Aoraki Polytechnic

Christchurch Polytechnic Institute of Technology

New Tertiary Organisation in Canterbury

Better Business Case

Long Form

12 August 2015

Contents

1 Executive Summary

This Better Business Case sets out the rationale for a recommendation to the Minister for Tertiary Education, Skills and Employment to consider the establishment of a new single organisation to provide vocational and applied tertiary education in the Canterbury region.

The document establishes the context for Canterbury – rapidly recovering from an unprecedented disaster, the earthquakes of 2010 and 2011 and now in "rebuild" mode. The region is a heartland powerhouse for the national economy, but its primary producers are subject to many pressures often operating in hyper-competitive volatile international markets.

To play its part in New Zealand's ongoing economic growth pathway, Canterbury's industry, employers and communities have recognised the need to improve productivity and increase innovation. The region's tertiary education providers are central to this initiative.

Skills drive modern economies and vocational education underpins the creation of a skilled workforce. Strong vocational education provision must continue to extend across rural and regional Canterbury, not just its metropolitan centre, to ensure Canterbury remains a vibrant and prosperous community and economy.

It is increasingly important for vocational education to be delivered efficiently, with an eye to costs, and the ability to adapt quickly to changing needs in order to represent the best value to the community and the Government.

It is clear that to adapt to a rapidly changing region, economic drivers and stakeholder needs our organisations need to be nimble, and be ready to deliver anywhere. Central government expects the tertiary education system to be outward facing and to have a clear learner focus. This has highlighted the need for a flexible and strategic vocational education system that adapts to changes in the economy, technology and wider markets as they occur.

Both Aoraki Polytechnic and CPIT provide high quality programmes and are strongly engaged in their local communities.

Despite creative partnership initiatives, streamlined operations and growth, Aoraki Polytechnic faces ongoing operating deficits and depletion of its cash reserves for

the foreseeable future. Within four to five years, Aoraki Polytechnic will not have the funds to continue operating.

While CPIT's performance is sustainable, there are many changes needed to meet the region's future needs – new investments are required, especially in the technology space, to keep pace with other providers and remain relevant in the market.

Aoraki Polytechnic and CPIT have been working together for some time to identify where the opportunities for collaborative development and delivery lie, and how they might be best harnessed.

The Better Business Case sets out the criteria, agreed by each institution, as "bottom-lines" for any new operating arrangements. These criteria have been central to the process and form the fundamental tests for the recommendation.

A further fundamental element to the Better Business Case – the establishment of a vision for the future delivery of vocational and applied tertiary education in Canterbury is articulated; be an exciting, relevant, contemporary, vibrant and viable contributor to individual and community prosperity throughout Canterbury by improving access, extending the range of programmes and services and by becoming a destination for national and international students. This vision has guided much of the thinking outlined in this document.

With these foundation elements in place, the Better Business Case provides analysis across a range of options for the future delivery of vocational education in the Canterbury region. The Councils took extra care to cast the options in a way that thoroughly tested the existing inclination towards collaboration, and seven separate options were carried forward for testing against four fundamental criteria:

- Criterion 1: Whether they will be sustainable (educationally and financially) in the long term
- Criterion 2: Whether they will significantly contribute to the national and regional economic development goals
- Criterion 3: Whether they will deliver the vision
- Criterion 4: Whether they are legally and practically feasible

The evaluation process resulted in a clear preference for Option 7 – integrating Aoraki Polytechnic into CPIT as the legal vehicle, but with a Council, management team and investment plan structured for and dedicated to a transformational vision. Significant analysis was completed to test this preference and develop a clear and evidenced-based recommendation for the Minister.

Planning has been completed on the impact of the recommendation on students and staff, and exactly how a new organisation could be established and change implemented. Consideration is given to building on established stakeholder relationships to ensure relationships are mutually beneficial and rewarding.

Reflecting the commitment to engagement with stakeholders throughout the process, the Councils conducted early consultation on the preferred stakeholder options. The process used for this consultation is articulated with summarised feedback showing the positive nature of the feedback from staff, students and local communities.

The conclusion of the Better Business Case reflects confidence that the recommendation made to the Minister is the best way forward and outlines the Councils' commitment to moving forward to implement a new and transformative vision for the delivery of vocational and applied tertiary education in Canterbury.

2 Purpose of this document

The Councils of Aoraki Polytechnic and Christchurch Polytechnic Institute of Technology (CPIT) have developed a proposal to establish a new single organisation to provide vocational and applied tertiary education in the Canterbury region. This is the Better Business Case for that proposal.

In developing it, the Councils have considered the current situation and prospects of the two institutions, the skills requirements of the Canterbury region as a whole, the emerging trends in vocational and technical education and the opportunities for improvements in local provision and domestic and international expansion. They have concluded that the creation of a new single organisation best fits these anticipated needs and opportunities. They consider creating a new single organisation will best address the needs for provision of vocational and applied tertiary education opportunities for students in the Canterbury region, meeting industry and social requirements for a skilled and capable workforce and community. Furthermore, a strong, credible, sustainable and connected tertiary provider will be best placed to attract students nationally and internationally.

The purpose of this document is to describe the rationale for this new whole-of-Canterbury vocational and applied tertiary education organisation through the integration of Aoraki Polytechnic and CPIT. This document provides an overview of the Canterbury, national and international context; the current operations of Aoraki Polytechnic and CPIT; an analysis and evaluation of the historical, financial and operational issues faced by the existing institutions; the modelling of options to address these issues; and includes details about the vision for the preferred solution and how it would be implemented.

To achieve this, the Councils consider that the “new organisation” should explicitly adopt a whole-of-Canterbury approach, providing increased opportunities and improved outcomes for all students through a responsive and agile portfolio, flexible and dispersed delivery; with a focus on quality, relevance, and stakeholder engagement. The most practical, cost effective and lowest risk approach to achieving this vision is to use the legal vehicle of CPIT to create a new single organisation for delivery of vocational and applied tertiary education in Canterbury supported by a governing Council that encompasses the diverse interests of the whole of Canterbury.

3 Context

Introduction

Canterbury is going through a period of exceptional expansion as the Christchurch earthquake rebuild matures, and as sustained growth in primary production continues to underpin demographic and economic growth. As this process continues, the Canterbury economy will rely less on the rebuild and more on other sectors and the wider region to sustain economic growth into the future.

Already the regional economy is increasingly dispersed beyond Christchurch; for instance, Ashburton is now one of the fastest-growing towns in New Zealand. The region's population is aging, becoming more socially and ethnically diverse, as well as economically active. Employers are seeking larger pools of skilled staff outside the main centres.

The economy has a number of significant strands. While construction in Christchurch has been an obvious hot spot of activity, dairying, tourism, and the businesses associated with other primary industry supply chains, not just the on-farm elements, have all been growing strongly, and are likely to continue to do so. The region has an economically significant ICT sector, a history of supporting research clusters, as well as significant health sector provision.

A significant proportion of the region's economic activity is exposed to global competition, or is dependent on global markets. Constant competitive pressure means these supply chains need to adapt continually. Skills matter in responding to these pressures, and continued provision of relevant, timely vocational training is essential to the region's enduring economic success.

More broadly, economic commentators have identified the need to sustain the "heartland" of the New Zealand economy as the single most important foundation for the country's future prosperity. About one million New Zealanders live in the heartland, with over 140,000 businesses, close to 420,000 full time equivalent jobs, and over $40 billion in annual GDP. Taking these proportionately out of the Canterbury equation would leave a significant hole to fill in the economic landscape. Strong vocational provision must extend across rural and regional Canterbury, not just its metropolitan centre, in order for the heartland to grow.

The national and local government growth agenda

The Government has recognised these economic challenges in its ambitious objectives for exports, and for primary sector growth needed to underpin those export objectives. Part of making these goals "real" has been to identify the (very large) numbers of skilled people needed if these supply chains are to grow as hoped. Skills drive modern economies.

All of the six key areas of the Government's Business Growth Agenda (BGA) are linked to skills development through vocational education. New Zealand's wider tertiary education system performs well by international standards, but must continue to adapt towards an outward-facing, demand-oriented provision (see "The national context is important").

In Christchurch already, through building innovation, skilled workplaces and strengthening of infrastructure, specific focus is given to science, technology, engineering and mathematics (STEM) skills and construction. With 127 projects totalling $355 million under construction or planned, significant skills will be required. An additional 1,300 jobs are expected to support the horizontal infrastructure rebuild in Christchurch alone. The importance of investment in skills training has been reinforced with $70 million set aside since 2011 for the Skills for Canterbury programme.

The primary sector is a critical contributor to the target of doubling exports in real terms by 2025. Primary exports account for over 50 percent of all goods and services exported. A boost to the productivity and profitability through the Primary Growth Partnership (PGP) and other initiatives continues to be a government focus for the BGA. To enable this, more (skilled) workers will be required across New Zealand.

The Ministry for Primary Industries (MPI) predicts a requirement for 93,000 more qualified workers in the primary sector between 2013 and 2025, and some 16,000 of them will require a degree or higher qualification. Industry production and output data identifies Canterbury as one of the fastest growing regions for primary sector activity for the last six years, and this is likely to continue to 2025. In Canterbury, dairy and arable sector employment is forecast to rise by 2,800 and 9,000 workers respectively. Other increases of 200-1,200 workers are predicted in a number of supporting professions within the supply chain, from ICT to sales and support workers.

Regionally, Canterbury's Territorial Local Authorities (TLAs) and the Mayoral Forum are working together on economic development. Education and skills are a major stream of this work; vocational education can contribute to the development of an efficient ecosystem of provision, with polytechnic resources at its heart, but deeply embedded in the economy, employers, and the wider community. The imperative is to generate strong regional economies and, in order to do so, have strong services in the regions for attracting and retaining investment and talent.

The economic development of wider Canterbury is a crucial part of keeping the regional heartland operating. Letting this development falter would lead to a less viable and less resilient regional economy; with worse outcomes and lower well-being for Canterbury residents. Larger cities and urban areas, like Christchurch, are attractive for demographic and employment reasons, yet the reality is that much of Canterbury's, and New Zealand's, prosperity comes from the resource-based activities of the heartland areas.

While Canterbury is expected to show strong economic growth for some years, the physical and social infrastructures in regional areas are being eroded as population shrinks and expensive investments become unsustainable. Whether these are in schools, polytechnics and other training institutions; hospitals and health centres; or sports and community facilities; population decline undermines the maintenance of core infrastructure and services. Once established, such a pernicious cycle of decline can be extremely difficult to reverse.

Yet employment and labour force participation are at historic highs in Canterbury and unemployment is low, so businesses find it difficult to source both skilled and unskilled workers. Maintaining economic development in the relevant and priority areas is an ongoing challenge for Canterbury's TLAs to avoid infrastructure losses which makes local economic activity less vibrant, and therefore less attractive for businesses who are seeking to grow their skilled and capable workforces in the regional heartland.

North Canterbury and Christchurch economic development priorities include addressing job and resident workforce imbalances, and improving productivity through innovation whilst supporting the Canterbury rebuild. Relevant, targeted and effective vocational training is a central part of achieving those targets.

The risk of shrinking regional services also needs to consider the relative impact on particular population sub-groups. In particular, for example, will be the impact on Māori. The Statistics New Zealand population "medium assumptions" projection scenario indicates that across 15 of 16 of New Zealand's regions (ie excluding Auckland) the number of non-Māori children (ie 0-15 years old) will decline, but the number of Māori tamariki will increase. A similar observation holds for the 40-64 year-old age group. Any progressive rundown of educational delivery to heartland New Zealand will adversely affect Māori disproportionately.

The national context

Central government's expectations, the legal framework, and central government funding arrangements are all part of the vocational training context too. Government has requirements around learning delivery, meeting social and community needs, and of course the governance, management, audit and accountability requirements that underpin all public institutions. Government sees the need for stronger institutions in this sector. In this case, the Government is looking to Canterbury's existing public providers to rise to the challenge and become the authors of their own destiny, in consultation with the wider community they serve.

Central government expects the tertiary education system to be outward facing and to have a clear learner focus. This is needed to continue to improve the outcomes for students, employers and the wider communities, as well as contributing to New Zealand's success in the changing global environment. Stronger links to business, community, schools and international markets are all important.

The 2014 Briefing to the Incoming Minister (BIM) and the Tertiary Education Strategy (TES) both highlighted the need for a flexible and strategic vocational education system that adapts to changes in the economy, technology and wider markets as they occur. This approach is reflected in the Government's six priorities for the tertiary education sector:

1 Delivering skills for industry – a labour force with both specific and transferable skills that can build and sustain economic growth.

2 Getting at-risk young people into a career – ensuring they are equipped with employability skills and qualifications supports them to more effectively participate in society and the community.

3 Boosting achievement of Māori and Pasifika – delivery models that fit all groups are necessary to engage with learners and realise their talents.

4 Improving adult literacy and numeracy – improved basic literacy, language and numeracy removes limitations for adults across all aspects of their lives.

5 Strengthening research-based institutions – effective tertiary education research provides significant economic, social, cultural and environmental benefits.

6 Growing international linkages – international education helps enhance teaching and research, share knowledge, build human capital, and realise other wider benefits to New Zealand's international relationships and trade.

Vocational education is changing

Vocational education is changing as the labour market adapts to the growing economy. Jobs are requiring greater skill levels, and these skills have a shorter "half-life" due to the ongoing evolution in technology and supply chains. Too many people are not achieving the skills required for continuing success in the labour market, either because they disengage from skills acquisition pathways or do not have access to these.

Equally significant is the expectation that vocational education in New Zealand will be linked to practical experience, and that it will be available – and accessed – throughout people's whole lives. The growing demand for work readiness in vocational training extends beyond technical skills, to include a requirement to invest in and to develop the generic, transferable skills that contribute to highly productive workplaces. A recent report entitled "Education to Employment: Designing a System that Works" (McKinsey & Company's Public Sector Practice, 2012) discussed the significant gap between the requirements of stakeholders, both students and employers, and the provision of education from providers, particularly in the area of "work readiness".

Other changes to education, especially vocational education, are emerging too. This reflects significant changes in social and economic expectations, as global competition increases pressure on learners and employers to secure skills and qualifications efficiently and flexibly. Students want flexibility in delivery, a clear link between theory and practice, and strong use of technology.

Taking advantage of technology, such as the internet as a delivery mechanism, provides flexibility for students and delivery efficiencies for providers to meet the expectations of information and teaching availability. However, institutions require the scale to be able to innovate and to invest in technology-based delivery, which is a challenge for some of New Zealand's smaller tertiary providers, particularly in the regions.

While technology can support greater accessibility and engagement for priority learner groups, it needs to work in conjunction with other tools and approaches - like improved learning facilitation, "just in time" and "real time" learning improved engagement strategies and support. Many rural areas do not yet have good enough connectivity, which means other methods of delivery are needed. This is an ongoing challenge for tertiary education in New Zealand.

Like all services, vocational education needs to be delivered efficiently, with an eye to costs, and educational institutions need the agility to adapt to continually changing economic and social needs.

Globalisation has created downward pressure on costs and prices throughout the world, and workers everywhere rightly see their economic future as requiring them to keep their skills relevant and current, as well as transferable. The vocational sector needs both the scale and the sophisticated management to discern the changing shape of skills the economy will need, and to match demand and supply accordingly.

And vocational training is itself a globalising sector. Online delivery means that brand differentiation becomes critical, so institutional reputation matters; in the future, the intellectual property of Canterbury's vocational training institutions will include not only their reputation within the region, but their reputation as learning environments on a world stage as well. This is especially important if international education is to be a successful part of the sector.

4 Aoraki Polytechnic and CPIT

Both Aoraki Polytechnic and CPIT provide high quality educational programmes that demonstrate robust employment outcomes for learners. Both institutions are also strongly engaged in their local communities, and so both recognise that, in mapping out a shared future, they will need to bring those communities along as active partners.

Aoraki Polytechnic operates from campuses in Timaru, Ashburton, Oamaru, Dunedin and Christchurch. Aoraki Polytechnic delivers over 70 programmes to approximately 1,000 equivalent full time students (EFTS) annually.

The challenge of providing programmes in the smaller population centres of Timaru, Ashburton and Oamaru has resulted in Aoraki Polytechnic running annual operating deficits in recent years. In spite of restructuring, rationalisation and planned growth, forward projections see these deficits continuing. Aoraki Polytechnic has been able to manage this situation due to its considerable cash reserves. It has responded creatively to its situation, developing partnership arrangements with Lincoln University and CPIT to help build provision and pathways for these smaller communities. In spite of these initiatives and even with streamlined operations and growth, Aoraki Polytechnic predicts the continuing depletion of its finite cash reserves. Within four to five years, Aoraki Polytechnic will not have the funds to continue operating and could face closure. The intervening years would see underinvestment in its development and ultimately the area serviced currently by Aoraki Polytechnic would lose capability and local engagement in the delivery of vocational and technical education.

CPIT operates a number of campuses across Christchurch. Following the Canterbury earthquakes, CPIT developed a ten-year financial forecast. This forecast took into account the need to repair and rebuild its campuses to create safe, modern tertiary learning environments; it also forecast some growth in response to post-earthquake initiatives in Christchurch (such as the Health Precinct and the demand for trades training); sought to re-establish its growth in international education after the decrease in international student enrolments following the earthquake; and made modest assumptions for cost control and productivity increases.

This financial forecast predicted that CPIT would remain a sustainable institution, maintaining an operating surplus throughout the period and generating a positive cash balance which would fund its capital programme. CPIT delivers to 6,500 equivalent full time students annually.

There are issues facing both institutions. The most immediate challenge is Aoraki Polytechnic's small size: its costs are intractably high for its student numbers, and it is not viable in its present form. It needs to consume its finite cash reserves to stay afloat and it therefore faces an uncertain future.

CPIT has a delivery model that, while economical due to numbers of students, will cease to be fit for purpose into the future where learners and employers want "anywhere, anytime" delivery. This paradigm will be essential for both growing the numbers of learners, and providing services to the marginally engaged (Māori, Pasifika, existing workers, rural inhabitants and workers, disadvantaged youth).

Yet Aoraki Polytechnic and CPIT are central to the success of the Canterbury economy. As well as being major employers, they provide pools of knowledge and capability that underpin the development of skills for local workforces, and make a major contribution to the social cohesion of their communities. They provide the primary mechanism for regional employers to increase the skill levels of their staff; pathways for school leavers to enter the workforce for the first time; and ways for people in employment to further develop their expertise and alter careers in response to a changing economy.

The proposal to bring Aoraki Polytechnic and CPIT together reflects the wider realities and opportunities set out above; both Councils and management teams see the case for a new common organisational architecture to address the economic and community challenges, taking full advantage of the opportunities that additional scale and capability will bring. This process has led to the proposal to bring the two institutions together into a single regional vocational and applied tertiary education organisation for Canterbury.

For the Aoraki Polytechnic community, moving to integration must also mean transparent use of the financial resources accumulated over recent years, continued investment in connectivity and IT, outreach into rural areas, and full use of Aoraki Polytechnic's expertise in primary industries training, including relationships with other providers and industry. It also means a continuing regional identity in governance.

