been adopted as a basis as it is likely to provide the best balance between implementation speed, cost and long-term benefit. However, as indicated in the *Commercial Case*, a Digital Programme Business Case will be developed upon approval of this business case.

Details of the Digital workstream are included at *Appendix 7*.

Programme workstream

This workstream aims to develop a cohesive and integrated academic portfolio across Unitec and MIT to ensure financial sustainability, streamline resourcing, and enhance the learner experience. This integrated portfolio would align with Auckland strategic priorities to meet the vocational educational needs of all relevant stakeholders, including industry, employer, community, iwi, hapu, Māori, Pacific, disabled, and other groups.

The objectives of the workstream are:

- Deliver an integrated, sustainable portfolio that meets Auckland regional needs and stakeholder needs.
- Reduce duplication by aligning and consolidating similar programmes and courses.
- Enhance the learner experience with consistent, high-quality programme design and delivery across all campus locations. This includes online delivery options such as a shared digital core or fully online offerings.
- Improve operational efficiency of our academic offerings through Auckland-wide systems and structures.

A key ongoing initiative within this workstream is the development and implementation of a Auckland-wide approach to Programmes, Curriculum and Quality to standardise and share a best-practice approach to programme design including programme and course development, learning outcomes, assessment methodology and approaches, and teaching practices across programmes.

Table 22: Programme workstream initiatives and phasing

PHASE	INITIATIVE	INDICATIVE ADDITIONAL RESOURCING
Phase 1 **2025**	• *Portfolio Mapping and Assessment*: Complete a comprehensive portfolio map and assessment tool to document and evaluate all existing programmes. Consider duplicated delivery, learner and stakeholder outcomes, financial viability, alignment with strategic priorities, and so on. Map programmes into the categories below, then prioritise into tranches of work for re-development: s 9(2)(b)(ii)	No additional resource required. Capacity and capability within existing internal teams.
Phase 2 **2026 - 2027**	• s 9(2)(b)(ii)	No additional resource required.
Phase 3 **2028 - 2029**	•	No additional resource required.

Engagement workstream

This workstream aims to leverage the scale, flexibility and reach of a merged entity to improve the student experience.

Table 23: Engagement workstream initiatives and phasing

PHASE	INITIATIVE	INDICATIVE ADDITIONAL RESOURCING
Phase 1 2025	• International marketing – promotion of larger combined Auckland portfolio • Domestic marketing – combining campaigns • Internal Māori leadership to begin partnership conversations with both Iwi's	No additional resource required. Capacity and capability within existing internal teams.
Phase 2 2026 - 2027	• Development of alumni network • Expansion of industry and employer networks and activity • Development of new values • Develop new international strategy	No additional resource required. Capacity and capability within existing internal teams.
Phase 3 2028 - 2029	• Continuation of engagement initiatives	No additional resource required. Capacity and capability within existing internal teams.

Property workstream

The Property workstream will comprise three main stages:

- Current state and needs assessment - development of a unified and comprehensive master plan for Unitec and MIT campuses, including condition assessment and utilisation analysis.
- Asset management – develop a strategy for managing physical assets including identifying and prioritising facilities and upgrades required to support delivery of the merged entity.
- Rationalisation opportunities - Create and deliver on a detailed plan for rationalisation of footprint to best serve the merged entity.

The key considerations of this workstream are:

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

Table 24: Property workstream initiatives and phasing

PHASE	INITIATIVE	INDICATIVE ADDITIONAL RESOURCING
Phase 1 **2025**	Undertake a condition assessment of all facilities Undertake utilisation analysis at all campuses Develop a 10-year combined capital plan for the merged entity, including opportunities for increased rental revenue and property divestment s 9(2)(b)(ii)	Assume external resourcing to develop combined 10 year master plan, based on condition assessment and campus master planning. s 9(2)(b)(ii)
Phase 2 **2026 - 2027**	Rationalise footprint in line with changes arising through Programme workstream.	No additional resource required.
Phase 3 **2028 - 2029**	Complete transition to consolidated footprint and divest any surplus assets	No additional resource required.