In recognising that Aoraki Polytechnic cannot go it alone for the future, on the basis of the tertiary education framework, its Council has taken a pragmatic approach to how integration with CPIT might occur, and has identified some specific requirements that need to be addressed in recommending the proposed new organisational arrangements. These are outlined in Figure 1.

Aoraki Polytechnic Requirements

- The cash reserves that Aoraki Polytechnic has built up must be invested in the Aoraki region for the delivery of quality education.
- Campuses within the Aoraki region are retained.
- The Council of the new organisation will include appropriate Aoraki Polytechnic regional representation.
- There will be delivery of quality education that appropriately meets the needs of current and future learners and industries in the Aoraki region.

Figure 1 – Aoraki Polytechnic requirements for the option selected

For its part, CPIT's management also recognised the opportunity to accelerate the rate of change it had already begun and, despite its full agenda, particularly around completion of its capital works programme, it will be important to ensure that CPIT is part of the best possible vocational education organisational structure for Canterbury's future. The specific requirements for CPIT are outlined in Figure 2.

CPIT Requirements

- The creation of the new single organisation does not have a negative impact on the CPIT projected financial position after transition has been accomplished (accepting that the initial years require transition expenditure, and that some time will be required to align the operations across the region with the CPIT expectations around productivity of staff and resources).
- There is continuity of governance arrangements such that the CPIT Master Plan implementation and associated capital works is not affected.
- There is avoidance of disruption to other elements of the CPIT work plan such as the collaborative arrangements in health provision, the development of technology-enhanced learning, the implementation of flexible delivery arrangements and the development of staff capability.

Figure 2 – CPIT requirements for the option selected

The challenges

Vocational education is an essential aspect of economic and community development and cohesion.

Delivery of vocational education is challenged by:

- current capability that is not well aligned to the changing nature of tertiary provision and emerging stakeholder demands
- the siloed approach to vocational learning is not optimal to achieving innovation and growth.

Stakeholder demands of distance and part time flexible learning means the institutions need to provide delivery in such a way that it is accessible for learners and sustainable for the organisation.

Many of the demographic, population density and scale challenges being faced in Canterbury are common to other regions in New Zealand. The way they are addressed in the province will be a test of how institutions with decades of commitment to their communities can be integrated in a way that builds on their respective strengths, and which brings additional value to their regional economies.

The right organisational arrangements are therefore an essential pre-condition if the challenges in vocational education are to be met and the opportunities seized. To be successful, these arrangements should provide strong governance, efficient and flexible delivery across Canterbury's regions, a compelling brand, and sufficient scale to respond to changing requirements, across the full range of economic and social demands presented by Canterbury's dynamic, developed economy and its diverse social fabric.

5 A vision for refreshed vocational education in Canterbury

To sustain the delivery of high quality skills training for the whole Canterbury region and beyond. What can that look like if vocational education in Canterbury is to be the best it could be?

The vision for the future delivery of vocational and applied tertiary education in Canterbury has guided the thinking in this document.

Our vision is to be an exciting, relevant, contemporary, vibrant and viable contributor to individual and community prosperity throughout Canterbury by improving access, extending the range of programmes and services and by becoming a destination for national and international students.

In achieving this vision, understanding the needs of stakeholders is paramount so that these can be met.

Students want:

- access to a range of vocational and applied tertiary education programmes that address their interests and that visibly lead to employment and personal success
- education which provides equity of access and outcome, particularly to Māori, Pasifika, and under 25 year old learners
- association with a provider that has high recognition and a strong reputation
- assurance that the qualification they receive is well regarded and recognised locally, nationally and internationally
- assurance that programme content is relevant, current and provides them with work-readiness
- engaging, interesting content and delivery of programmes with “hands-on” experiences and work-integrated learning
- assurance that their investment of time and money will pay dividends
- study environments and practices that are safe, supportive and flexible.

Industry stakeholders want:

- work-ready graduates with sound wider skills and attitudes
- engagement with an organisation that involves opportunities for input, alignment and involvement in programme delivery
- assurance that technical skills are current, relevant and provide a solid basis for further development.

Community stakeholders want:

- recognition of the diverse populations that are serviced and representation of their interests in decision-making
- responsiveness to identified challenges in accessing and succeeding in tertiary education including issues around cultural, geographical and social isolation
- increased access to vocational and applied tertiary education for regional communities, youth, existing workers and Māori and Pasifika people.
- building on initiatives in place to develop an integrated engagement strategy, particularly with iwi and rūnanga
- improved outcomes that are meaningful and respectful of the relationship with partners and iwi partners
- enhanced engagement with the community, particularly Māori and Pasifika, to ensure the unique needs and aspirations of target learner groups are met.

The educational vision that supports these student, industry and community requirements needs to include:

- governance, advisory and management mechanisms that engage with and respond to student, industry and community priorities
- portfolio planning that directly supports the main supply chains in the region, and regional economic and social development efforts (with close links to economic development organisations, companies, employer and community associations)
- quality assurance of subject matter
- agile, responsive product development, properly resourced
- delivery that provides participation strategies for the whole range of potential student populations in a whole range of settings – school students, disengaged youth, those seeking employment, people requiring bridging programmes, full time entry level through to advanced level studies, existing workers and people seeking re-training and upskilling
- programmes that incorporate academic literacies and work-readiness
- physical infrastructure for efficient quality delivery

- professionally developed and enhanced staff skills
- delivery which facilitates participation – blended delivery, work-integrated learning, work-based learning, technology-enabled learning, recognition of prior learning, mobile learning
- support services that facilitate access, progress and success in tertiary education and subsequent employment
- stakeholder partnerships that work – with schools, iwi, community and employers
- learner analytics, academic and pastoral services that support student success.

It has been clear through this process that vocational education in Canterbury needs to be innovative and responsive, and organised to underpin investment in new teaching and teaching methods. Transformation of delivery and content is an essential part of the vision; to stand still would be to fall behind.

Accountability and transformation

In the context of the existing institutions' key performance indicators, the new organisation will see an enhancement and improvement over time in these dimensions. A process of accountability for this will be overseen by the new organisation's Council who will both report back to and further engage stakeholders to ensure the organisation's vision is achieved. This could include some of the following:

- Increased accessibility through the region, for example:
  - number of student enrolments in smaller population centres
  - number of qualifications and courses available outside of main population areas
  - number and range of programmes available through the region
  - proportion of students studying whilst in work.
- The organisation's ability to match its qualification portfolio to current and future economic and social priorities, for example:
  - number of new qualifications directly aligned with key industries
  - positive support and feedback from key industries regarding the availability and suitability of qualifications and courses
  - support for full cost recovery industry oriented programmes
  - level of Māori and Pasifika engagement and success
  - achievement in levels one and two and in improving literacy and numeracy of students
  - students engaged in STEM qualifications and courses.
- Investment in teaching and learning, for example:
  - number of students using technology tools to support organisational engagement including enrolment on online, and teaching and learning facilitation and support
  - number of courses that enable flexibility in time, place, and, method of study
  - number of courses delivered in a blended mode
  - number of courses that include structured workplace learning components.

- The organisation's credibility and acceptance with learners and stakeholders, for example:
  - achievement of the organisation's growth targets both domestic and international
  - non-EFTS based income generated through new income streams
  - number of students undertaking applied research and contributing to the region's economic development.

6 Institutional options

Developing and assessing the options

In order to develop this Better Business Case, the governance and management teams from both institutions collaborated on identifying and assessing the most viable options available for long term sustainable vocational and applied tertiary education delivery in Canterbury.

The options have been assessed against four fundamental tests:

- whether they will be sustainable (educationally and financially) in the long term
- whether they will significantly contribute to the national and regional economic development goals set out by stakeholders, including the Government
- whether they will deliver the vision articulated above
- whether they are legally and practically feasible.

The process used to refine the options is outlined below.

- The assessment framework was identified, which defined the criteria against which the options could be evaluated, using the input of an Investment Logic Mapping (ILM) workshop held with Council members from both institutions. The Investment Logic Map is attached as Appendix A.
- The possible options were identified and then fleshed out in sufficient detail to enable the initial assessment to be completed.
- The Aoraki Polytechnic and CPIT management teams conducted an assessment of the merits of all of the available options, which produced a list of possible and preferred options.
- The preference listing was analysed, a recommendation made on the short list options, and the information presented in summary form to the joint Steering Group tasked with governing the integration of the two institutions.
- The Steering Group made a decision on the short list and provisionally identified a single preferred option, subject to the further analysis around the achievability of the outcome.

- External consultants and the management teams from Aoraki Polytechnic and CPIT then conducted the detailed implementation analysis necessary to fully evaluate the short list and the preferred option, based on the work and risks associated with transition and operation.
- The short list and the preferred option were then ratified by the Steering Group, based on the outcome of the implementation assessment.

The main elements of this process are described below, and set out in Figure 3.

The possible options

Although both Councils and management teams had seen from the outset that a form of collaboration between Aoraki Polytechnic and CPIT was desirable and inevitable, the options examined were deliberately widened to include the option of both Aoraki Polytechnic and CPIT "going alone", ending existing collaboration. Other options then explored different levels and forms of collaboration. The result was a suite of seven possible options:

- **Option 1:** Ending collaboration, with both institutions working independently of each other.
- **Option 2:** Continuing current collaboration, but with an end date after which each would act independently, conceptually similar to the first but less disruptive.
- **Option 3:** Continuing current collaboration indefinitely, including new projects and areas of joint working on a case-by-case basis.
- **Option 4:** A form of simple merger of the two.
- **Option 5:** Maintaining separate institutions, but establishing a combined Council with governance responsibilities over both institutions providing for shared strategy but distinct delivery, and regional focus.
- **Option 6:** Accept the ambition of transformed vocational educational delivery across the region, and establish an entirely new organisation to deliver that vision, folding both Aoraki Polytechnic and CPIT into it.
- **Option 7:** Accept the ambition of transformed vocational educational delivery across the region, and provide for that by integrating Aoraki Polytechnic into CPIT as the legal vehicle, but with a Council, management team and investment plan structured for and dedicated to the transformational vision.

There are a number of matters to note about the options.

The first is that **Option 1** would represent a return to the status quo that existed prior to the commencement of collaboration in 2012, and would be the likely ending point if both institutions chose to pursue their own destinies rather than to carry forward the transformational vision set out in this Better Business Case. While this option delivers none of the desired outcomes, it acts as a useful reference point for comparison purposes.

The second is that **Option 2** and **Option 3** represent the continuance of collaboration in much the same form as is occurring between Aoraki Polytechnic and CPIT today. While one has an end date and the other continues indefinitely, the form and nature of the collaboration is identical. And while collaboration has achieved worthwhile benefits over the last 18 months, it is also clear that both options will fail the long term sustainability test, as the foregoing discussion about the future of vocational tertiary education in Canterbury demonstrates. Given this, neither of the two collaboration options were assessed further.

The third is that **Option 4** and **Option 5** represent different variations on how a single shared mechanism might be achieved. While there are legal and structural differences in the two scenarios, they amount to an amalgamation of functions and management with different governance structures. While it seems likely that some of the desired economies of scale can be achieved by simply combining the two institutions, there are question marks over the degree to which the vision articulated in this document could be achieved without significantly more wide-ranging transformation.

The final matter is that **Option 6** and **Option 7** both provide a vehicle for transformation within the vocational tertiary sector in Canterbury, but that they differ legally in the ways and means. In other words, the outcomes are the same, but the paths used to achieve them are quite different.

The feasible options

As noted above, the tests against which the merits of each option were assessed are:

- whether they will be sustainable (educationally and financially) in the long term
- whether they will significantly contribute to the national and regional economic development goals set out by stakeholders, including the Government
- whether they will deliver the vision articulated above
- whether they are legally and practically feasible.

After considered assessment, it was clear that the collaboration alternatives (Option 2 and Option 3) fail at each of the tests. Further, while the amalgamation alternatives (Option 4 and Option 5) will demonstrate improved financial viability and are both legally and practically feasible, significant question marks remain on whether the intention of the vision can be realised within the framework of a simple merger.

Both the transformational alternatives (Option 6 and Option 7) have the potential to deliver both sustainability and the outcomes of the vision, but as noted above they propose different legal mechanisms for realising the goal.

The preferred option

After robust analysis, it became clear that financial and educational sustainability, delivery of the required economic benefits to the region and the nation, and the ambitious vision set out above requires a single, integrated institutional framework underpinning delivery into the future, capable of tackling a complex agenda over time, across the whole of Canterbury and beyond, and as efficiently as possible. Whether this was to be realised through an entirely new legal entity, or by folding one into the other of the existing institutions, was a matter for legal analysis. The legal advice was in favour of the latter.

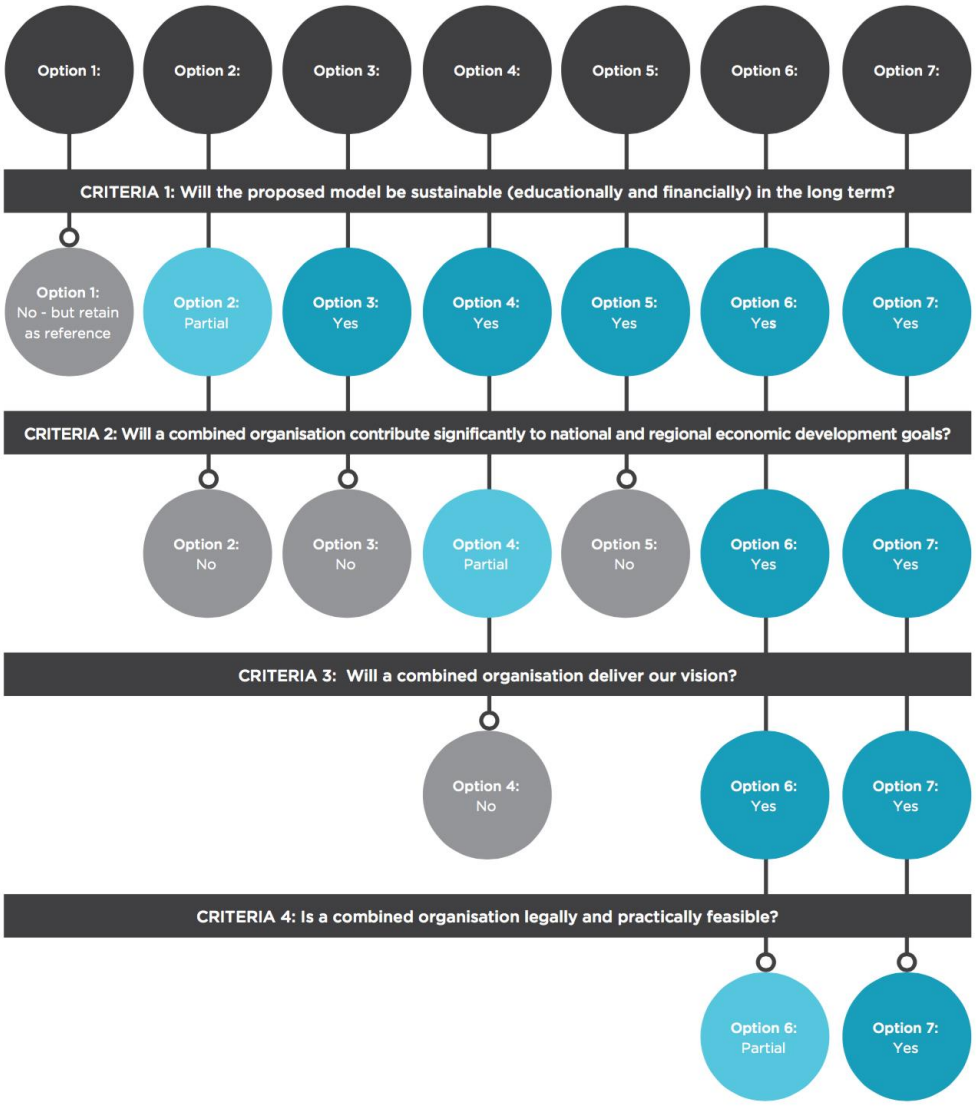


Figure 3 – Summary of the options analysis and decision making process

7 Long term financial sustainability

Financial modelling and implications

The development of this Better Business Case has involved extensive collection, analysis and evaluation of the financial information relating to Aoraki Polytechnic, CPIT and the proposed new single organisation.

The financial performance of Aoraki Polytechnic in recent years has resulted in ongoing operating deficits and, in spite of restructuring, rationalisation and planned growth, forward projections currently see these deficits continuing. Aoraki Polytechnic has been able to withstand this situation due to its considerable cash reserves. At the end of 2015, these cash reserves are projected to be $22.1 million, which includes $2 million of tagged grant monies. With continuing annual operating deficits projected to escalate beyond $4.5 million per annum by 2020, these cash reserves will be eroded rapidly, simply consumed in maintaining the status quo operations.

Given the current funding context, and any reasonable set of assumptions about future growth in student numbers, the joint financial modelling undertaken in the development of this Better Business Case would evidence that there is no plausible strategy that could result in there being a long term financially viable standalone Institute of Technology or Polytechnic (ITP) based out of Timaru. Add to this the necessary consideration to make essential investments into the advancement of teaching and learning capability within the region, it becomes very clear that the cash reserves of Aoraki Polytechnic would most likely be consumed within a five year period.

See Appendix B – Aoraki Polytechnic standalone financial model.

CPIT developed a ten-year financial plan following the Canterbury earthquakes. This plan took into account the need to repair and rebuild its campuses to create safe, modern tertiary learning environments; forecast some growth in response to post-earthquake initiatives in Christchurch (such as the Health Precinct and the demand for trades training); sought to re-establish its growth in international education after the decrease in international student enrolments following the earthquake; and made modest assumptions for cost control and productivity increases.

This financial forecast predicted that CPIT would remain a sustainable institution, maintaining an operating surplus throughout the period and generating a positive cash balance which would fund its capital programme.

Since 2007, CPIT has consistently generated financial surpluses in excess of the Tertiary Education Commission benchmark expected for a sustainable tertiary institution. Since 2006, CPIT has repaid in full term loans of $15 million. It has a strong balance sheet showing net assets of $215 million with no long term debt, recorded a further surplus in 2014 of $5.7 million, and had $49.5 million in cash reserves at the end of that year. CPIT has been assessed against the Tertiary Education Institutional Financial Monitoring (TEIFM) framework and has been granted a continuance of its low risk status.

The appendices show the financial position of CPIT as a standalone institution. It shows that CPIT is expected to maintain surpluses into the future, that it has the capacity to self-fund an extensive capital works programme in excess of $200 million over eight years, and although it will deplete its cash reserves in the short term because of this level of capital investment, it will maintain positive operating cash flows into the longer term and rebuild back to having a healthy level of cash reserves in the future.

See Appendix C – CPIT standalone financial model

Scenarios

Following the options analysis previously discussed, three possible scenarios for the future operations for ITPs in Canterbury were subjected to detailed financial analysis. Each of the scenarios used the 2015 number of Government funded places as a starting point, and then assumed growth of 200 Student Achievement Component (SAC) places in 2016, 100 additional SAC places in 2017 and 50 additional SAC places per annum from 2018 onwards. Each scenario also made common assumptions about rate increases in funding, fees, salaries and expenses. These assumptions are detailed in Appendix D.

The main point of difference between each scenario is the extent to which a strategic investment approach is taken by the governance and management within each of the new entities. Each scenario contemplates the establishment of a growing Strategic Development Fund. In utilising this investment fund the scale of change and the consequential return on investment grows, ultimately delivering under Option 6/Option 7 the only scenario that is considered to be financially sustainable in the long term.

In terms of the financial model, the options can be grouped into three scenarios:

- **Options 1-4** – Under this scenario, which encompasses only the existing efficiency gains and growth planned for by the existing institutions, the following assumptions were included:
  - No savings in general operating costs
  - No staff productivity improvements other than already planned in CPIT standalone
  - An allocation of $700,000 per year to a fund to undertake strategic development projects
  - Growth of international students to 860 EFTS
  - Capital expenditure programmes as per individual ITPs standalone plan

  See Appendix E – Options 1-4 financial model

- **Option 5** allowing for increased sharing, rationalisation and utilisation of resources. The following assumptions were included:
  - Savings of $0.8 million in general operating costs
  - A six percent productivity gain in teaching delivery and a seven percent increase in non-teaching staffing between 2015 and 2020
  - An allocation of $1.2 million per year to a fund to undertake strategic development projects
  - Growth of international students to 900 EFTS
  - Capital expenditure programmes as per individual ITPs standalone plan

  See Appendix F – Option 5 financial model

- **Options 6 and 7** with the vision of transforming the delivery of vocational and technical education across Canterbury. This transformation envisages increased delivery of programmes to a greater number of centres across the region; delivery that is closely aligned to economic and community development, delivery that is flexible and responsive, led by highly skilled staff using state-of-the art practices and technology, and is increasingly attractive as an international student destination. This scenario anticipates both considerably increased investment and an improvement in the return. The following assumptions were included:
  - Savings of $1.6 million in general operating costs
  - A ten percent productivity gain in teaching delivery and a ten percent decrease in the non-teaching staffing ratio between 2015 and 2020
  - An allocation of $2 million per year to a fund to undertake strategic development projects
  - Growth of international students to 1,400 EFTS
  - Capital expenditure programmes as per individual ITPs standalone plan

  See Appendix G – Options 6 and 7 financial model

In Scenario Three (Options 6 and 7) the level of productivity improvement is measured against the weighted average of staff to student ratios currently being achieved by the two institutions. For CPIT in 2015 the ratio of teaching staff to students is 16.3 and for non-teaching staff it is 15.2. For Aoraki Polytechnic in 2015 the teaching staff ratio is 13.5 and the non-teaching staff ratio is 19.4. Consequently the level of productivity improvement being targeted and then attributed to each ITP is outlined in Table 1.

Table 1 – Teaching ratio changes through the creation of a new organisation

		2015	2020	% Improvement
CPIT	Teaching Ratio	16.3	18.1	10.7%
	Non-Teaching Ratio	15.2	17.3	13.3%
Aoraki Polytechnic	Teaching Ratio	13.5	14.9	10.7%
	Non-Teaching Ratio	19.4	19.4	0.0%
Combined	Teaching Ratio	15.8	17.5	10.7%
	Non-Teaching Ratio	15.7	17.5	11.4%

As can be seen from the detail in the appendices, the impacts of these scenarios is as follows.

- Financial model Scenario One, **Options 1-4**, results in an ongoing operational deficit for the combined organisation with cash reserves exhausted by 2019. Subsequently, if the merged organisation continued to operate there is no point at which it becomes financially sustainable. The CPIT projected surpluses are insufficient to offset the ongoing Aoraki Polytechnic deficits.
- Financial model Scenario Two, **Option 5**, is also not sustainable in the long term. Existing cash reserves would be consumed by 2019 and the capital investment intentions of both institutions would be unattainable.
- Financial model Scenario Three, **Options 6 and 7**, involves considerable investment, growth and productivity improvements, results in a sizeable deficit in 2016 (mainly due to the costs of transition), and a modest surplus in 2017 and 2018. Subsequent years see the achievement of operating surpluses in excess of the three percent required by the TEC. Under this scenario, cash reserves are expected to be fully consumed by 2019 recovering to levels prior to the creation of the new transformed organisation by 2025.

Given this analysis, only the fully integrated and transformed organisation (Options 6 and 7) provides a long term sustainable ITP for the Canterbury region.

Table 2 – Changes in cash position across the three models

Comparison of Scenarios	Options 1-4	Option 5	Options 6 and 7
Cumulative Surplus (Deficit) 2015-2025	$(13.0)m	$(10.1)m	$48.9m
Net Cash (Debt) Position 2020	$(5.3)m	$(5.9)m	$9.8m
Net Cash (Debt) Position 2025	$(14.5)m	$(11.6)m	$47.4m

Sensitivity Analysis

Financial model Scenario Three has been tested for how it performed if the key assumptions failed to eventuate. Tests included the failure to achieve the growth in international students, no increase in TEC funding rates, and productivity improving by only 50% of target.

The analysis found that the failure to achieve any one of these assumptions would still have the transformed organisation returning to surplus in 2018, although the cash position would be significantly compromised in all but the reduced international EFTS scenario. The accumulated effect of more than one of the assumptions failing to occur would not support long term sustainability.

The conclusion from this analysis is that a new single organisation is most vulnerable to the consequences of there being no resumption of the inflationary adjustment to government funding in 2017 onwards and attainment of the full productivity improvements proposed.

While there are potential challenges if the financial modelling assumptions are incorrect – particularly on the cash position in 2019 – it is also clear that the risks are outweighed by the certainty of a deteriorating financial position for Aoraki Polytechnic in the same timeframe.

See Appendix H – Sensitivity graphs of Surplus and Cash

Change costs

Each financial scenario contains assumptions about the costs of transitioning to new organisation arrangements. Transition costs of $6.0 million have been allowed for in each of the scenarios to address:

- The costs associated with enhanced IT connectivity under the new arrangements
- The integration of systems to support the new organisational arrangements including HR, finance, student management system, and learning systems
- Provision for transition costs
- Project and change management of the transition
- Brand alignment to the new operating arrangements
- Provision to allow for business cessation costs associated with the closure of Aoraki Polytechnic, eg legal and compliance costs.

Financial risk mitigation

In order to mitigate against the risk of multiple assumptions not coming to realisation, it is considered that the creation and success of the transformed new single organisation has a number of dependences.

- A funding guarantee for all TEC student funding lines be given through to the end of 2018 (three years). The funding guarantee should be aligned to the volume of provision contained in the Better Business Case and to be reaffirmed through the Investment Plan process.
- The TEC support the new organisation in offering the whole scope of qualifications from level 1 to post graduate and the vertical integration of these programmes across the region ensuring pathways into tertiary study and through to higher level qualifications.
- The new organisation will not be subject to any Crown-initiated intervention triggered by any risk assessment made under the TEIFM risk assessment framework. TEC financial monitoring will instead be against the financial targets contained in the Better Business Case, and will be reaffirmed through the performance measures contained in the Investment Plan. Such an agreement to be given with the understanding that the new organisation is expected to achieve a “low risk” assessment by 2020.
- The $2 million of Quality Reinvestment Programme (QRP) funding be released to assist in the establishment of the enhanced capability to be embedded in the new organisation.
- In consultation with the TEC, that the new organisation can apply for exemption from the Annual Maximum Fee Movement criteria to enable inconsistencies between the merging institutions’ fee structures to be addressed. Such exemption not to be unreasonably withheld by the TEC.

These measures are designed to de-risk the proposal for a period of time which is reasonable to enable management to focus on re-engineering the underlying business model to build a sustainable operation into the longer term. Without the assurance to revenue provided by these measures, it is likely that a more conservative and slower approach to transformational change would be taken which in turn will slow the achievement of the education vision and learner benefits for the new organisation and in achieving a secure and sustainable financial position.

Should these conditions be accepted by TEC, the preferred option is Scenario Three, Option 7.

As noted above and as can be seen from the analysis, the ability to predict the financial performance of the new organisation is likely to be influenced by the accuracy of the assumptions in the models that have been used. As always, should there be variability in these assumptions, management would be expected to adjust the proposed financial trajectory to take account of the changed circumstances. This would include a revision of the planned expenditure and investment programme for the whole of the new organisation.

Financial treatment of Aoraki Polytechnic's cash reserves

At the end of 2015 Aoraki Polytechnic is expected to have cash reserves of $22.1 million on hand, which includes $2.0 million of tagged Crown funding. As noted earlier in the Better Business Case, the Aoraki Polytechnic Council is keen to ensure that the cash reserves are invested in a way that supports the delivery of high quality education in the Aoraki region, to the benefit of local students and the community.

The financial modelling has indicated that under the standalone scenario this goal of the Aoraki Polytechnic Council is not achievable given that the institution makes ongoing operational cash deficits which are unable to be reversed.

The proposal for integration of the two institutions would defer the complete consumption of these cash reserves by two years at which time the new organisation will have established sufficient levels of productivity improvement overall to sustain the necessary level of cross-subsidisation of the regional delivery.

Of the expenditure items identified in this Better Business Case those directly attributable to Aoraki Polytechnic alone and considered to consume the existing cash reserves would be:

- a one-off investment of $6.0 million in 2016 to enhance facility capability and access to educational provision in the Aoraki region
- a $1.0 million provision for potential staffing costs associated with amalgamation
- a further capital spend of $3.8 million between the period 2016 and 2020. This represents a level of ongoing investment necessary to maintain the asset base in a fit for purpose state.

In addition, any cash reserves realised by the disposal of Aoraki Polytechnic property will include consideration of re-investment of these reserves in resources to expand and improve provision in the Aoraki region.

The productivity improvements that are attributable to the Aoraki Polytechnic element of the new organisation are insufficient to reinstate positive cash flows at any time in the future. Consequently, even under the optimum scenario, the balance of $11.3 million ($22.1 million less costs listed above) is consumed by the operational cash flow deficits through to 2023. From 2023 onwards there remains an ongoing need for internal cross subsidisation within the new organisation.

As a result of making this investment decision the Aoraki Polytechnic Council considers that the following could reasonably be expected to be achieved for the communities in the Aoraki region:

- maintain physical learning spaces in the Aoraki region
- continue to meet commitments to existing students
- sustain delivery formerly provided by Aoraki Polytechnic through the transitional period
- expand the range and depth of programmes offered in the Aoraki region
- invest in connectivity across the new delivery ecosystem, including refreshed capacity at the Timaru campus
- leverage Aoraki Polytechnic's existing comparative advantage in primary industries to create a Centre of Excellence at the Timaru campus
- engage with industry across other supply chains (including building and construction, healthcare, tourism and others)
- refresh teaching material and delivery to make the best use of resources
- sustain strong engagement with Māori and Pasifika groups, and other parts of the community too
- achieve growth in the number of international students and make a sustained financial contribution to local economies.

The balance of the change cost of $5.0 million ($6.0 million less $1.0 million allocated for transition costs) and the cash flow deficits from regional delivery beyond 2023 are being met from CPIT incoming cash reserves and the targeted productivity improvements expected to accrue only to the amalgamated organisation. At the point of integration to one organisation, CPIT is expected to contribute approximately $67 million into the combined cash reserves of the new organisation. These cash reserves should be sufficient to fund the shortfall needed to meet the residual of the change costs without compromising the committed CPIT capital works programme.

In addition to the change costs being funded by the two institutions, there will be a $1.3 million uplift to the Strategic Development Fund in the new organisation. An increase in this fund is possible due to the savings that will be achieved in general operating costs, with most of this expected to be attributable to CPIT or leveraged from the greater scale that comes from the amalgamated organisation. The establishment of this fund is essential to the investment strategy that will stimulate the business growth that will come from expanding international markets and broadening the reach of the new organisation into the Canterbury region through the creation of Centres of Excellence and enhanced technology infrastructure. It will also seed fund the productivity improvement plan by enabling an accelerated re-engineering of the delivery strategies that underpin the portfolio of learning provision whilst also improving the business systems essential to their support.

CPIT's financial contribution

Projected earnings of the new organisation during the first four years produce accumulated surpluses of $12.491 million which is $13.848 million less than the projected surpluses of $26.339 million by 2020 of CPIT as a standalone institution.

It is acknowledged that the establishment of a new organisation generates a differing financial outlook than that which is anticipated should either institution remain autonomous. In particular Table 3 below compares the projected surpluses of CPIT to those of the new organisation under Option 5 and Options 6/7. Where in the short term as a standalone institution it is anticipated CPIT would maintain a surplus position, this short term financial profile would not be possible under Option 5 or Options 6/7. However, the out year financial projections show, particularly for Options 6/7, that the financial return more than exceeds that should CPIT remain autonomous.

In essence, CPIT's net financial contribution to the new organisation during the first four years is the difference between the projected 2020 surplus as a standalone institution of $26.339 million and the outcome of either of two forecasts – CPIT/Aoraki Polytechnic partial integration with a $3.200 million deficit and CPIT/Aoraki Polytechnic full integration with a $12.491 million surplus.

This table demonstrates that the optimum scenario (Options 6/7) does not return a comparable level of annual surplus to that of CPIT alone until 2019. It could be viewed that the opportunity cost to CPIT of this amalgamation is an accumulated loss in surpluses of $13.85 million ($26.34 million less $12.49 million) by 2020.

The table also shows that it takes until 2025 for the accumulated levels of surplus in the new organisation to exceed that of CPIT alone. Additionally, it is important to understand that this comparison is based on a set of assumptions that are less aggressive for CPIT alone than they are for the new organisation, eg a lesser staffing ratio and volume is modelled in the standalone CPIT scenario. This emphasises the effect of the incoming impact of Aoraki Polytechnic on the financial outlook for the new organisation. It does however signal that the new entity will need to be prudent in the short term given this financial position.

Table 3 – Comparison of CPIT surplus positions across the three financial models

	2015	2016	2017	2018	2019	2020	sub-total	2021	2022	2023	2024	2025	Total
CPIT standalone	3,846	5,179	4,559	4,533	4,256	3,966	26,339	3,969	3,959	3,690	3,652	3,570	45,179
Option 5	748	(4,215)	(225)	145	300	47	(3,200)	(481)	(824)	(1,445)	(1,857)	(2,336)	(10,143)
Options 6 and 7	748	(4,186)	1,038	2,927	5,083	6,881	12,491	6,917	7,172	7,183	7,443	7,678	48,884

The comparable cash position tells a slightly better story. As demonstrated in the graph below (Figure 4) the downward cash trajectory of the new organisation is comparable to that of CPIT. This reflects the influence of the cash reserves contributed by the existing institutions and the committed spend of the CPIT capital works programme. Into the longer term, however, the cash position in the new organisation does recover faster given the greater levels of surplus modelled in the new organisation, particularly in the years beyond 2020. This graph also highlights that under the midway scenario the cash position never recovers to positive levels. Again, it must be emphasised that the assumptions in the new organisation are more aggressive than the CPIT standalone scenario.

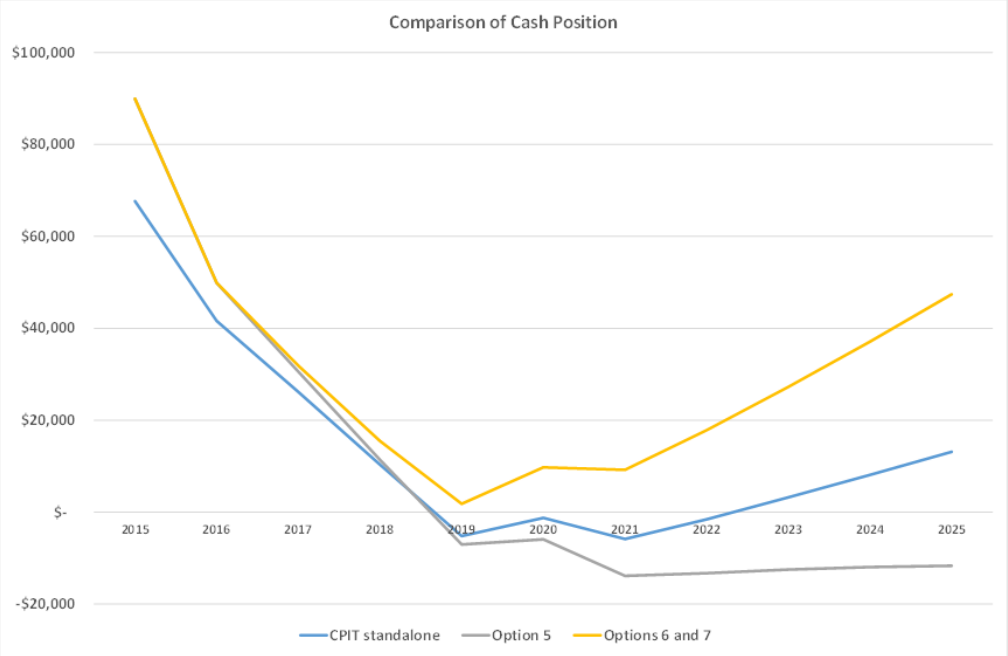


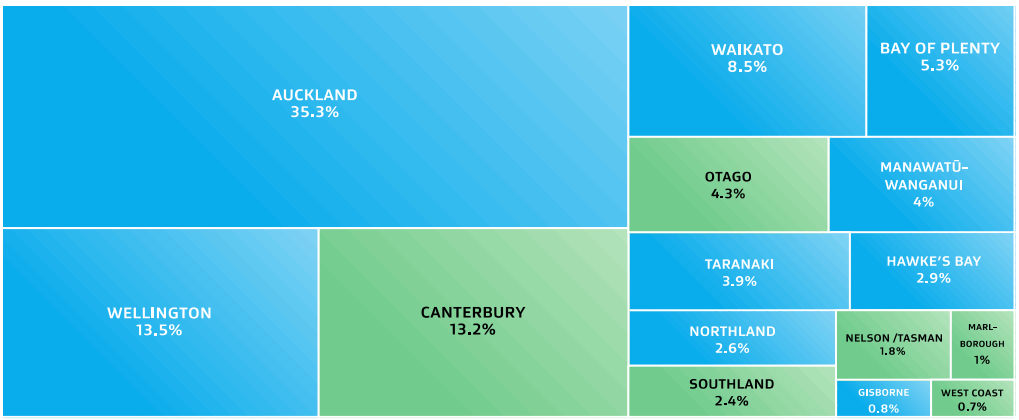
Figure 4 – Comparison of cash position across the three models

8 Contribution to national and regional economic development

Context for helping grow the regional and national economy

While the preceding analysis seeks to support conclusions as to the internal financial sustainability of the proposed new organisation, the ability of a transformed single organisation to deliver against the criterion of contributing to the economic growth objectives for Canterbury and New Zealand also needs to be demonstrated.