Planning for a successful merger

Programme management strategy and framework

To ensure the merger programme is successfully delivered, the merger programme must:

- Have a clear focus on delivering the agreed programme outcomes and objectives,
- engage with learners, employers, partners and stakeholders, so the changes being made will meet their needs and are fit for purpose.
- Establish strong governance and programme management.
- Acquire and develop the capability to successfully deliver a change programme of this scale and nature
- Take a robust change management approach.

The effort required for the merger will be significant and focused resource will be needed to ensure both Unitec and MIT continue to deliver their business-as-usual functions alongside significant change programmes.

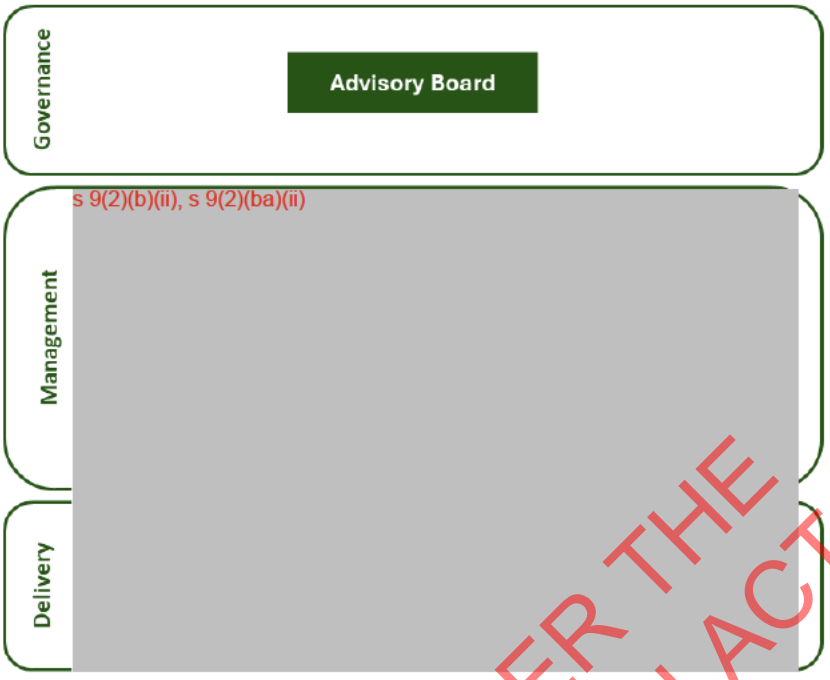
The merger programme will be divided into workstreams as described above. Phase One of the merger will focus on developing project implementation plans for each workstream that will provide detail on the resourcing required to design, implement and manage change for each project and initiative.

Governance arrangements

The successful realisation of the merger and associated outcomes is critically dependent on effective governance, leadership and management that aligns to the intended future state. The key features of the programme structure are:

- **Establishment Advisory Board** – will be established as soon as possible once a decision as to merger has been made. This group will monitor the delivery and performance of the merger work plan and make key decisions that set the strategic direction of the merged entity. The membership of the Board will include representation from the current Te Pūkenga Regional ITP Viability Programme Governance Group, change expertise and digital expertise. It is assumed the Advisory Board will initially assume this role. The Group's first task will be to recruit and appoint a Chief Executive for the merged entity as soon as possible.
- **Senior Leadership Team** (SLT) - a key milestone of phase 1 is the establishment of a Senior Leadership Team for the merged entity. This leadership team will provide operational ownership of the merger programme. Individuals from the Senior Leadership Team will be appointed as Sponsors of respective workstreams.
- **Workstream Sponsor** - will be a SLT member and responsible for the construct, management and delivery of their specific workstream.
- **Programme Director** – a senior position who will report directly to the Establishment Advisory Board and is responsible for overseeing the Merger programme as a whole.
- **Project Steering Committees** – will be established for significant projects/initiatives to ensure timely decision making and provide management capability.
- **Projects** – will be supported by Unitec and MIT employee with roles and capabilities to ensure that as merger components are designed and implemented, they are consistent with the vision of the merged entity.
- **Change management** – as required to support the merger programme.
- **Communications and engagement** - as required to support the merger programme.