The economy has a number of significant strands of growth. As described earlier, construction in Christchurch has been a hot spot of activity, but dairying and the businesses associated with other primary industry supply chains have all been growing significantly, and are likely to continue to do so. Tourism is an area which continues to perform strongly, and where real potential exists for continued growth in the level of activity, and the value added. This section starts by looking at the employment, and the role of skills (and vocational education) in supporting economic growth. Overall, the contribution of Canterbury to the national economy is shown in Figure 5.



Source: Statistics New Zealand

Figure 5 – Regional shares of national GDP, 2013

The contribution to the national economy has a direct influence on the employment opportunities available to New Zealanders – and Canterbury's story is one of significant growth (see Figure 6).

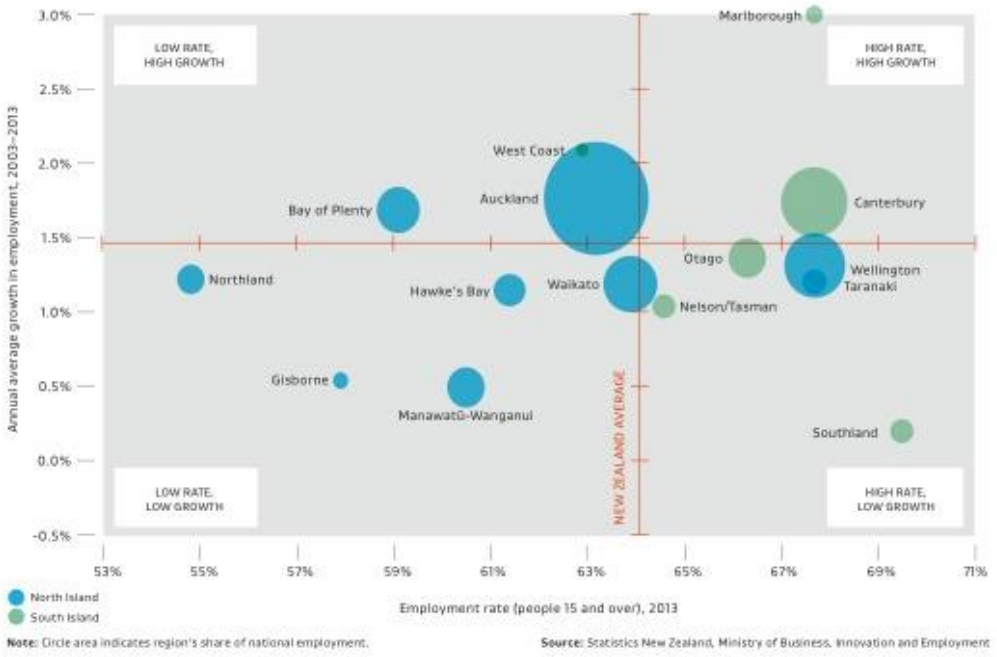


Figure 6 – Employment opportunity across regions

In turn, the Government's goal of increasing the ratio of exports to gross domestic product to 40% by 2025 is dependent in part on increasing investment, actual innovation, market development and improving skill levels of the workforce in the primary sector. This is illustrated in a diagram prepared by the Ministry of Business, Innovation and Employment (MBIE) (see Figure 7).

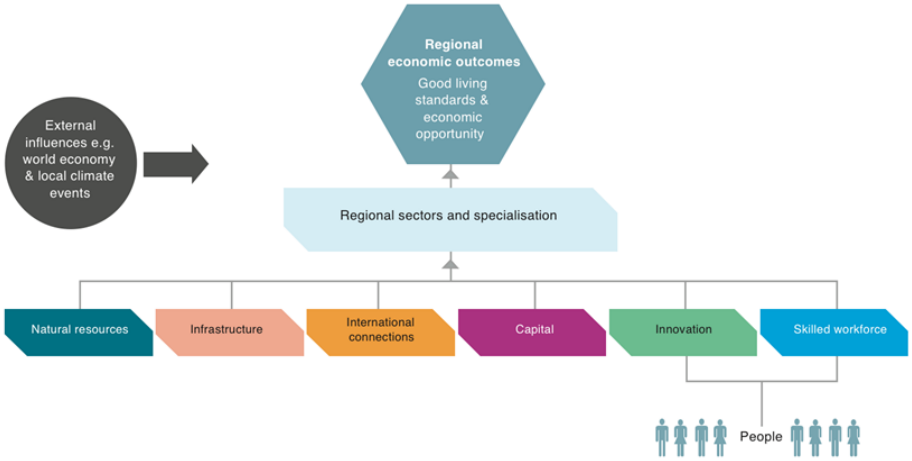


Figure 7 – Linkages between achieving government priorities and regional economic outcomes

To illustrate the impact that these growth targets may have on the demand for high quality vocational education, a comprehensive review of the capability needs of the primary sector was conducted by MPI in collaboration with DairyNZ and Beef + Lamb New Zealand. That review, the People Powered report, describes how education, training and employment practices need to change to sustain the development of the sector. MPI forecasts the New Zealand primary sectors will require 92,600 more qualified people in 2025; of these, Canterbury will require 12,600 more qualified people.

To achieve this, while addressing existing levels of labour turnover:

- New Zealand will need to generate 235,100 qualified people, or 18,000 per year
- Canterbury will need to generate 34,100 qualified people, or 2,600 per year

The report takes a holistic view of the primary sector as incorporating primary production, primary processing and support – looking across whole supply chains. The report identifies a number of key themes that will drive change in the primary industries over the next ten years. These themes are:

- evolving and changing consumer demands, particularly in relation to food safety, and expectations about sustainable practices; the requirement for continued innovation throughout the value chain
- the role of automation and robotics, particularly in processing
- the need for systems thinking as production units become more specialised and complex
- the demand for higher levels of expertise in support services, such as engineering, information technology, and business management
- the key role of transferable skills in enhancing the productivity of the workforce.

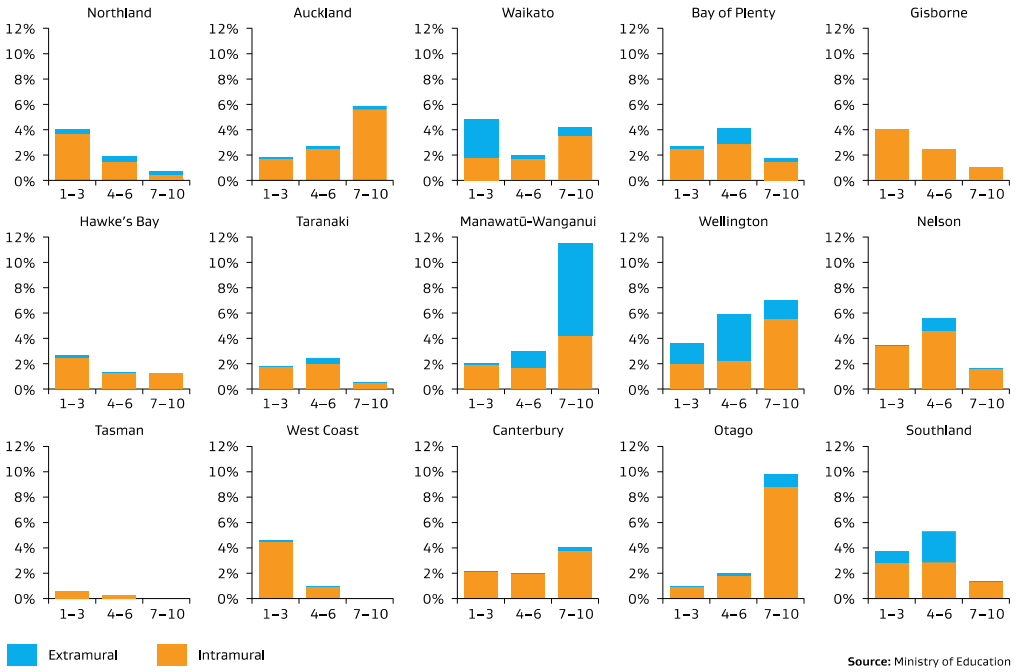
Separately, the Canterbury Development Corporation has examined the relationship between Canterbury's farms and rural businesses, and the urban economy of Christchurch. This research identified that $4.5 billion in primary products and derivatives were exported through Christchurch each year; there is a significant gap between these exports and the value ($305 million) of food and beverage manufacturing and processing; and that food and beverage manufacturers were dependent on inputs sourced from rural Canterbury.

This data tends to suggest that there is a significant opportunity for these manufacturers to capture more of the value of the region's primary production. Again, workforce skills would be essential if this ambition is to be realised.

To be successful, a new Canterbury vocational and applied tertiary education organisation will therefore need to demonstrate its economic engagement and relevance, especially in respect of the province's major economic sectors.

Canterbury's commitment to tertiary education is already amongst the highest in the country, on a per-capita basis, as the graphs in Figure 8 illustrate.

33. Regional tertiary education provision 2013
Tertiary Student Enrolments as a proportion of the Region's Population, NZQF Levels 1–10



Source: Ministry of Education

Figure 8 – Tertiary student enrolments as a proportion of the region's population

However, it also demonstrates the Canterbury-specific challenge of high participation coupled with extensive extramural delivery. This means that Canterbury's institutions need to be uniquely positioned for anywhere and anytime delivery if they are going to continue to provide the skilled workforce necessary to sustain the current rates of economic growth.

It is not possible to forecast every aspect of the economy's future trajectory. But the Canterbury economy is already home to some very significant, competitive supply chains. Providing relevant skills and education to support people looking to work in those supply chains would provide a significant contribution to the regional economy and also fit into the business growth agenda. An analysis of possible improvements to provision in respect of the most significant of the supply chains, in primary industries, health, and building trades is set out in the following section.

Delivering skills for economic development

Combining the existing portfolio of programmes from Aoraki Polytechnic and CPIT provides the region with a single provider with a comprehensive and all inclusive range of vocational education products. This has the potential to provide greater opportunities across the whole of Canterbury through the establishment of Centres of Excellence and opportunities for extending provision in a range of programme areas.

To underpin the delivery of high quality educational outcomes that reflect the likely economic growth in the region, planning has identified the case for developing a number of economic-sector based Centres of Excellence, including:

- Primary supply chains
- Construction and trades
- Health
- Broadcasting and media

These Centres of Excellence would provide whole-of-Canterbury teaching resources, linked to a mix of provision, reflecting student and employer needs. The mix of provision is where the economies of scope identified earlier are realised, so material is used and reused effectively, and different modes of delivery are provided and adapted readily and routinely. The Centres would recruit both from the local region and nationally and internationally, bringing income to the region and improving the availability of skilled labour. The Centres would be outward facing, engaging with industry on practical, applied research which would further enhance industry productivity.

The development of Centres of Excellence are at differing stages, some of more embryonic, others more advanced. Further development of them will be subject to individual businesses cases to be approved by the new organisation.

These possible centres are described in more detail below.

Centre of Excellence in Primary Supply Chains

The principal response to the vocational education needs of the primary industries in the South Island has hitherto been centred on a co-ordinated approach led by Aoraki Polytechnic, in collaboration with the Primary ITO. In the Canterbury region, Aoraki Polytechnic has been looking to focus on certificate and diploma level provision for the primary industries, Lincoln University on higher level programmes focused on the land-based industries, and CPIT on delivering the training required to support the needs of both wider industries that support primary production, and increasingly high-value manufacturing including food and beverage.

Primary industries play a major role in New Zealand's economic framework. MPI and industry have forecast significant skills shortages for the foreseeable future. In addition to requiring tertiary education providers to meet the priorities of the Tertiary Education Strategy, TEC are supporting the tertiary system to move to an investment approach. Under this approach, institutions are encouraged to focus on delivering better outcomes in their specialised subject area *(TEC Investment Approach Principles, May 2015*). Aoraki Polytechnic and CPIT wish to create a new organisation that transforms delivery of vocational education in the South Island.

A Centre of Excellence for the primary sector, based within the proposed new organisation, would aim to meet several goals:

- To enhance demand creation for primary industry based training and education.
- To increase and strengthen active employer engagement – this would underpin, develop and strengthen innovative and flexible approaches to meeting the employers' current and future skills needs.
- To secure enhanced vocational learning opportunities for all learners, with a focus on developing employability and career prospects.
- To encourage and facilitate both vertical and horizontal collaboration with other vocational institutions, universities, and businesses – this will promote the concept of excellence in this economically important vocational specialism.
- Develop international linkages for the benefit of students, staff and industry through sharing of expertise and supporting international mobility of students.

To do this, the proposed Centre of Excellence would have the scale, and aim to build the reputation needed, to:

- attract high quality staff
- attract and retain industry standard, best practice resources
- achieve high levels of retention and achievement
- provide clear paths of progression into employment and/or study at higher levels.

The proposed Centre would build on the foundations of Aoraki Polytechnic's existing relationships and reputation, to create a centre which would have genuine reach and real impact across the whole region and beyond. It would be based on a commitment to building a genuine partnership approach to provision and delivery, as set out below.

Figure 9 – Partnership model of the Centre of Excellence in Primary Supply Chains

- Key partners - a network of the leading organisations in the primary sector for identifying industry needs, now and in the future, with expertise in setting standards and communicating with employers and employees. These partners would include organisations with whom Aoraki Polytechnic already has a strong strategic relationship such as Primary ITO, DairyNZ, Beef + Lamb New Zealand and Horticulture NZ.

- Industry and employer partners – a network of industry groups and employers within the industry. This would build on existing stakeholder relationships such as that with Irrigation NZ who have already identified Aoraki Polytechnic a potential training partner with plans under development for delivery of new qualifications in irrigation design and technical support.
- Provider partners – a network of tertiary education providers with a shared responsibility for meeting the needs of the primary sector.
- Education partners – a network of educational providers for whom primary industries may not be a major part of their provision such as secondary (and primary) schools and other ITPs. This network would be supported with access to resources and expertise to allow them to meet the needs of their communities.
- Government partners – a network of government agencies, led by TEC as the principal investor and a system steward, expecting value for money from investing in education and skills in the primary industries and in return offering support and guidance to the Centre in meeting government priorities.
- Regional partners – a network of regional partners who share goals for sustainable economic development in the regions of New Zealand often based upon the primary industries.
- Learner partners – most importantly, the Centre of Excellence works with learners to make sure that they are informed and inspired by the opportunities for study and career progression within the primary industries. The Centre of Excellence would provide high quality, concentrated teaching resources, linked to a mix of provision, reflecting student and employer needs. The Centre would recruit both from the local region, nationally and internationally, bringing income to the region and improving the availability of skilled labour. The Centre would be outward facing with a mandate to engage with industry on practical, applied research which would further enhance industry productivity.

The Centre of Excellence would be located in Timaru with satellite educational facilities in Ashburton, Oamaru and North Canterbury.

It is assumed that there will be an extra 100 EFTS per year available from 2016 for the primary supply chains. This is in addition to any reprioritisation of existing funding. By year end 2018 projected total of 500 EFTS for primary supply chains.

An assessment including consultation with internal and external stakeholders will be undertaken to determine the staffing profile and requirements for the Primary Industries Centre of Excellence within the new organisation.

To deliver the services identified above, in addition to management of the Centre of Excellence, resourcing will be required for programme development, teaching and learning, stakeholder engagement (including business development), student support and ICT support. It is anticipated that the Centre of Excellence would have dedicated resourcing for these activities.

It is assumed that the EFTS/FTE ratios used for planning purposes in the Better Business Case are recognised as averages and that existing EFTS/FTE ratios in the primary sector may be required to be maintained for the time being as the Centre of Excellence is established.

It is the intention that over time the projected ratios for EFTS/FTE contained in the Better Business Case are met where appropriate and possible giving due regard to the need to meet both health and safety requirements for practical learning and best practice for teaching and learning in delivering vocational education. For example, classroom-based theory classes may operate at 1:16 ratio whereas practical on-farm activities, which are potentially hazardous, may be required to operate at a ratio of 1:6.

It has already been recognised that there are challenges with delivering both quality vocational education for the primary sector and also acceptable financial returns for the new organisation. Further discussion is required to ensure that both of these goals can be achieved within acceptable timeframes and any additional resourcing for implementing agreed plans.

Significant capital expenditure is not expected to be required to implement the activities proposed for the Centre of Excellence. The new organisation will have access to existing rural training facilities in Timaru and Ashburton. The framework for the Centre of Excellence is based on making use of the assets and resources of the partner networks identified above to meet the educational and training needs of the primary sector. This may include tangible, intangible, human and financial resources.

As with all areas of provision, there will be an ongoing requirement for investment in programme development. For the Centre of Excellence this requirement may be more significant in 2016-2017.

Operational expenditure, including non-teaching FTE, would be largely consistent with the assumptions for the Better Business Case. While dedicated support for ICT, business development and marketing would be required, this does not automatically mean that resources additional to those assumed in the Better Business Case would be required. However, these resources may need to be located within the Centre of Excellence.

Centre of Excellence in Construction and Trades

CPIT has been the most significant provider of trades and built industries training in the region with Aoraki Polytechnic also having a significant level of trades provision. The volume of trades training grew rapidly after the earthquake in response to the substantial demand for a skilled workforce for the rebuild and, by 2012, the CPIT trades training capacity was at or nearing capacity. Government responded by supporting a Better Business Case to expand and modernise the CPIT facilities and also to invest in the development of educational strategies that improved and accelerated student outcomes, created flexibility in terms of time, place and duration of training and improved access to trades training. These strategies included:

- services and support for better engagement and achievement of Māori and Pasifika students
- staff professional development to enable new delivery models
- greater utilisation of technology in the delivery of teaching and learning
- a targeted youth strategy enhancing support and pastoral care with improved alignment to vocational pathways
- a programme to encourage and support women to access trades training and trades careers
- increased use of recognition of prior learning for skills recognition against qualification frameworks
- extension of work-based learning and assessment opportunities and establishment of additional points of access through provision of mobile and satellite facilities.

These strategies have been applied to address demand for:

- higher productivity in the rebuild workforce
- becoming more agile in response to the needs of employers and students
- greater integration with industry partners
- enhanced community relationships
- enhanced student experience.

The result of this investment has been that the overall numbers in trade training has increased by 70% from 2011 to 2014. Over 800 Māori trades and 300 Pasifika trades trainees have participated in programmes since the earthquake. The number of women trades trainees at CPIT has increased from 18 EFTS in 2011 to 107 EFTS in 2014.

During 2014 and 2015, the partnership between Aoraki Polytechnic and CPIT has seen the sharing of these strategies.

The creation of the new Centre of Excellence will provide further opportunities for trades training across the region to improve access and participation through the blend of online delivery, integrated applied learning, facilitated group learning, workplace learning and learning on demand. This flexibility in provision will be important as the Christchurch rebuild matures, and as Canterbury's growth continues to extend across the whole region.

This Centre of Excellence will be based in Christchurch.

Centre of Excellence in Health

The opportunity exists for the new single organisation to build on CPIT's established experience and reputation in the delivery of health sector training by creating a Centre of Excellence in Health. In the new organisation, the focus on provision across the region will strengthen accessibility, consistency and excellence in health education provision.