Figure 11: Merger governance and Management arrangements



It will be necessary to recruit expertise or engage suppliers to supplement the existing capability and capacity. The key areas where additional capability and capacity will be required are:

- Digital transformation
- Organisation structure design and change.

Work plan prioritisation

Each workstream has dependencies on other workstreams, therefore a key output of Phase 1 is to develop a high-level change timeline to account for simultaneous and dependent workstreams to minimise impact as much as possible. This programme plan will include key deliverables and milestones to be achieved in each of the three phases.

Alongside this, a work plan will be developed as part of phase 1. The work plan will be developed by prioritising initiatives and projects to ensure:

- Alignment to strategic and investment objectives.
- Affordability including whole of life costs.
- Timing.
- Resource capacity to do the work.
- Consideration of change impacts and Unitec and MIT's ability to absorb change.

Programme reporting arrangements

Timely and accurate reporting is critical to ensure that risks and issues are appropriately addressed, and the work schedule is maintained. The programme will deliver monthly reporting to the Establishment Advisory Board via a programme dashboard report.

Organisational change management

The merger will require a significant level of organisational change. The Establishment Advisory Board will contain change management expertise and change management will be embedded throughout the programme structure to ensure the work programme continually considers the impact of the programme on all stakeholders. To achieve sustainable change the impact of change needs to be understood, assessed and managed, therefore the programme will adopt best practice change management methods, processes and tools.

Benefits realisation management

A benefits register and initial outline Benefits Realisation Plan will be created upon approval of this business case and the Programme Director and Senior Leadership Team will be responsible for monitoring and reporting on programme benefits realisation.

Risk management

A risk management strategy and framework and a risk register will be created upon approval of this business case and will be progressively updated throughout the merger programme. Risks and risk management actions will be regularly monitored. The risk owner will be responsible for providing updates on a regular cycle at programme forums. A summary of risks will be prepared monthly providing an overview of the risk register profile. Risks will be reported and escalated where appropriate based on the severity of risk.

Appendices

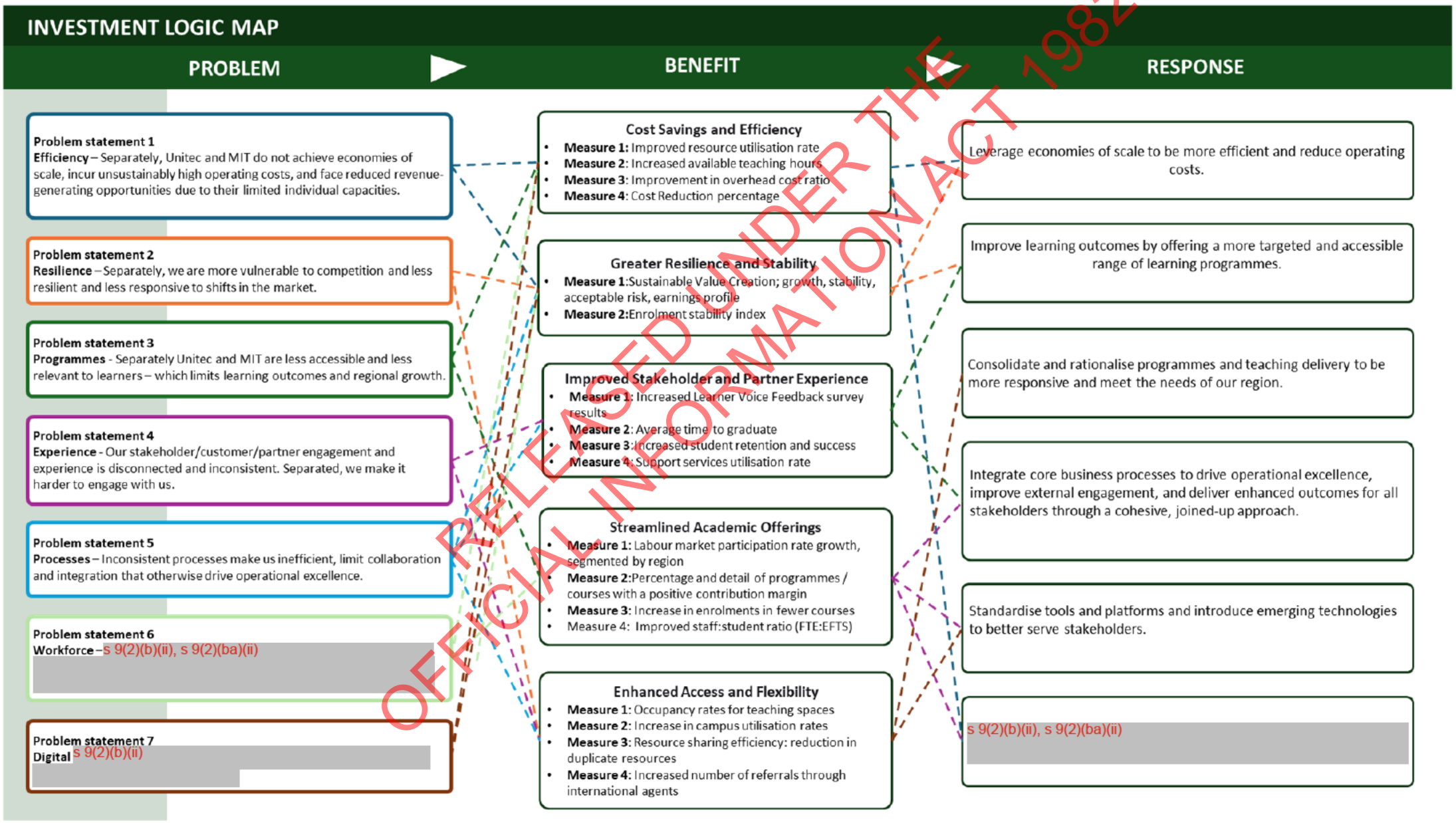
1.	Tāmaki Makaurau Regional Skills Leadership Group 'Building the workforce for better jobs'
2.	Investment logic map
3.	s 9(2)(b)(ii), s 9(2)(ba)(ii)
4.	Merged organisational design and cost savings
5.	s 9(2)(b)(ii)
6.	Key forecast and modelling assumptions
7.	Digital workstream principles
8.	Definitions and abbreviations

Appendices 1, 3 and 7 are provided as separate documents.

Please note the following regarding the numbered appendices listed above:

1. separate document not provided (with reference to section 18(e) we note this document is publicly available)
2. released with some information withheld under sections 9(2)(b)(ii) and 9(2)(ba)(ii)
3. separate document not provided (with reliance on sections 9(2)(b)(ii) and 9(2)(ba)(ii))
4. released with some information withheld (6 of 9 pages removed) under sections 9(2)(b)(ii) and 9(2)(ba)(ii)
5. withheld in full (3 pages removed) under sections 9(2)(b)(ii) and 9(2)(ba)(ii)
6. released with some information withheld under sections 9(2)(b)(ii) and 9(2)(ba)(ii)
7. separate document not provided
8. released in full.

Appendix 2: Investment Logic Map



Appendix 4: Merged organisational design and cost savings

Introduction

An organisational design has been developed for a merged Unitec and MIT to calculate the potential cost saving of a future merged organisational structure.

The Unitec and MIT senior leadership team provided input at a functional level but have not been involved in the development of the organisational design. Therefore, the design does not necessarily reflect the opinions of the Unitec MIT senior leadership team.

The organisational design has been developed for exclusively calculating potential cost savings and is not considered an agreed nor final organisational design for a merged Unitec and MIT.

If there is agreement to implement a merger of Unitec and MIT, then a more comprehensive organisational design process would be required to finalise proposed changes and assess potential impact – which would inform an appropriate change management process (including consultation on proposed changes) that upholds employment terms and conditions.

Organisational design for a fully integrated operating model

The organisational design assumes implementation of a fully integrated operating model which is the preferred merger option.

Current Unitec and MIT organisational designs

Unitec and MIT are functionally organised, which is typical of regionally-based / on-campus oriented vocational education providers.