CPIT delivers nursing, medical imaging, midwifery and a range of allied health teaching. Significant increases in workforce demands in the next five to 15 years has been recognised by CPIT as a catalyst for ensuring that the delivery of training is redeveloped to provide greater ease of access and continuing high quality at all levels.

CPIT has been committed to becoming the major health training provider in the South Island, working in conjunction with others in the sector to ensure that all opportunities for integrated learning are developed so as to produce high quality graduates in all areas. CPIT is committed to ensuring that its programmes are kept current and future focused through continued involvement in national development processes and connection with international advances. This commitment has included CPIT participating in the development of the Health Precinct and CPIT having formal collaboration agreements with the Canterbury District Health Board (CDHB), University of Canterbury and University of Otago.

Training in the health area at CPIT has been concentrated on the provision of quality under-graduate training, although CPIT has been committed to responding to increasing demand for the provision of ongoing graduate and post-graduate training and research which is essential to the longer term vigour of the health sector.

The establishment of a new vocational and applied tertiary education organisation will allow this investment to be consolidated, new partners brought in, and facilitate continued focus on both excellence in provision, and wider accessibility across the region.

This Centre of Excellence will be located in Christchurch and focused in the proposed Health Research and Education Facility (HREF) to be located in the Health Precinct supporting quality, distributed provision in collaboration with primary, secondary and tertiary healthcare providers and other tertiary institutions.

Centre of Excellence in Broadcasting and Media

The CPIT New Zealand Broadcasting School (NZBS) is widely regarded as New Zealand's top electronic media education and training school and is well placed for positioning within the New Zealand context as a Centre of Excellence. With a product portfolio at degree and diploma level in film, television (production and post-production), broadcast journalism and radio, it is widely supported by the screen and broadcasting industries throughout New Zealand. The School provides graduates with a pathway to full time careers in areas such as directing and producing; announcing and presenting; news and sports journalism; camera and cinematography; motion graphics design; creative writing and screenwriting; and video editing.

The NZBS shows it has a student profile that fits well with the Tertiary Education Strategy. Between 2007 and 2010, 79% of students beginning degree study at the NZBS were under 20 at the time. An additional 20% were aged between 20 and 25. The overall success rate across each of those years exceeded 96%. Māori and Pasifika students also achieve well with these students enrolled in any course in the Bachelor of Broadcasting achieving a similar success rate to that of the overall cohort. Employment outcomes for those completing the programme are high with 95% of graduates who complete their internship gaining positions.

There are clear opportunities for growth within this area to ensure graduates meet developing industry expectations. These could include web design and web management, audio engineering and screen presenting/performance, and media management.

Aoraki Polytechnic currently offers certificate and diploma programmes in media studies. These programmes, or those that replace them as the Review of Qualifications is rolled out, would form part of the Broadcasting and Media Centre of Excellence. Programmes would be aligned to ensure that students can pathway to higher level qualifications and to employment outcomes.

This Centre of Excellence will be located in Christchurch.

Other centres of excellence

Two further areas have been identified as candidates for the development of Centres of Excellence – Sustainable Practice and Tourism, and Outdoor Education. These opportunities, along with others which emerge in response to regional development initiatives, will be explored upon the establishment of the new organisation.

Extended provision

Looking ahead, the new organisation would be able to plan to add to its range of provision. The following new programme(s) would be offered in Timaru from semester one 2016, subject to student demand:

- Information technology
- Māori trades training and Pasifika trades training
- Programmes for graduate nurses
- Degree level papers in business

From 2017, additional new programmes will be offered to students in Timaru (subject to demand). In addition, more courses will be offered in smaller centres. There will be continuing expansion of programmes for youth including programmes undertaken in conjunction with secondary studies, programmes aimed at engaging NEETs (Not in Education, Employment or Training) in tertiary studies, and employment and vocational pathways which transition to further study and apprenticeships. There may also be expanded offerings in health, sustainability, engineering and architectural studies.

9 Ability to deliver the vision

Creating a new organisation will require smart thinking, strategic vision and concerted effort. Both Aoraki Polytechnic and CPIT have many decades of knowledge that needs to be incorporated into a single organisation, along with the expertise of academic and management staff. Implementation of the combined organisation is expected to take between three to five years, and proceed by evolution rather than revolution, as the operations of the two institutions are knitted together.

At present, Aoraki Polytechnic delivers programmes, largely from Levels 2 to 5, across a number of centres in Canterbury and Otago together with campuses in neighbouring major centres. This delivery covers a relatively large range of programmes, but this delivery lacks desirable portfolio depth and coverage due to the small number of staff engaged in delivering their specific content to relatively small student cohorts. Aoraki Polytechnic is recognised as the Canterbury provider with expertise in providing services to rural populations.

CPIT delivers a wide range of programmes with most discipline areas employing multiple staff providing depth for quality of development, delivery and engagement. Its programmes relate to largely urban skills with no specific coverage of the primary industry supply chains.

Both institutions have started to employ technology enhanced and blended delivery to improve flexibility, access and efficiency and have programmes targeted at improving Māori, Pasifika and youth participation. These initiatives, however, are in early stages of development and require a catalyst and urgency to accelerate their adoption. Low levels of effective rural broadband provision remain a feature.

The preferred option (Option 7) envisages the delivery of vocational and applied tertiary education that is very different from the current operations of both of the two institutions, with a new direction in delivering the mix of provision and an extended ability to deliver on the six priority areas identified in the Tertiary Education Strategy. The transformative new single organisation was assessed as having the strongest capability to deliver on these priorities:

- Delivering skills for industry – through its focus on responding to the economic needs of the Canterbury region (here the centres of excellence concept would be central)

- Getting at-risk young people into a career – through expansion of the number, type and access to programmes throughout the region and the proposed close links to schools, iwi, community and agencies – an activity where scale matters
- Boosting achievement of Māori and Pasifika – by building on the existing strong links of the current institutions and leveraging their combined capability to achieve greater reach and impact
- Improving adult literacy and numeracy – through co-ordination, capability building, new delivery strategies and greater access. Again, the scale of the new organisation would help
- Strengthening research based institutions – by achieving scale and region-wide presence to optimise the ability to respond to research opportunities
- Growing international linkages – again by combining the capability of the existing institutions, investing in market and programme development and therefore growing international opportunities for both local and overseas students. This is explored in more detail below.

Creating a new single organisation by fully integrating the two institutions provides the best vehicle for achieving economies of scale and scope which would make the operation more efficient, but the achievement of the vision requires the transformational approach described in Option 7 and strongly establishing the mandate of a highly performing organisation integral to the region's success and therefore highly engaged and responsive to stakeholders through offering of a broad and deep portfolio of programmes and the deployment of leading edge teaching and learning.

Delivering skills for industry

A key aspect of the vision for the new single organisation is the provision of expanded offerings which match and support economic and community development, respond rapidly to changes in these requirements, deliver high quality programmes with both technical and work-readiness outcomes delivered and facilitated by highly skilled staff using flexible delivery which engages diverse populations across the region leading to high rates of students success and great employment outcomes.

- Accessible throughout the region facilitating access and pathways to higher qualifications through having a focus on the needs of the whole of the Canterbury region.
- A portfolio which aligns to and responds to the economic and social priorities of the Canterbury region designed and implemented in conjunction with the region's stakeholders and chief bodies.
- Investment in development as a priority with the capability to fund the required level of investment through the scale of the organisation. Investment would target facilities and capability (both human resource, learning resource and information technology) that would benchmark against international best practice in contemporary vocational and applied tertiary learning.
- The development of delivery strategies which maximise access for all students and potential students across the region regardless of the place, time or rate of their studies through partnerships with schools, iwi, community, employers and agencies throughout the region and which result in increased student participation, success and relevance.
- A highly credible organisation of a scale and breadth which attracts local, national and international students and applied research and contributes significantly both directly and indirectly to the region's economic development.

Getting at-risk young people into a career

Both Aoraki Polytechnic and CPIT have put considerable effort in recent years into improving youth participation rates and youth transitions. Under the Canterbury Tertiary College, which has been led by CPIT, both institutions have participated in the Government's Trades Academy initiative in which students attend school part time and vocational education part time. Both institutions have offered substantial Youth Guarantee programmes and in 2015 have participated in the Secondary to Tertiary Transitions programme pilot.

These programmes have had considerable success but there continues to be young people who do not have access to the options and support that would see them successfully completing their education and transitioning to employment. The challenge is to develop delivery strategies which overcome geographical, social and learning barriers.

The resources of the new single organisation give some hope that these challenges could be addressed. Expansion of vocational offerings into more isolated areas of the region, partnering with schools and community organisations to identify and support young people at risk of disengagement and the provision of a greater range of vocational training options all require a focussed and resourced strategy for youth transitions. Planning for the new single organisation for 2016 includes the assumption that the necessary number of funded youth places will be provided. This assumption could involve up to 100 additional young students getting access to youth programmes in the new single organisation.

Boosting achievement of Māori and Pasifika

Recent years have seen increased participation and success of Māori and Pasifika students at Aoraki Polytechnic and CPIT. In particular, CPIT has participated in the Government's Māori Trades Training and Pasifika Trades Training initiatives with over 800 Māori Trades and 300 Pasifika Trades trainees participating in programmes since the earthquake. Once the new organisation is created, students throughout Canterbury will have access to these programmes which provide scholarships, pastoral support and assistance in obtaining and retaining employment to the trainees.

The Centre for Māori and Pasifika Achievement (CMPA) would be rolled out across the region. The role of CMPA is to engage with iwi and community to identify and respond to needs and to facilitate access of Māori and Pasifika into tertiary education. CMPA also provides support to Māori and Pasifika students, advising on study and career options and connecting them with support services such as learning services, health and wellbeing, accommodation and childcare.

Improving adult literacy and numeracy

Recognising that many adult learners have levels of literacy and numeracy that make higher education a challenge has seen Aoraki Polytechnic and CPIT respond to government initiatives. Access and connectivity will have a critical role in providing learners' programmes of study which are fit for purpose for their needs. Increasing the scope of programmes available for foundation learners across the region, the new single organisation will be able to match learners to appropriate level qualifications and student success will be enhanced.

Core levels of literacy and numeracy will be improved providing a platform for retaining students into higher levels of study leading to improved workplace productivity due to a more skilled workforce. Increasing the range of programmes available to foundation learners and the embedding of literacy and numeracy within these programmes will ensure students achievement and success will be enhanced. The depth of training for staff delivering these programmes will also be improved through more intense professional development and the ability to use assessment information to tailor the design and delivery of foundation level programmes.

Extending the use of existing technology across the new organisation will assist in this provision. CPIT's existing connectivity through the REANNZ (the Research and Education Advanced Network New Zealand) is planned to be extended to campuses across the region giving all of these areas access to advanced high quality connectivity across the region and beyond. CPIT has invested in a range of technology enhanced learning tools including a learning object repository, a sophisticated delivery platform, course design principles, resource development tools such as lecture capture, and integrated communication tools and hence the new single organisation will be well placed to use these tools for provision across the region. These technologies provide opportunities for connecting students to appropriate and engaging resources, allowing them to progress at their own pace and undertaking reinforcement activities until they are comfortable moving to the next stage. These technologies also enable tutors to work with groups across multiple skill levels creating efficiencies where small populations are being serviced as their time can be used to facilitate learning rather than in developing and distributing content.

Adult literacy and numeracy may be the first step into tertiary education for some learners but these principles, tools and technologies can also be used to improve access and outcomes across a range of programmes.

Strengthening research based institutions

Aoraki Polytechnic currently offers programmes up to Level 6 and, while it undertakes very limited research, has considerable facilities and resources which could be used in undertaking applied research with, and for industry.

CPIT currently offers 17 degree programmes at Bachelor Level. These programmes are supported by a research culture which focuses on undertaking applied research which engages with its industry and community stakeholders.

The CPIT Council has agreed, in principle, that it will consider expanding CPIT's portfolio to include post-graduate programmes, subject to demand and viability analysis.

In planning for the new organisation, it has been considered that, from 2016, opportunities should be created for offering of degree level courses across the region outside of Christchurch. These courses would be offered using blended delivery with input from both locally-based and Christchurch-based staff. In the first instance, it is planned that papers from the existing Bachelor of Applied Management be offered in other centres across the region. STEM provision will also be enhanced through the delivery of the New Zealand Diploma in Engineering and the Bachelor of Engineering Technology.

By 2020, it is envisaged that courses from a number of degrees (in areas such as human services, science, health and computing) would be offered in this way.

In addition, the whole of the region serviced by the new single organisation would have access to CPIT's existing Research Office which works with industry and community to identify research projects, allocate resources to research, seek grants and support the research process.

Growing international linkages

International students have been welcomed by both Aoraki Polytechnic and CPIT as valued members of the student community for more than 15 years. And the quality of education in Canterbury has meant that Aoraki Polytechnic and CPIT have increasingly become destinations of choice for international students seeking high-quality courses. On average, international student numbers have grown around nine percent per annum – noting the impact of the Canterbury earthquakes.

Continued growth in international students will be an essential feature of the integrated and transformed organisation. Building on the current growth rates, work is already underway to expand international enrolments. There are a number of under-represented areas of study across the course portfolios, including health, science, broadcasting, design, performance, primary industries, sport and recreation, and outdoor education.

Initial thinking is also being directed towards growing offshore activity. Currently this is a relatively new line of business with acknowledged potential for growth; as an example recent memorandums of understanding have been signed with Indian and Chinese institutions and strong opportunities in Eastern Malaysia are being pursued.

Integrating Aoraki Polytechnic and CPIT will have direct and measurable effect on the ability to attract international students, as international marketing and promotion will be one of the early beneficiaries of economies of scale. More efficient collateral development, course promotion and distribution will allow greater market penetration, driving enhanced enrolments in the years ahead. The impact will be significant growth in international students by 2020. The offering to prospective students would be improved too through access to a wider range of work placement and training opportunities, and beyond that into the wider labour market.

Improved participation from international students has the added effect of decreasing the reliance on central government funding for the integrated organisation, due to the independent financial contribution of the international students.

10 Legal and practical feasibility of implementation

Legal framework

In order to assess the relative achievability of the two possible paths to transformation, independent legal analysis and advice was sought. The advice showed that, while both the options of creating an entirely new organisation to carry through a transforming agenda (Option 6), and combining Aoraki Polytechnic into CPIT's legal vehicle (Option 7) were feasible, Option 7 was significantly more straightforward. This hinged on a number of factors.

Firstly, creating an entirely new organisation would require a large degree of additional work. There are administrative requirements within the Education Act that would need to be met, both in terms of obligations to the Tertiary Education Commission and the NZQA, as well as additional steps the Minister and the Governor-General would need to take in order to establish the new organisation.

Secondly, the governance of a completely new organisation would need to be established from a clean sheet of paper. Council members would need to be appointed by the Minister and the community, and this would, by necessity, take time. Additionally, there would be no absolute guarantee of continuity between the previous Councils and the new Council, which might pose a risk of the loss of the institutions' knowledge.

Thirdly, the process for both academic and management staff would be more complex and disruptive, as all staff in both institutions would need to be transitioned to an entirely new legal entity – even though they would almost all be fulfilling functionally identical roles.

While the costs of this activity – in both financial costs, staff disruption and time – are readily quantified, it is significantly more complex, and it is unclear that commensurate additional benefits would accrue from the more complex approach. Given the complexity and inevitable disruption around any organisational change process, the more straightforward option (Option 7) has been adopted.

Legal steps to give effect to the proposed integration

Given the legal advice received about the most advisable way of establishing a single organisation, namely, to use the legal entity of the larger institution and transferring the functions of the smaller institution into that; as a consequence this involves the disestablishment of the legal entity of Aoraki Polytechnic.

The legal steps for doing this are contained in Section 164 of the Education Act. This allows for Orders in Council to be made for the establishment or disestablishment of relevant educational institutions.

Section 164 provides *inter alia* that:

> (3) The Minister shall not recommend the disestablishment of an institution unless the Minister—
>
> (a) is satisfied on reasonable grounds that there are good reasons to do so; and
>
> (ab) is satisfied that the disestablishment is in the interests of the tertiary education system and the nation as a whole;

The analysis contained in this Better Business Case supports the conclusion that Aoraki Polytechnic is unlikely to be financially viable in the medium term, and that it is facing challenges of scale and cost which mean that a consolidation in institutional arrangements for vocational and applied tertiary training in Canterbury are likely to be necessary in any foreseeable circumstance. Nor would it be able to meet the changing and increasingly complex needs of industry, employers or students throughout the region within the current funding policy settings. This conclusion would provide the Minister, were he so minded, with reasonable grounds that there were good reasons to recommend the disestablishment of Aoraki Polytechnic. This would satisfy the test at S164(3)(a).

The wider interests of the tertiary education system and the nation as a whole are properly expressed in the Government's Tertiary Education Strategy, the Business Growth Agenda, the legislation, policy and activities undertaken and put in place following the Canterbury earthquakes, and the governance provisions of the Education Act itself. This Better Business Case, and the underlying proposal for the integration of Aoraki Polytechnic and CPIT has been assessed against these provisions, and the proposed course of action is demonstrably congruent with them. The Minister, should he be so minded, would be able to rely on this analysis in concluding that the disestablishment of Aoraki Polytechnic would also meet the tests of S164(3)(ab).

Other actions required to give effect to the proposed integration

The Councils of Aoraki Polytechnic and CPIT, having assessed Option 7 (the creation of a transformed new single organisation using CPIT as the legal entity) as the option that best fits the established criteria, investigated the process that would need to be undertaken to implement this option, before reaching a final decision on their recommended path forward. In taking this decision, it was acknowledged that the new single organisation must look quite distinct from both its predecessors.

Some principles would underpin how the transition is achieved. These focus on how the institutions can be integrated and then transformed to deliver on the vision.

- Governance arrangements for the new organisation will be put in place from the outset that will reflect the widened regional focus, and the agreed vision, with the regional heartland's perspective reflected at the Council table. It is proposed that two members stand down from the CPIT Council and that when the Aoraki Polytechnic Council is disestablished as a consequence of the integration, two representatives with specific competencies associated with industries, communities and a sound understanding of rural and provincial communities be appointed to these vacant positions.
- Early establishment of an appropriately resourced and supported integrated human resources, finance, legal and communications capability to ensure the effectiveness of the transition process.
- The continuity of delivery for learners, stakeholders and the Government will be assured as work proceeds, putting in place effective management structures and aligning the learning programmes across the region. Learners will be assured that the courses they are undertaking will be continued and that the qualifications they are working towards will be delivered.
- The new organisation will focus on engagement with its learners, stakeholders and communities of interest throughout the transition process. The desires of iwi, local communities, the Government, learners and employers will be taken into account and addressed as the design of the new single organisation is finalised and gradually put into place.
- Early steps to settle on a brand and identity, both internal and external, for the new organisation must reflect its vision for the future.
- Consultation will be undertaken with staff throughout the development, transition and implementation process.