A functional integrated model typically groups accountability for frontline functions, such as teaching and learning delivery, separately from centralised back-office corporate functions.

In contrast, a location-based organising model (e.g. West v South Auckland organisations) would not achieve intended strategic advantages and economies of scale, and such a model would inevitably increase organisational structure costs, particularly if middle and back-office functions were decentralised across operating locations. Therefore, the organisational design developed for this business case predictably reflects a **functionally integrated model**.

There are however subtle differences within the current organisational designs of Unitec and MIT. For example, Unitec's frontline academic leadership structure includes Programme Managers and less Heads of School, whereas MIT has more Heads of School and fewer Programme Managers. In addition, MIT separates their Student Enquiries function (Ask Me) from the MIT Schools Engagement and Student Enrolment functions, whereas Unitec combines these functions. Further, Unitec outsources graphic design for marketing purposes, but MIT insourced this function which sits within the wider MIT Marketing team.

Subtle differences in operating models for functions such as those described above will be reviewed and integrated after the establishment of a merged Unitec and MIT, including an integrated leadership structure.

Six pages (pages 62-67) of Appendix Four have been withheld and removed under sections 9(2)(b)(ii) and 9(2)(ba)(ii).

s 9(2)(ba)(i), s 9(2)(ba)(ii)

2025 Financial impact

Implementing the structure change for a merger in 2025 will avoid incurring $4.8 million in additional salary costs, plus recruitment costs of $250k. This is because merging in 2025 would prevent the need to fill leadership positions for Unitec and MIT as standalone entities.

If the merger was implemented in 2025, then an additional $2.8 million per annum salary savings would be realised. s 9(2)(b)(ii), s 9(2)(ba)(ii)

If the merger was implemented after 2026 (after Unitec and MIT being established as standalone entities) then $4.8 million per annum salary savings would be realised. It's important to note that this

number is larger due to the requirement to fill leadership positions as standalone entities prior to merging.

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

All three pages (pages 70-72) of Appendix Five have been withheld and removed under sections 9(2)(b)(ii) and 9(2)(ba)(ii).

Appendix 6: Key Financial Forecast and Modelling Assumptions

Modelling Methodology

The methodology for assessing the cost benefit for the merged entities has been as follows:

- A detailed investigation has been conducted into the potential benefits for the merged entities, such as developing an organisation structure (*Appendix 4*) and a digital roadmap for the consolidation of existing entities. Further work has been done in the workstreams to identify benefits, but the primary focus has been on the two main benefits mentioned above.
- The forecast change in operating costs was applied to the five-year forecast model developed for each entity.
- Individual standalone models were used to create merger financials, with the outputs of each individual model overlaid, including an allocation of any merged costs and benefits.
- Key assumptions underpinning the individual entities' forecasts remain consistent with the 0% domestic growth and moderate international growth scenarios developed for the November 2024 Financial Improvement Plan. Priority initiatives have been included within the financial model to align with the expected financial outcomes for Unitec and MIT, except for initiatives that overlap with assumed cost savings within key merger activities. As such, the financial case does not rely on significant domestic or international student growth to pay for implementation costs. However, the business case references that this could be a potential future benefit from a fully integrated MIT and Unitec. However, given current funding constraints regarding SAC funding growth and the base projections assuming international growth, this potential has been reflected in the scenario analysis rather than a base case.

Detailed Modelling Assumptions

Standalone and full merger states were considered as part of the financial modelling for the merger case; options 1 and 5, respectively. Table 1 below outlines the Financial Improvement Plans (FIPs) included within both the Standalone and Merger cases. The priority initiatives are included in the financial model to align with expected outcomes for Unitec and MIT, except where they overlap with assumed cost savings from key merger activities. This is to avoid double counting of any benefits under the standalone financial improvement plan and the merge case.

Table 1: Financial Initiatives considered under Standalone and Fully integrated options

FINANCIAL INITIATIVES INCLUDED	OPTION 1: STANDALONE/ INDEPENDENT	OPTION 5: FULLY INTEGRATED
MIT INITIATIVES		
Cost Constrained FY25 Budget (Recruitment Freeze and workforce committee established)	✓	✓
s 9(2)(b)(ii), s 9(2)(ba)(ii)		

FINANCIAL INITIATIVES INCLUDED	OPTION 1: STANDALONE/ INDEPENDENT	OPTION 5: FULLY INTEGRATED
s 9(2)(b)(ii), s 9(2)(ba)(ii), s 9(2)(j)		
UNITEC INITIATIVES		
Cost Constrained FY25 Budget (Recruitment Freeze and workforce committee established)	✓	✓
s 9(2)(b)(ii), s 9(2)(ba)(ii)		
Lease out further space at Waitakere Campus	✓	✓
s 9(2)(b)(ii), s 9(2)(ba)(ii)		
Reduced Digital Outsourced Costs	✓	✓
Reduced professional fee budget associated with digital projects	✓	X Not applicable under merge scenario
s 9(2)(b)(ii), s 9(2)(ba)(ii)		

Table 2 below outlines the general and entity specific modelling assumptions used throughout the financial modelling undertaken.

Table 2: Modelling Assumptions

ASSUMPTIONS	DETAILS
General Assumptions	
SAC Rates and Equity Funding	Full SAC rates and equity funding to resume from January 2026. SAC Funding Plan Growth to not exceed 2% per annum.
Fee Movement	Annual maximum fee movement of 6% in 2025, returning to 2% for remaining out-years.
Salary Inflation	Salary inflation increase by budgeted rate in 2025 and remains at 2% for remaining out-years.
Inflation	Inflation has been assumed to be 2% per annum as per Budget Economic and Fiscal Update 2024 Treasury Estimates.
Discount Rate	10.0% has been assumed based on Treasury 8.0% real discount rate, with a 2.0% allowance for inflation.
Present Value Methodology	A discounted cash flow model was developed to value forecast cash flows over five years with an allowance for terminal value in year six. **Terminal Value:** A multiple of 10.0x was used as it reflects a 25% discount to the implied rates under dividend discount model. The discount is to reflect that some benefits could be reduced overtime.
Entity Specific	**For financial modelling purpose both Unitec and MIT forecasts assume retaining individual entity assumptions, with the combined entity growth rates a result of the combined forecast.**

ASSUMPTIONS	DETAILS
Domestic Student Projections	Programme Governance has requested that all divisions develop the Financial Improvement Plans based on the 0% domestic growth scenario, with moderate international growth. As such, the merger case has applied these same assumptions. The downside scenario focuses on slower international growth and a 5% drop in domestic students by FY28. MIT • Base Case: 0% across FY25-FY29 • Downside: 0% in FY25, -2.5% in FY26 and FY27, 0% in FY28 and FY29 • Upside: 1% in FY25, 2% in FY26 and FY27, 1% in FY28 and FY29 Unitec • Base Case: 0% across FY25-FY29 • Downside: 0% in FY25, -2.5% in FY26 and FY27, 0% in FY28 and FY29 • Upside: 6% in FY25, 2% in FY26 and FY27, -1% in FY28, and 0% in FY29 As a result, and after the implementation of priority FIPs and merger initiatives, scenario analysis results in the following combined growth rates outputs. • Base Case: -1% in FY25, 0% across FY26-FY29 • Downside: -1% in FY25, -2.5% in FY26 and FY27, 0% in FY28 and FY29 • Upside: 3% in FY25, 2% in FY26, 2% in FY27, 0% in FY28, and 1% in FY29
International Student Projections	The assumption is that no further EFTS growth is achieved via full integration – as such, the same growth scenarios have been applied as per the Financial Improvement Plans. MIT • Base Case: 10% in FY25,13% in FY26, 7% in FY27, 5% in FY28 and2% in FY29 • Downside: 6% in FY25, 2% in FY26 and FY27, 0% in FY28 and FY29 • Upside: 20% in FY25, 13% in FY26, 3%% in FY27, FY28, and FY29 Unitec • Base Case: 10% in FY25, 12% in FY26, 3% in FY27, FY28 and FY29 • Downside: 6% in FY25, 10% in FY26, 5% in FY27, 3% in FY28 and FY29 • Upside: 12% in FY25 and FY26, 10% in FY27, 5% in FY28, 3% in FY29 As a result, and after the implementation of priority FIPs and merger initiatives, scenario analysis results in the following combined growth rates outputs. • Base Case: 10% in FY25, 12% in FY26, 4% in FY27 and FY28, and 3% in FY29 • Downside: 6% in FY25, 8% in FY26, 4% in FY27, and 2% in FY28 and FY29 • Upside: 14% in FY25, 12% in FY26, 8% in FY27, 5% in FY28, and 3% in FY29
EFTS to Academic FTE ratio	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Non-Academic FTE to Academic ratios	