Students and their learning

The new institution will need to be aware of managing the expectations of students, both current and new, as it transforms itself. Establishing principles on how student relationships will be maintained will be fundamental. In some instances students will be establishing a new relationship with the organisation, while for others they will be maintaining an existing relationship. The long term sustainability of the organisation will be dependent on how this is framed.

Fundamental to the new organisation, and particularly for existing students, the organisation will work to ensure that no student is disadvantaged as it goes on its journey of transformation. This will see students teaching and learning enhanced, with students having the ability to complete qualifications in which they enrolled.

While new students will have no bench mark to compare their experience, the organisation will work to ensure their expectations are exceeded through the delivery of high quality teaching and learning.

For all students, and as necessary, appropriate transition plans will be established as the organisations mix of provision changes. These changes will be well planned and signalled, and where necessary this will cover qualification equivalence pathways and fee changes. Through this process no student will be disadvantaged.

Organisational structure, staff and academic provision

Experience suggests that the risks associated with amalgamation execution in public sector contexts are best managed through a combination of a dedicated transition team to handle the initial restructuring and core establishment phase, linked to a strong internal and external communications programme, and visible commitment from both management and governance levels to continued delivery and focus on learning and learning outcomes. If the establishment of the new Aoraki Polytechnic-CPIT organisation proceeds as planned, a special focus on ensuring the continued engagement of staff, students and the wider community across Canterbury will be important too.

For staff, the new organisation will see changes in management as well as other changes. The Council of the new single organisation will constitute an Academic Board to oversee academic quality. It is critical that students are not disadvantaged through any transition process and academic delivery continues. To achieve this, staff will need to be informed, engaged, understand and accept their roles as well as their part in any new structure. Continuous consultation with staff, unions and other community partners will be critical in the process.

The third test in assessing the options has been feasibility, including administrative as well as financial considerations. Decision-making has been greatly assisted by the thorough legal analysis (referred to above), which has looked in detail at institutional issues around moving to a single organisation, and addressed the restructuring consequences, especially from an employment perspective. This latter consideration reflects the fact that, ambitious as the vision is, it will be accompanied by necessary review of the combined competencies of the new single organisation following its establishment and develop an appropriate skills, competencies and organisation structure to implement the transformational vision and plan as quickly as possible.

The legal analysis also shows that staffing issues arising from integration are manageable. Clearly, they are best addressed through a careful, early and transparent consultation process, which would be expected in any well-managed change process.

In order to move toward a viable new single organisation, meet community expectations, and generate surpluses for re-investment, there will need to be a process of rationalisation across the new organisation.

- An assessment including consultation with internal and external stakeholders will be undertaken to determine the staffing profile and requirements for the new single organisation.
- The resulting organisational structure and resourcing requirements will be implemented following consultation with staff in line with their employment contracts.

While large-scale redundancies are not contemplated as a result of the integration, some rationalisation of staff will follow as an immediate consequence of integration. A range of options will be available to the affected staff members in line with their employment contracts.

In addition, to ensure that the transition process goes smoothly, initial steps have been taken to lay the foundations for future change processes affecting staff. To date these have included:

- Engaging employment law advice about the terms contained in the current Individual and Collective Employment Agreements at Aoraki Polytechnic and CPIT.
- Identification of clear, legally robust and compliant processes that would need to occur for such a significant transaction.
- Assessment of potential HR related costs for such an integration process. Estimates for costs are at this stage approximately $1 million, which includes potential redundancy compensation costs, anticipated recruitment and consultancy costs for assisting with the change management.
- The most significant immediate change is likely to occur to management structures, as the two existing models are potentially integrated, as well as streamlining the corporate services functions. There is likely to be less immediate impact on academic delivery structures. However, the risk relating to retention of key staff at both Aoraki Polytechnic and CPIT during and following the integration will require further investigation.

The design of a transformed vocational tertiary organisation that can serve the current and future needs of the region, as well as deliver state-of-the-art education to a potentially global audience, will involve considerable effort, in collaboration with key stakeholders. Many aspects of how training is developed and delivered, and key aspects of how the organisation functions, will need to be carefully designed to deliver on the vision articulated in this Better Business Case.

Key risks and mitigations

#	Risk	Description	Mitigation
1	**Timeframes**	Timeframes for integration and transformation phases are not met Timeframes conflict with other planned activities and/or business as usual activities	Adequate planning and monitoring Dedicated transition team to handle the initial restructuring and core establishment phase, linked to a strong internal and external communications programme, and visible commitment from both management and governance levels to continued delivery and focus on learning and learning outcomes.
2	**Financial**	Financial viability compromised Transformation targets not met	Financial risks dealt with in financial section
3	**Students**	Student confidence/ engagement adversely affected Transition into new organisation New programme offerings Recognition of qualifications	Strong internal and external communications programme. Processes clearly identified and dedicated student support provided during transition phase, receiving and responding to stakeholder feedback. Strong internal and external communications programme utilising several different mediums Ongoing communication and liaison with relevant government agencies, eg NZQA
4	**Reputational**	Loss of identity throughout transition process Loss of brand value	Stakeholder engagement throughout, objectives clearly identified from the outset, comprehensive vision developed, open transparent communication.

#	Risk	Description	Mitigation
5	**Staff**	Loss of key staff, institutional knowledge and intellectual property Staff engagement and workplace satisfaction reduced Failure of staff to adapt to changing organisational environment	Key staff identified and individual transition plans put in place. Key documentation identified and captured. Maintain regular communication and engagement from the leadership group Effective change management programme put in place and monitored.
6	**Systems**	System integration impacted by compatibility Data integrity is affected by migration process Paper based records and cataloguing are not up to date	Due diligence, comprehensive analysis of system compatibility. Adequate planning and resourcing for transition phase. Effective records management processes in place and monitored.

Steps towards a new organisation

The realisation of a transformed vocational and applied tertiary education organisation that can meet the needs of the region, as well as deliver state-of-the-art education to a dispersed and potentially global market, will involve considerable effort and discipline.

Given this, a phased approach is planned for implementation with the phases progressing from transition through transformation to consolidation. These phases will be undertaken with the overlap and timeframes as indicated below.

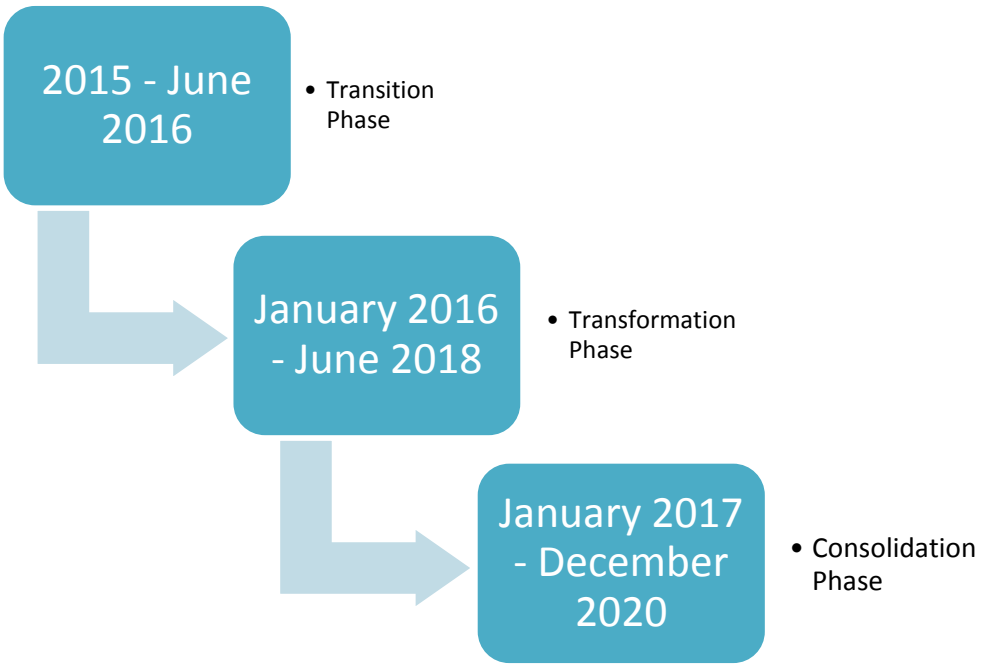


Figure 10 – Transition phases for the steps towards a new organisation

Each of these phases will involve work streams aimed at implementing the required changes in key business areas. The work streams are:

- Human Resources (incorporating management structures, staff capability development and alignment of HR policies and practices)
- Finance (developing the detailed budgets that support the financial projections in the Better Business Case and alignment of finance policies and practices)
- Connectivity and systems (ICT connectivity and integration, human resources, finance, student management system, and learning systems integration)
- Delivery (incorporating the mix of provision, development of Centres of Excellence, alignment of academic policies and practices and development and endorsement of the Investment Plan)
- Student Services
- Communications
- Brand and Identity
- Business Development (including development of international markets)
- Capital Works Programme
- Performance Reporting, Monitoring and Management

During the Transition Phase, it is critical that these work streams are closely monitored and co-ordinated and that, even though an intense period of activity will be required, continuity and business-as-usual is facilitated. It is therefore proposed that, during the Transition Phase, a Project Management Office supported by external expertise to monitor quality assurance and diligence of the processes be established. The Steering Group established to formulate this Better Business Case will continue as the Transition Steering Group to oversee and monitor the Transition Phase. It will oversee the development of the change management process and integration activities until the key transition elements are completed.

The Transition Steering Group's roles and responsibilities would include the following points:

- to guide and monitor the work on the project
- to operate as a sounding board
- to approve the approach to change management
- to represent the interests of the stakeholders
- to maintain oversight of the key risks
- to communicate key issues and developments to the Councils
- to approve the interim and final reports for presentation to the Councils

The purpose of the Project Management Office is to provide senior management level co-ordination functions to the integration process. Under the direction of the Chief Executive, the programme to integrate the two institutions will be led by a senior executive, and will be governed by the Transition Steering Group.

At the management level, the integration and transition process will bring together the wider management structure allowing for whole-of-organisation co-ordination.

The roles and responsibilities of the Project Management Office would include:

- co-ordination of implementation activities
- monitoring and control of external consultants
- co-ordination of seconded staff engaged in work streams
- identifying key risks
- reporting to the Transition Steering Group on progress and risks
- ensuring resources are available to meet stakeholder requirements.

In the Transformation Phase, a number of major projects seeking to achieve the necessary change in organisational operations and performance will be undertaken with the organisation's leadership team being the steering committee overviewing the progress of these projects and ensuring synergy through managing their interdependencies. The new organisation Council will have visibility of these projects through requiring a work programme and receiving monthly progress reports.

In the Consolidation Phase, there will be a focus on embedding the benefits of the transformative projects that have been undertaken together with identification of opportunities for creating further growth, efficiencies and quality enhancements.

During all phases, the project will be evaluated to ensure that the focus on the learner is maintained.
The following tables summarise the activity and milestones expected in each of the ten work streams for the three phases.

The phases are:

- Transition Phase - covering the period through which the organisation is preparing itself for operation as a single organisation: August 2015 – June 2016
- Transformation Phase – covering the period through which the organisation is changing and evolving towards it long term vision: January 2016 – June 2018
- Consolidation Phase – covering the period through which the organisation is realising anticipated benefits of change which are lifting its academic and financial performance: June 2018 – 2020

The work streams are:

- Human resources
- Finance
- Systems and connectivity
- Capital works programme
- Delivery
- Student services
- Communications
- Brand and identity
- Business development
- Performance reporting, monitoring and management

TRANSITION PHASE: August 2015-June 2016		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Human Resources	• Formal consultation with "affected" staff, subject to Minister's decision	Nov 2015
	• Where appropriate, existing Aoraki Polytechnic staff are offered positions in new organisation	Dec 2015
	• New management structure and reporting lines established, and management team appointed	Jan 2016
	• New organisation structure implementation completed	Jun 2016
	• Single payroll system operational	Mar 2016
	• HR policies and practices harmonised	Mar 2016
Finance	• Operating and capital budgets agreed	Jan 2016
	• Single set of finance policies, financial management procedures and reporting requirements in place	Jan 2016
	• Clear financial delegations and processes in place	Jan 2016
	• Identification and implementation of organisation wide financial efficiencies including rationalisation of support and procurement contracts	Jun 2016

TRANSITION PHASE: August 2015-June 2016		
WORK STREAM	**MILESTONES**	**TIMEFRAME**

Systems and Connectivity	• Single Information Systems Strategic Plan completed
	• Ultra-Fast connectivity established between main campuses to achieve a single virtual regional campus
	• Development and planned roll out of single organisation wide systems for:
	  ○ Email/communication
	  ○ Admin and file management
	  ○ Payroll
	  ○ Finance
	  ○ SMS
	  ○ Teaching support, Moodle
	  ○ Internal and external website
		Jun 2016
		Nov 2015
		Dec 2016

Capital Works Programme	• Campus Development and Facilities Master Plan developed and approved for whole of the single organisation	Jun 2016

Delivery	• New programmes offered in Timaru
	  ○ Information technology
	  ○ Māori trades training and Pasifika trades training
	  ○ Degree level papers in business
	• Academic Quality
	  ○ Integrated Mix of Provision agreed
	  ○ Integration of Aoraki Polytechnic qualification accreditations
	  ○ Three year Academic Development and Rationalisation implementation programme developed and agreed
	  ○ External moderation plans are agreed with NZQA and/or ITOs and implemented
		Jan 2016
		Oct 2015
		Jan 2016
		Jun 2016
		Jan 2016

Student Services	• Student Services harmonised to ensure all students enrolled with the organisation throughout the region have access to equivalent levels and quality of learning and pastoral support	Jun 2016

TRANSITION PHASE: August 2015-June 2016		
WORK STREAM	**MILESTONES**	**TIMEFRAME**

Communications	• Communication and Media Strategy approved and implemented
	• Proactive engagement with staff, students, employers, regional leaders, schools, prospective students
	• International Marketing Strategy agreed and launched
	• Iwi and Community Engagement Programme
	  ○ Building awareness and understanding of the new single organisation
	  ○ Development of a model for ongoing engagement, feedback and collaboration
	• Regional Stakeholder Engagement Programme
	  ○ Regular industry leaders' forums throughout the whole of Canterbury
	  ○ Industry specific meetings with employers and business leaders and unions
	  ○ Industry based work placements for students
	• Schools Engagement Programme
	  ○ Building awareness and understanding of the new single organisation
	  ○ Improving information for schools and teachers and developing seamless recruitment processes
	  ○ Extending the development of joint Secondary-Tertiary programmes
	  ○ Designing improved pathways between school, study and vocational careers
		Aug 2015
		Aug 2015
		Jun 2016
		Jun 2016
		Jun 2016
		Jun 2016

Brand and Identity	• Brand roll out strategy agreed • New brand developed and agreed • New name announced • New brand formally launched • Re-branding completed on all sites and collateral updated	Jul 2015 Aug 2015 Nov 2015 Mar 2016 Jun 2016
Business Development	• International Marketing Programme ○ Development of regional products and study programmes and work placement	Jun 2016

TRANSITION PHASE: August 2015-June 2016		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
	opportunities ○ Targeted international marketing of regional study and work opportunities	
Performance Reporting, Monitoring and Management	• Educational and financial performance measures agreed • Education and financial performance reporting and monitoring systems set up • Transition phase monitoring undertaken by Transition Steering Group and external QA support • Performance and transition progress reporting included in monthly governance report	Jan 2016 Jan 2016 Nov 2015 Nov 2015

TRANSFORMATION PHASE: January 2016 – June 2018		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Human Resources	• Required capabilities for all roles are described • Development of Workforce Capability and Implementation Plan • Stocktake of staff capabilities undertaken • Each tenured, staff member has either achieved or has a development plan to achieve required capabilities • Staff capability development activities are available that target key competencies, such as engagements strategies for Māori and Pasifika, Youth, International students; flexible delivery, technology enhanced learning, work integrated learning.	Jun 2016 Jan 2017 Jun 2016 Mar 2017 Jan 2017
Finance	• Detailed budget supporting the achievement of the financial projections in the Better Business Case are developed and implemented • Integrated budget setting and monitoring systems in place • Realisation of $1.6 m of savings in general operating expenditure planned and activities to support this implemented • Detailed plans to support the 10% productivity gain by 2020 developed and activities to support this achievement implemented	Oct 2016 Oct 2016 Jan 2017
Systems and Connectivity	• Plans for the realisation of the benefits of the connectivity and systems integration undertaken in the Transition Phase are developed • Activities to support the achievement of these plans are implemented • The portfolio of technology products required to support the educational vision are scoped and an implementation plan developed	Jan 2017 Jan 2018 Jan 2017
Capital Works Programme	• Initiation of the approved Campus Development and Facilities Master Plan • Phase one campus upgrade completed at Timaru including improvements in	Jun 2016 Dec 2016

TRANSFORMATION PHASE: January 2016 – June 2018		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
	technology to support teaching and learning	

Delivery	• Establishment of the Centres of Excellence identified in the Better Business Case
	  ○ Construction and Trades
	  ○ Primary Supply Chain
	  ○ Health
	• Identification of programmes and strategies to deliver to a greater number of centres across the region are developed and applied
	• Identification of a wider range of programmes for delivery across the region (eg higher level papers and qualifications) are developed and applied
		
		Jan 2017
		Jun 2016
		Jan 2017
		Jan 2017
		
		Jan 2016

Student Services	• The Student and Graduate Community initiative is rolled out across the new organisation • Innovative models of student support (both academic and pastoral) are piloted to ensure support for students across geographically dispersed communities • Models for the provision of support to part time and online students are piloted to ensure access to support services that facilitate successful participation and completion • Services to support specific population cohorts (for example Māori, Pasifika and Youth) are further developed in consultation with stakeholders and partners	Jan 2017 Jan 207 Jan 2017 Jan 2017

TRANSFORMATION PHASE: January 2016 – June 2018		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Communications	• Websites and other communication tools redeveloped to reflect the regional nature of delivery, to improve communications and access to communications by stakeholders • Improved intranet for staff • Improved hub for student communications • Improved website for other stakeholder communications • Public reporting on transformational activities and outcomes • Investigation of the CRM requirements for the new organisation	Jan 2017 Jan 2017 Jan 2017 Jan 2018 Jan 2018 Jan 2017
Brand and Identity	• Brand identity and values embedded in all of the operations of the new organisation • Review undertaken to ensure alignment of processes and operations with values, vision and identity of the new organisation	Jan 2017 Jan 2018
Business Development	• Update the revenue diversification plan in the light of opportunities emerging in the region and beyond in the light of the activities being undertaken by the new organisation (impact of the Centres of Excellence and of industry and economic developments across the region)	Jan 2017
Performance Reporting, Monitoring and Management	• Development and implementation of a performance reporting portal • New organisation Strategic Plan completed • Investment Plan completed as per the planning cycle	Jan 2017 Oct 2016 Jul 2016

CONSOLIDATION PHASE: January 2018 – June 2020		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Human Resources	• Integrated technology based employment solutions are used through recruitment/exit, leave management, payroll etc • Through recruitment high calibre staff are attracted with higher base level facilitation expertise. Lower subsequent investment in them as beginning practitioners is required, and more opportunity around investment in their higher level expertise can drive SME consultancy and research outcomes • Professional development activities are recorded and tracked, showing clear benefits to the organisation in its investment in staff • Staff are positioned nationally in relation to their core functions as "experts" • Consultancy opportunities, based on staff expertise, are realised through the organisation's business development function • Clear structures for employment progression/promotion are in place that integrate organisational and personal development aligned to the Strategic Plan	Jun 2020
Finance	• Full automated processes through the financial transaction process – ordering, etc • "Best" purchase options obtained from a financial and sustainability perspective • Reduced cost of financial transaction processing • Investigate outsourcing of a contract for service model • Recognised for "triple bottom line" equivalent model of financial management	Jun 2020

CONSOLIDATION PHASE: January 2018 – June 2020		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Systems and Connectivity	• Full integration of organisational systems • Students have a one stop shop that covers their full and ongoing learner journey • The organisation can articulate learner employment destination information • Investigating the option of running an external contract for service provision to other institutions	Jun 2020
Capital Works Programme	• Campus Development and Facilities Master Plan is fully implemented and achieves planned educational outcomes while maintaining planned financial sustainability • Future investment and development is understood and planned for	Jun 2020
Delivery/MOP	• A mix of provision is provided which is learner centric and generates either vocational employment outcomes or progression though clearly articulated learning pathways • Programmes of Study are focused towards access across the wider Canterbury region and responding to the needs of stakeholders. Research demonstrates this is being achieved • Programmes of Study in specialised areas provide a national focus, establishing the organisation's position as the key provider of educational outcomes in niche areas. Research demonstrates this is being achieved • Programmes of Study provide international students with recognised vocational outcomes. Research demonstrates this is being achieved • The organisation is a facilitation-orientated tertiary institution that uses contemporary delivery methods • Programmes of Study integrate student service and support rather than attaching them as an add on service • Technology is an integral tool used in facilitation	Jun 2020

CONSOLIDATION PHASE: January 2018 – June 2020		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
	• Subject matter experts support learning as required but are not necessarily the facilitators of learning • Smart curriculum design is being used, that allows learning objects to be sourced through a repository and repurposed • The organisation meets the requirements for the thresholds established through the Consistency Management process • The organisation is recognised for its ability to respond in a timely and agile manner to industry wanting to access customised education and training for their staff • Achievement of Māori and Pasifika is at parity with the overall population	
Student Services	• All staff own their role in supporting students • There is a highly integrated approach to supporting learners through the organisation, with clear roles and responsibilities that provide for effective handover to core support functions • All students across a multi-site organisation have equitable access to student services • Availability (time and place) and breadth of student services exceeds those available through the original institutions • Support service functions are incorporated into Programme of Study design to ensure leaner support is integrated rather than provided after a need is identified • Learner use of student services has been reduced as delivery mechanisms become more sophisticated in allowing self-help or support through Programme of Study facilitation • Tracking of learners accessing student services shows higher levels of student success	Jun 2020

CONSOLIDATION PHASE: January 2018 – June 2020		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Communications	• The organisation understands and lives its Strategic Plan and all staff can articulate this. This allows for consistent and common messaging • Technology based tools, hardware and software, are used to make communication easy, in a managed-cost way, across a multi-site organisation • Staff are engaged in two way conversation through the organisation. This is valued and provides opportunities for business improvement • Staff are better informed which is reflected in the feedback through the Staff Engagement Survey	Jun 2020
Brand and Identity	• Domestic student recognition through brand and identity testing and analysis shows this as having more significance than the old brands and identities • International student brand and status recognition shows this as having more significance than the old brands and identities • Strengthened international partnerships are established based on the organisation's brand/identity and curriculum focus • Stakeholder recognition through brand and identity testing and analysis shows this as having more significance than the old brands and identities • Brand and identity testing and analysis against competitors shows this as having more significance than the old brands and identities • The brand allows the organisation to build new business outside its traditional markets through its business development focus	Jun 2020

CONSOLIDATION PHASE: January 2018 – June 2020		
WORK STREAM	**MILESTONES**	**TIMEFRAME**
Business Development	• The organisation annually sets and exceeds business unit targets for new business opportunities • The ability to identify and respond to new business is a core BAU function, where stakeholder engagements form a key aspect of reading and responding to market change	Jun 2020
Performance Reporting, Monitoring and Management	• Systematised reporting is in place that both supports BAU (business unit/management reporting/council/external) and provides information for business improvement • A process for identifying business improvement opportunities is established, articulated and functioning to achieve demonstrated outcomes	Jun 2020

11 Consultation

In coming to their recommendation, the Aoraki Polytechnic and CPIT Councils consulted with staff, students and stakeholders on the current situation, future needs, opportunities and options. The consultation document *"Report Back to Staff, Students and Stakeholders – Aoraki Polytechnic and CPIT: Exploration of feasibility to form a new combined entity"* is attached as Appendix I.

Aoraki Polytechnic and CPIT distributed the Report Back to Staff, Students and Stakeholders via emails to staff, students and stakeholders and through CPIT's and Aoraki Polytechnic's websites, staff intranets and student websites. Feedback was invited through written submissions, meetings and staff forums.

Feedback to CPIT included nine written submissions and 20 other verbal comments and questions. Aoraki Polytechnic received 26 written submissions and a few verbal comments.

The feedback from the consultation, which has been taken into account in the Councils' decision making, included:

Staff:

One detailed submission from TEU to both Aoraki Polytechnic and CPIT captured the focus of the union, which had also invited its members to contribute. TEU was not opposed to the creation of a new organisation, but requested that the new organisation focus on domestic students, place greater emphasis on the role of staff in achieving the goals of the new organisation, seek student input and continue to involve TEU.

At a series of three Chief Executive Forums, CPIT staff generally supported the new organisation and were interested in the details of the initiative. They accepted that many details are not available yet. Staff asked a wide range of questions from the short term impacts to CPIT's long term future aspirations. Several staff asked when they could start to prepare for the implementation.

Aoraki Polytechnic staff were generally supportive of the new organisation. General themes related to retaining the Aoraki name, and maintaining provision at the Aoraki Polytechnic campuses.

Students:

Of the three submissions received by CPIT, one was in favour, one was against the new organisation and one was interested primarily in how student councils will function.

Aoraki Polytechnic received two questions about what it could mean for them, and one comment preferring the status quo.

Stakeholders:

CPIT stakeholders ranged from having no objections to actively supporting Option 7 as the best way to improve quality, accessibility and efficiency of educational provision for Canterbury. Many stakeholders were reassured by the report and the process that has been followed by Aoraki Polytechnic and CPIT. Several stakeholders indicated they will make a submission to the ministerial consultation.

Aoraki Polytechnic stakeholders in general were accepting that Aoraki Polytechnic must make changes. However, two stakeholders indicated their preference was that the institution remain autonomous and further explore meaningful partnerships and collaborations. Other feedback showed support for the proposal at this stage; some stakeholders would like further information before they could give full support to the potential project. General themes related to what was important to be maintained in the Aoraki region.

12 Conclusion

Creating a new single organisation by fully integrating the two institutions provides the best vehicle for achieving the scale and scope which would make the operation more efficient. The achievement of the vision requires the transformational approach described in Option 7 and strongly establishing the mandate of a highly performing organisation integral to the region's success and therefore highly engaged and responsive to stakeholders through offering of a broad and deep portfolio of programmes and the deployment of leading edge teaching and learning.

This vision and approach to the establishment of a new organisation for Canterbury is also consistent with the objectives set down by the Councils of Aoraki Polytechnic and CPIT at the start of this process. In particular, it provides a strong institutional legacy for Aoraki Polytechnic, and its wider community. It makes the best use of its remaining financial resources to both sustain delivery, and invest in a future partnership for the whole region. For CPIT, the existing plans for investment are sustained, and CPIT too has the opportunity to invest through the new organisation in a stronger vision for vocational education for all of Canterbury.

The proposal embodied in this Better Business Case directly addresses the challenges that face the sustainable provision of high quality vocational and applied tertiary education programmes that are accessible and relevant to a dispersed population across a whole geographic region. In doing so it also responds to the stated requirements of both institutions. For Aoraki Polytechnic it ensures the continued and sustainable delivery of vocational education programmes to the people of the "Aoraki" region, extends the programme offerings and creates more structured learning pathways. It ensures the accumulated historic cash reserves are invested and managed carefully to provide continued provision for students through the transition period, significantly improve the connectivity and technology enhanced learning, improve the campus environments in Timaru and retain physical presences in regional locations.

Finally, and importantly, from the outset the Council of the new organisation will include at least two new members representing rural and regional interests, and over time through attrition further opportunities for competency based appointments of individuals from the wider Canterbury region will be made.

Following the Canterbury earthquakes CPIT has recovered very well and is in the process of an extensive campus development programme. It has also played a significant role in upskilling the workforce needed to rebuild Canterbury and has developed a very strong financial position and operating surpluses for the strategic development reinvestment required to re-engineer its operation and meet the changing needs of learners and employers in Canterbury. These have been major and hard won achievements which the Council understandably does not want put at untoward risk.

As framed in this Better Business Case the proposal to form a new single organisation for the region of Canterbury aligns with the strategic direction of CPIT and provides further impetus to its teaching and delivery change programme and the aim of providing “anywhere, anytime” accessibility. The integration of the two institutions does come at a cost, particularly in the short term; however, the increased scale and scope of the operation, increased revenue growth and planned transformation of delivery will result in a return to strong financial performance in the medium term. Creating the new organisation using CPIT as the base legal entity will provide continuity of governance arrangements and ensure the CPIT Master Plan implementation and associated capital works is not negatively affected.

The success of the new organisation depends in many ways on transforming the delivery of programmes to enable more agile and flexible delivery. This will be a priority during the first three years and, as such, ensure the continuation of the collaborative arrangements in health provision, the development of technology enhanced learning, the implementation of flexible delivery arrangements and the development of staff capability.

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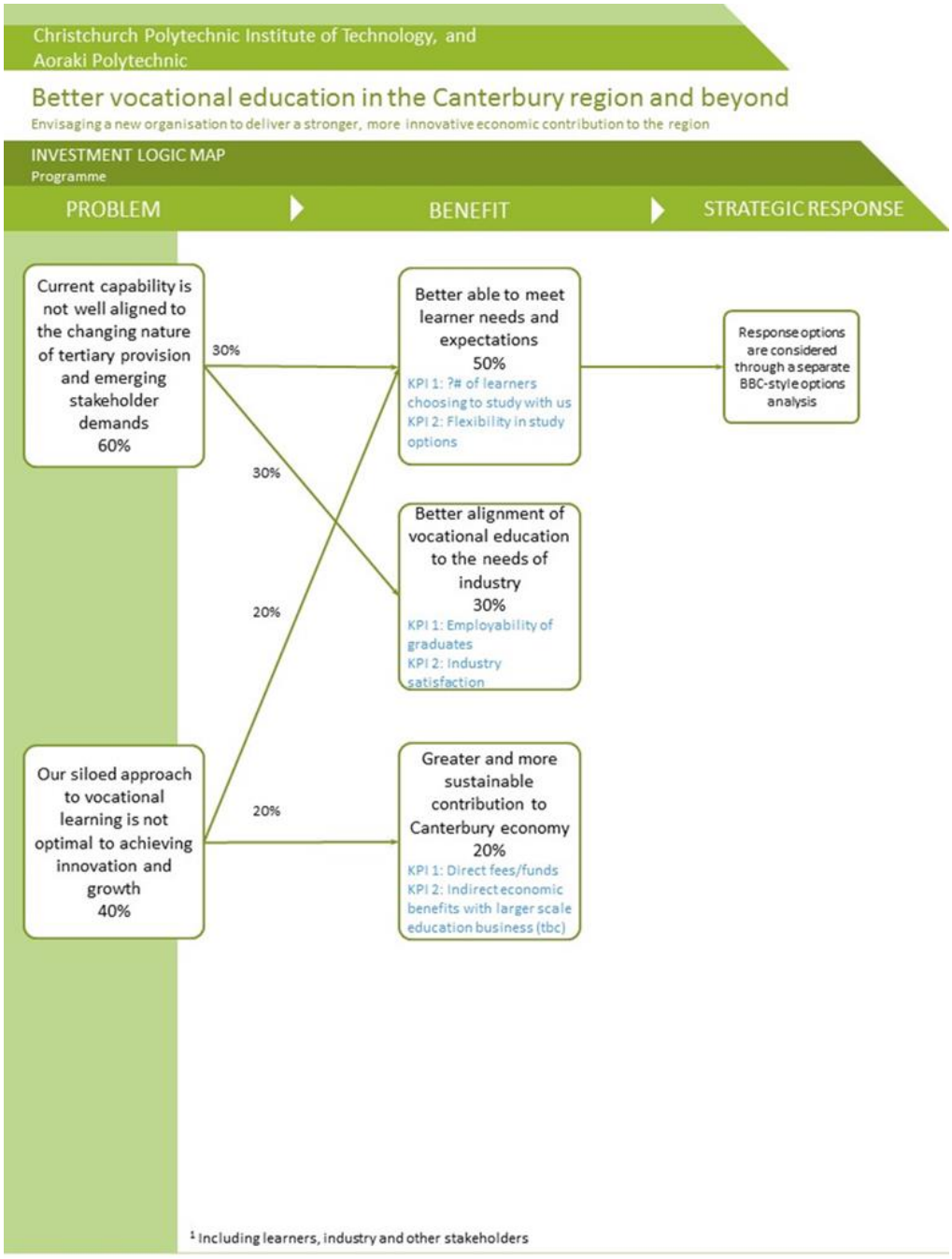
14 Appendices

Appendix A: Investment Logic Map



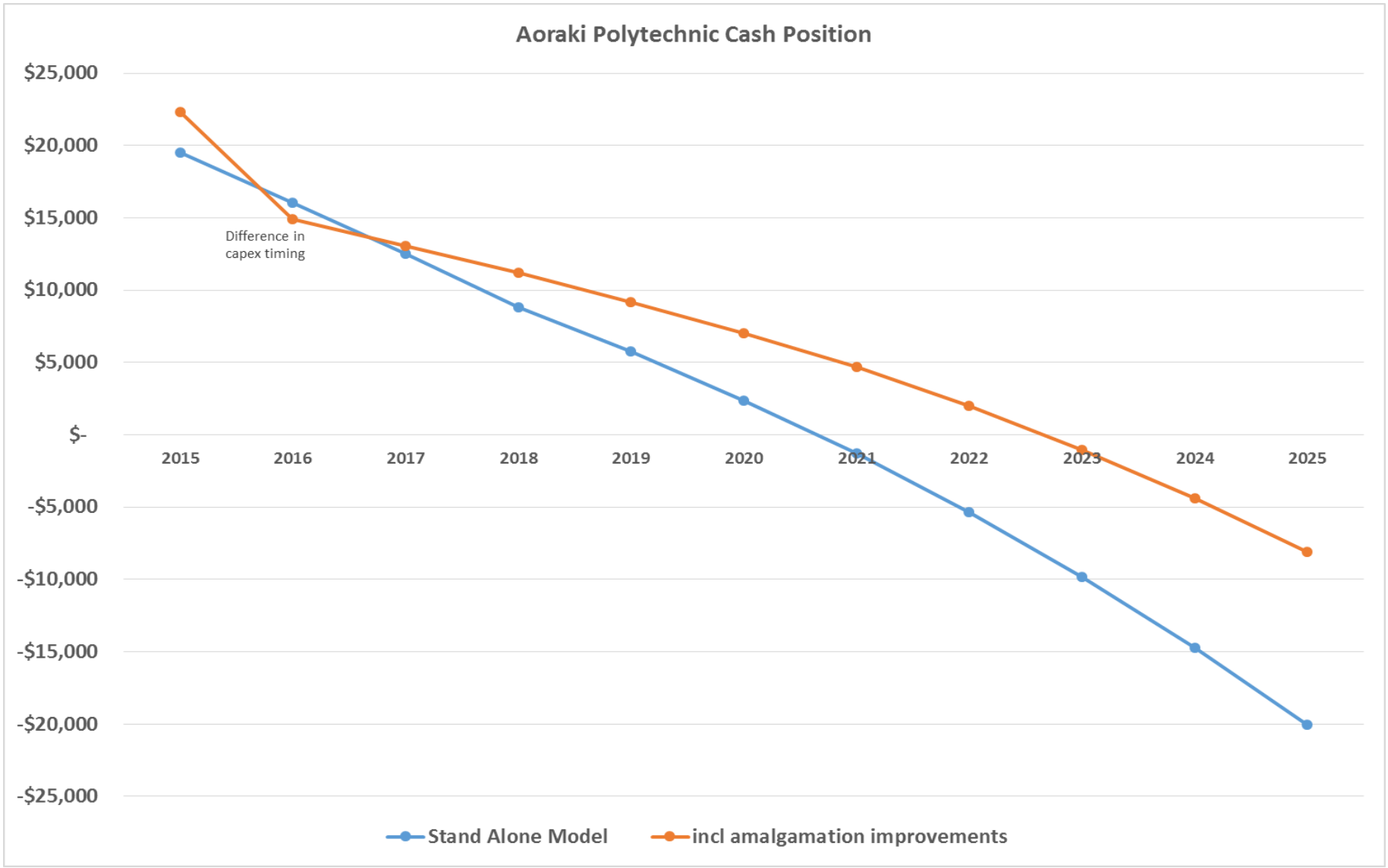
Appendix B: Aoraki Polytechnic standalone financial model