ASSUMPTIONS	DETAILS
	s 9(2)(b)(ii), s 9(2)(ba)(ii)
Teaching consolidation in programme and delivery	

Financial statements

The following sections provide a Profit and Loss, Balance Sheet and Cashflow Statement for the merged entity over the forecasted period (FY25-FY29).

Profit and loss statement

Table 3: Merger Entity Profit and Loss Statement ($m)

	FY25	FY26	FY27	FY28	FY29
Revenue	s 9(2)(b)(ii)				
Government Funding					
Tuition Fees - Domestic Students					
Tuition Fees - International Students					
Research Revenue					
Trading Income/Rents Received					
Other Income					
ConCOVE					
WBL and Commercial					
Total Revenue					
Operating Expenses					
Wages and Salaries					
Other Personnel Costs					
Teaching Delivery					
Research Costs					
Overheads					
Administration					
International Commissions					
Infrastructure/Maintenance					
Professional Services					
Other Costs					
Total Operating Expenses					
EBITDA					
Depreciation and Amortisation					

	FY25	FY26	FY27	FY28	FY29
EBIT	s 9(2)(b)(ii)				
Net Interest Income					
Net Surplus Before Unusual Items					
Unusual Items					
Gain / Loss on disposal of PPE					
Other Unusual or Non-Recurring items					
One-Off Redundancy Costs					
Teachout Costs					
Implementation Costs					
Extraordinary Income					
Total Unusual Items					
Net Surplus/(Deficit)					

s 9(2)(b)(ii)

Balance Sheet

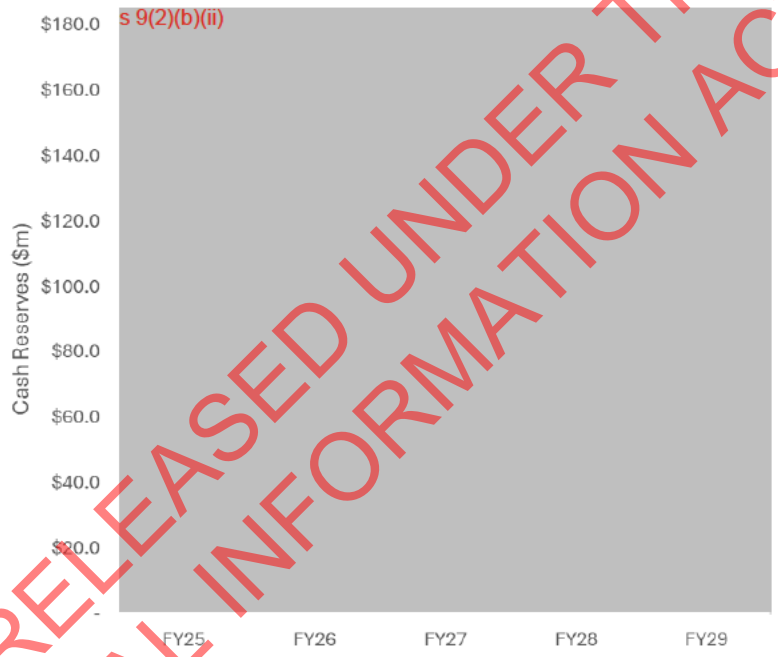
Table 4: Merger Entity Balance Sheet ($m)

	FY25	FY26	FY27	FY28	FY29
Assets					
Current Assets					
Cash and Cash Equivalents	s 9(2)(b)(ii)				
Trade and Other Receivables					
Other Current Assets					
Inventories					
Prepayments					
Total Current Assets					
Non-Current Assets					
Property, Plant and Equipment					
Assets Under Construction					
Total Non-Current Assets					
Total Assets					
Liabilities					
Current Liabilities					
Trade and Other Payables					
Employee Entitlements					
Revenues in Advance					
Other Current Liabilities					
Total Current Liabilities					
Non-Current Liabilities					
External Debt	-	-	-	-	-
Intercompany Debt	-	-	-	-	-

	FY25	FY26	FY27	FY28	FY29
Finance Leases	s 9(2)(b)(ii)				
Employee Entitlements					
Total Non-Current Liabilities					
Total Liabilities					
Net Assets					
Equity					
General Funds					
Crown Capitalisation / (Establishment Dividend)					
Revaluation Reserves					
Forgive Crown Debt on Establishment - Crown Equity					
Total Equity					

Figure 1 below shows the forecast increase in cash and cash equivalents with a more detailed statement of cash flow included in Table 5.

Figure 1: Cash and Cash Equivalents ($m)



Cash Flow Statement

Table 5: Merger Entity Cash Flow Statement ($m)

	FY25	FY26	FY27	FY28	FY29
Operating Cash Flows					
Operating Inflows	s 9(2)(b)(ii)				
Operating Outflows					
Unusual and Non-recurring Items					
Net Interest Income					
Net Operating Cash Flow (CFO)					
Investment Cash Flows					
Purchase of Assets					
Sale of Surplus Assets					
Other Investment Cash Flows					
Net Investment Cash Flow (CFI)					

	FY25	FY26	FY27	FY28	FY29
Financing Cash Flows	s 9(2)(b)(ii)				
Commercial Debt		-	-	-	-
Crown Debt		-	-	-	-
Finance Leases		-	-	-	-
Other Financing Cash Flows		-	-	-	-
Net Financing Cash Flow (CFF)		**-**	**-**	**-**	**-**
Net Increase in Cash Held					
Opening Cash Balance					
Closing Cash Balance					

s 9(2)(b)(ii)

Funding Requirements by Year

s 9(2)(b)(ii)

Table 6: Funding Sources and Funding Requirements (FY25-FY29) ($m)

	FY25	FY26	FY27	FY28	FY29	FY25-FY29
Available Funding Sources ($m)						
Combined Earnings (Unitec and MIT)	s 9(2)(b)(ii)					
Additional Uplift from merger (Synergies)						
Changes to Working Capital						
Total Funds						
Funding Requirements ($m)						
Unusual and One-off Costs	s 9(2)(b)(ii)					
Total Digital CAPEX						
Digital Integration Costs						
Digital Infrastructure/BAU						
Other CAPEX						

	FY25	FY26	FY27	FY28	FY29	FY25-FY29
Total Costs	s 9(2)(b)(ii)					
Surplus/(Shortfall) ($m)						

Appendix 8: Definitions and Abbreviations

Term	Definition
Discount Rate	The rate used to discount future cash flows to their present value. This rate reflects the time value of money, indicating that money available today is worth more than the same amount in the future due to its potential earning capacity.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation: A measure of a company's profitability before reinvesting in capital assets.
EFTS	Equivalent Full-Time Student: A unit that measures the workload of a student in a standard academic year.
FTE	Full-Time Equivalent: A unit that indicates the workload of an employed person.
MIT	Manukau Institute of Technology, one of the subsidiary under Te Pūkenga.
ITP	Institutes of Technology and Polytechnics: Public tertiary education institutions in NZ.
PTE	Private Training Establishments.
Present Value and Net Present Value	Present value (PV) is a financial concept that represents the current worth of a future sum of money or stream of cash flows, given a specific discount rate. Net Present Value includes the costs associated with receiving the financial benefits, with both cost and revenue streams converted to current worth (present value) at the specific discount rate.
RSLG	Regional Skills Leadership Group
Surplus Assets	Assets no longer needed for operational purposes.
TEC	Tertiary Education Commission: The NZ government agency for tertiary education.
Unitec	Unitec Institute of Technology, one of the subsidiaries under Te Pūkenga.