Statement of Financial Performance - Aoraki Polytechnic Standalone

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Government Funding											
Variable Funding	7,322	7,783	7,934	8,089	8,246	8,406	8,570	8,737	8,907	9,081	9,258
Youth Guarantee Funding	635	635	635	635	635	635	635	635	635	635	635
Other Non-EFTS grants	36	36	36	36	36	36	36	36	36	36	36
Total	7,993	8,454	8,605	8,760	8,917	9,077	9,241	9,408	9,578	9,752	9,929
Student Tuition Fees											
Domestic	3,161	3,581	3,688	3,799	3,913	4,030	4,151	4,276	4,404	4,536	4,672
International	201	451	630	817	837	858	879	901	924	947	971
Total	3,362	4,032	4,318	4,616	4,750	4,888	5,030	5,177	5,328	5,483	5,643
Other Teaching Income	333	368	404	442	451	460	469	478	488	498	508
Other Income											
Interest	968	752	699	559	430	308	173	28	-136	-315	-510
Other Revenue	399	411	423	434	445	456	467	479	491	503	516
	1,367	1,163	1,122	993	875	764	640	507	355	188	6
Total Revenue	**13,055**	**14,017**	**14,449**	**14,811**	**14,993**	**15,189**	**15,380**	**15,570**	**15,749**	**15,921**	**16,086**
Expenses											
Personnel											
Teaching	5,368	5,954	6,218	6,492	6,687	6,888	7,094	7,307	7,526	7,752	7,985
Non-Teaching	3,638	3,958	4,119	4,286	4,415	4,547	4,684	4,824	4,969	5,118	5,272
Total	9,006	9,912	10,337	10,778	11,102	11,435	11,778	12,131	12,495	12,870	13,257
as % of Revenue	69.0%	70.7%	71.5%	72.8%	74.0%	75.3%	76.6%	77.9%	79.3%	80.8%	82.4%
Other Costs (except Depreciation)											
Occupancy/Property costs	1,347	1,378	1,409	1,441	1,470	1,507	1,545	1,584	1,624	1,665	1,707
General Operating Expenditure	4,265	4,449	4,557	4,667	4,760	4,879	5,001	5,126	5,254	5,385	5,520
Total other costs	5,612	5,827	5,966	6,108	6,230	6,386	6,546	6,710	6,878	7,050	7,227
Depreciation	1,535	1,631	1,697	1,764	1,833	1,867	1,903	1,941	1,981	2,023	2,067
Total Expenses	**16,153**	**17,370**	**18,000**	**18,650**	**19,165**	**19,688**	**20,227**	**20,782**	**21,354**	**21,943**	**22,551**
Surplus/(Deficit) excl Abnormal	**(3,098)**	**(3,353)**	**(3,551)**	**(3,839)**	**(4,172)**	**(4,499)**	**(4,847)**	**(5,212)**	**(5,605)**	**(6,022)**	**(6,465)**
as % of Revenue	-23.7%	-23.9%	-24.6%	-25.9%	-27.8%	-29.6%	-31.5%	-33.5%	-35.6%	-37.8%	-40.2%

Statement of Cash Flows - Aoraki Polytechnic Standalone

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Cash Flows from Operating Activities											
Cash was Provided from:											
Government Grants	7,993	8,454	8,605	8,760	8,917	9,077	9,241	9,408	9,578	9,752	9,929
Student Tuition Fees	3,243	4,032	4,318	4,616	4,750	4,888	5,030	5,177	5,328	5,483	5,643
Other Teaching Revenue	333	368	404	442	451	460	469	478	488	498	508
Other Revenue	399	411	423	434	445	456	467	479	491	503	516
Interest	1,143	892	811	649	502	365	302	28	- 136	- 315	- 510
Total	13,111	14,157	14,561	14,901	15,065	15,246	15,509	15,570	15,749	15,921	16,086
Cash was Applied to:											
Employees and Suppliers	16,718	15,739	16,303	16,886	17,332	17,821	18,324	18,841	19,373	19,920	20,484
Net Cash Flows from Operating Activities	**(3,607)**	**(1,582)**	**(1,742)**	**(1,985)**	**(2,267)**	**(2,575)**	**(2,815)**	**(3,271)**	**(3,624)**	**(3,999)**	**(4,398)**
Cash Flows from Investing Activities											
Cash was Applied to:											
Purchase of Plant and Equipment	500	750	750	750	765	784	804	824	845	866	888
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of Building Assets	2,650	1,000	1,000	1,000	-	-	-	-	-	-	-
Total	3,150	1,750	1,750	1,750	765	784	804	824	845	866	888
Net Cash Flows from Investing Activities	**(3,150)**	**(1,750)**	**(1,750)**	**(1,750)**	**(765)**	**(784)**	**(804)**	**(824)**	**(845)**	**(866)**	**(888)**
Total Net Cash Flows	**(6,757)**	**(3,332)**	**(3,492)**	**(3,735)**	**(3,032)**	**(3,359)**	**(3,619)**	**(4,095)**	**(4,469)**	**(4,865)**	**(5,286)**
Opening Cash, Bank & Short Term Investments	26,438	19,681	16,349	12,857	9,122	6,089	2,731	(888)	(4,983)	(9,452)	(14,317)
Closing Cash, Bank & Short Term Investments	**19,681**	**16,349**	**12,857**	**9,122**	**6,089**	**2,731**	**(888)**	**(4,983)**	**(9,452)**	**(14,317)**	**(19,603)**


Aoraki Polytechnic Cash Position
$25,000
$20,000
$15,000
$10,000
$5,000
$-
-$5,000
-$10,000
-$15,000
-$20,000
-$25,000
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Difference in capex timing
Stand Alone Model
incl amalgamation improvements

Appendix C: CPIT standalone financial model

Statement of Financial Performance - CPIT Standalone Model

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Government Funding											
Variable Funding	49,108	49,108	51,861	53,307	54,741	56,315	57,930	59,588	61,288	63,033	64,823
Youth Guarantee Funding	2,396	2,675	2,809	2,809	2,809	2,809	2,809	2,809	2,809	2,809	2,809
CTC funding	1,935	2,079	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222
Other Non-EFTS grants	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050	3,050
Total	56,489	56,912	59,942	61,388	62,822	64,396	66,011	67,669	69,369	71,114	72,904
Student Tuition Fees											
Domestic	22,929	23,545	25,023	26,200	27,524	28,461	29,428	30,426	31,455	32,517	33,612
International	9,551	10,279	11,063	11,907	12,510	13,143	13,808	14,507	15,241	16,013	16,824
Total	32,480	33,824	36,086	38,107	40,034	41,604	43,236	44,933	46,696	48,530	50,436
Other Teaching Income	2,681	2,951	3,010	3,070	3,131	3,194	3,258	3,323	3,389	3,457	3,526
Other Income											
Interest	2,600	2,545	1,812	1,062	415	102	87	126	338	528	724
Other Revenue	4,373	4,504	4,639	4,755	4,874	4,996	5,121	5,249	5,380	5,515	5,653
	6,973	7,049	6,451	5,817	5,289	5,098	5,208	5,375	5,718	6,043	6,377
Total Revenue	**98,623**	**100,736**	**105,489**	**108,382**	**111,276**	**114,292**	**117,713**	**121,300**	**125,172**	**129,144**	**133,243**
Expenses											
Personnel											
Teaching	30,339	30,500	32,010	33,265	34,478	35,734	37,036	38,384	39,780	41,226	42,724
Non-Teaching	30,778	30,557	31,006	31,828	32,672	33,537	34,531	35,792	37,098	38,451	39,852
Total	61,117	61,057	63,016	65,093	67,150	69,271	71,567	74,176	76,878	79,677	82,576
as % of Revenue	62.0%	60.6%	59.7%	60.1%	60.3%	60.6%	60.8%	61.2%	61.4%	61.7%	62.0%
Other Costs (except Depreciation)											
Occupancy/Property costs	7,592	7,807	9,648	9,544	9,777	10,031	10,309	10,571	10,835	11,106	11,384
General Operating Expenditure	19,159	19,219	19,734	20,203	20,667	21,244	21,837	22,447	23,074	23,718	24,380
Total other costs	26,751	27,026	29,382	29,747	30,444	31,275	32,146	33,018	33,909	34,824	35,764
Depreciation											
Buildings	3,631	4,105	5,101	5,526	5,831	5,894	6,095	6,132	6,474	6,606	6,738
Plant & Equipment	2,992	3,065	3,178	3,211	3,300	3,566	3,646	3,767	3,906	4,070	4,280
Intangibles	286	304	253	272	295	320	290	248	315	315	315
	6,909	7,474	8,532	9,009	9,426	9,780	10,031	10,147	10,695	10,991	11,333
Total Expenses	**94,777**	**95,557**	**100,930**	**103,849**	**107,020**	**110,326**	**113,744**	**117,341**	**121,482**	**125,492**	**129,673**
Surplus/(Deficit) excl Abnormal	**3,846**	**5,179**	**4,559**	**4,533**	**4,256**	**3,966**	**3,969**	**3,959**	**3,690**	**3,652**	**3,570**
as % of Revenue	3.9%	5.1%	4.3%	4.2%	3.8%	3.5%	3.4%	3.3%	2.9%	2.8%	2.7%

Statement of Cash Flows - CPIT Stand Alone Model

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Cash Flows from Operating Activities											
Cash was Provided from:											
Government Grants	56,489	56,912	59,942	61,388	62,822	64,396	66,011	67,669	69,369	71,114	72,904
Student Tuition Fees	32,480	33,824	36,086	38,107	40,034	41,604	43,236	44,933	46,696	48,530	50,436
Other Teaching Revenue	2,681	2,951	3,010	3,070	3,131	3,194	3,258	3,323	3,389	3,457	3,526
Other Revenue	4,373	4,504	4,639	4,755	4,874	4,996	5,121	5,249	5,380	5,515	5,653
Interest	2,600	2,545	1,812	1,062	415	102	87	126	338	528	724
Total	98,623	100,736	105,489	108,382	111,276	114,292	117,713	121,300	125,172	129,144	133,243
Cash was Applied to:											
Employees and Suppliers	91,999	88,083	92,425	95,553	100,398	100,546	103,713	107,194	110,787	114,501	118,340
Net Cash Flows from Operating Activities	**6,624**	**12,653**	**13,064**	**12,829**	**10,878**	**13,746**	**14,000**	**14,106**	**14,385**	**14,643**	**14,903**
Cash Flows from Investing Activities											
Cash Receipts from Investing Activity	58,000	-	2,000	800	500	-	-	-	-	-	-
Cash was Applied to:											
Purchase of Plant and Equipment	3,005	3,355	3,414	3,475	3,538	3,616	3,697	3,780	3,865	3,956	4,046
Purchase of Intangible Assets	295	145	145	145	145	145	145	1,645	145	145	145
Purchase of Building Assets	52,006	34,553	26,311	25,167	22,585	5,357	14,041	3,690	4,875	4,893	4,911
Total	55,306	38,053	29,870	28,787	26,268	9,118	17,883	9,115	8,885	8,994	9,102
Net Cash Flows from Investing Activities	**2,694**	**(38,053)**	**(27,870)**	**(27,987)**	**(25,768)**	**(9,118)**	**(17,883)**	**(9,115)**	**(8,885)**	**(8,994)**	**(9,102)**
Cash Flows from Financing Activities											
Cash was Provided from:											
Equity	9,450	-	-	-	-	-	-	-	-	-	-
Total	9,450	-	-	-	-	-	-	-	-	-	-
Cash was Applied to:											
Finance Lease Payments	628	628	641	654	667	684	701	719	737	755	774
Total	628	628	641	654	667	684	701	719	737	755	774
Net Cash Flows from Financing Activities	**8,822**	**(628)**	**(641)**	**(654)**	**(667)**	**(684)**	**(701)**	**(719)**	**(737)**	**(755)**	**(774)**
Total Net Cash Flows	**18,140**	**(26,028)**	**(15,447)**	**(15,812)**	**(15,557)**	**3,944**	**(4,584)**	**4,272**	**4,763**	**4,894**	**5,027**
Opening Cash, Bank & Short Term Investments	49,511	67,651	41,623	26,176	10,364	(5,193)	(1,249)	(5,833)	(1,561)	3,202	8,096
Closing Cash, Bank & Short Term Investments	**67,651**	**41,623**	**26,176**	**10,364**	**(5,193)**	**(1,249)**	**(5,833)**	**(1,561)**	**3,202**	**8,096**	**13,123**

Appendix D: Assumptions in financial models

Assumptions common to all models are:

- 2015 position is a combination of the two institutions respective forecasts. Cash flow statement includes the total combined cash reserves. NB – phasing of Aoraki Polytechnic building capital spend is different in combined model vs Aoraki Polytechnic alone forecast.
- SAC EFTS mix for 2015 based on TEC allocation. Increase of 100 EFTS in Primary Sector expected in new single organisation from 2016 onwards. Further addition of 100 EFTS in each of 2016 and 2017 for Health Precinct. Collectively, growth in EFTS for 2018 onwards include 50 SAC EFTS growth per year.
- Youth Guarantee EFTS increase by 50 in 2016, and a further 30 in 2017. Trades Academy EFTS increase by 20 in 2016, a further 20 in 2017.
- Government EFTS related funding has 0% increase in 2015 and 2016, 2% pa thereafter.
- Non-EFTS Government funding (eg PBRF) at 2015 levels with no inflation increase.
- Due to change in Government policy, domestic fees increase the new maximum of 3% pa (previous maximum 4%) until 2018, for 2019 onwards, 2.5% pa.
- Salary inflation of 2% in 2016, 2.65% pa thereafter.
- Non-salary cost inflation at 2% pa (as per Treasury PREFU economic indicators) until 2019, 2.5% pa thereafter.
- $6.0m of change costs incurred.

Variable assumptions – Figures reached by 2020

	Options 1-4	Option 5	Options 6/7
Total Domestic EFTS	7,450 (1.7% growth pa)	7,650 (2.5% growth pa)	7,650 (2.5% growth pa)
International EFTS	860 (4.8% growth pa)	900 (5.1% growth pa)	1,400 (14.9% growth pa)
Teaching Ratio	16.1	16.7	17.5
General Operating Costs	No savings	$0.8m saved	$1.6m saved
Strategic Development Funds	$700k pa	$1.2m pa	$2.0m pa

Appendix E: Options 1-4 financial model

Statement of Financial Performance - Options 1-4

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Government Funding											
Variable Funding	56,430	56,891	59,795	61,396	62,987	64,721	66,500	68,325	70,195	72,114	74,081
Youth Guarantee Funding	3,031	3,310	3,444	3,444	3,444	3,444	3,444	3,444	3,444	3,444	3,444
CTC funding	1,935	2,079	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222	2,222
Other Non-EFTS grants	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086
Total	64,482	65,366	68,547	70,148	71,739	73,473	75,252	77,077	78,947	80,866	82,833
Student Tuition Fees											
Domestic	26,090	27,126	28,711	29,999	31,437	32,491	33,579	34,702	35,859	37,053	38,284
International	9,752	10,730	11,693	12,724	13,347	14,001	14,687	15,408	16,165	16,960	17,795
Total	35,842	37,856	40,404	42,723	44,784	46,492	48,266	50,110	52,024	54,013	56,079
Other Teaching Income	3,014	3,319	3,414	3,512	3,582	3,654	3,727	3,801	3,877	3,955	4,034
Other Income											
Interest	3,568	3,289	2,499	1,608	831						
Other Revenue	4,772	4,915	5,062	5,189	5,319	5,452	5,588	5,728	5,871	6,018	6,169
	8,340	8,204	7,561	6,797	6,150	5,452	5,588	5,728	5,871	6,018	6,169
Total Revenue	**111,678**	**114,745**	**119,926**	**123,180**	**126,255**	**129,071**	**132,833**	**136,716**	**140,719**	**144,852**	**149,115**
Expenses											
Personnel											
Teaching	35,707	36,454	38,228	39,757	41,165	42,622	44,130	45,691	47,306	48,978	50,709
Non-Teaching	34,416	34,515	35,125	36,114	37,087	38,084	39,215	40,616	42,067	43,569	45,124
Total	70,123	70,969	73,353	75,871	78,252	80,706	83,345	86,307	89,373	92,547	95,833
as % of Revenue	62.8%	61.8%	61.2%	61.6%	62.0%	62.5%	62.7%	63.1%	63.5%	63.9%	64.3%
Other Costs (except Depreciation)											
Occupancy/Property costs	8,939	9,185	11,057	10,985	11,247	11,538	11,854	12,155	12,459	12,771	13,091
General Operating Expenditure	23,424	29,668	24,291	24,870	25,427	26,123	26,838	27,573	28,328	29,103	29,900
Total other costs	32,363	38,853	35,348	35,855	36,674	37,661	38,692	39,728	40,787	41,874	42,991
Depreciation	8,444	9,105	10,229	10,773	11,259	11,647	11,934	12,088	12,676	13,014	13,400
Total Expenses	**110,930**	**118,927**	**118,930**	**122,499**	**126,185**	**130,014**	**133,971**	**138,123**	**142,836**	**147,435**	**152,224**
Surplus/(Deficit) excl Abnormal	**748**	**(4,182)**	**996**	**681**	**70**	**(943)**	**(1,138)**	**(1,407)**	**(2,117)**	**(2,583)**	**(3,109)**
as % of Revenue	0.7%	-3.6%	0.8%	0.6%	0.1%	-0.7%	-0.9%	-1.0%	-1.5%	-1.8%	-2.1%

Statement of Cash Flows - Options 1 - 4

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Cash Flows from Operating Activities											
Cash was Provided from:											
Government Grants	64,482	65,366	68,547	70,148	71,739	73,473	75,252	77,077	78,947	80,866	82,833
Student Tuition Fees	35,723	37,856	40,404	42,723	44,784	46,492	48,266	50,110	52,024	54,013	56,079
Other Teaching Revenue	3,014	3,319	3,414	3,512	3,582	3,654	3,727	3,801	3,877	3,955	4,034
Other Revenue	4,772	4,915	5,062	5,189	5,319	5,452	5,588	5,728	5,871	6,018	6,169
Interest	3,743	3,429	2,611	1,698	903						
Total	111,734	114,885	120,038	123,270	126,327	129,071	132,833	136,716	140,719	144,852	149,115
Cash was Applied to:											
Employees and Suppliers	108,917	109,922	108,728	112,439	117,730	118,367	122,037	126,035	130,160	134,421	138,824
Net Cash Flows from Operating Activities	**2,817**	**4,963**	**11,310**	**10,831**	**8,597**	**10,704**	**10,796**	**10,681**	**10,559**	**10,431**	**10,291**
Cash Flows from Investing Activities											
Cash Receipts from Investing Activity	58,000	-	2,000	800	500	-	-	-	-	-	-
Cash was Applied to:											
Purchase of Plant and Equipment	3,505	4,105	4,164	4,225	4,303	4,400	4,501	4,604	4,710	4,822	4,934
Purchase of Intangible Assets	295	145	145	145	145	145	145	1,645	145	145	145
Purchase of Building Assets	54,656	35,553	27,311	26,167	22,585	5,357	14,041	3,690	4,875	4,893	4,911
Total	58,456	39,803	31,620	30,537	27,033	9,902	18,687	9,939	9,730	9,860	9,990
Net Cash Flows from Investing Activities	**(456)**	**(39,803)**	**(29,620)**	**(29,737)**	**(26,533)**	**(9,902)**	**(18,687)**	**(9,939)**	**(9,730)**	**(9,860)**	**(9,990)**
Cash Flows from Financing Activities											
Cash was Provided from:											
Equity	9,450	-	-	-	-	-	-	-	-	-	-
Total	9,450	-	-	-	-	-	-	-	-	-	-
Cash was Applied to:											
Finance Lease Payments	628	628	641	654	667	684	701	719	737	755	774
Total	628	628	641	654	667	684	701	719	737	755	774
Net Cash Flows from Financing Activities	**8,822**	**(628)**	**(641)**	**(654)**	**(667)**	**(684)**	**(701)**	**(719)**	**(737)**	**(755)**	**(774)**
Total Net Cash Flows	**11,183**	**(35,468)**	**(18,951)**	**(19,560)**	**(18,603)**	**118**	**(8,592)**	**23**	**92**	**(184)**	**(473)**
Opening Cash, Bank & Short Term Investments	75,949	87,132	51,664	32,713	13,153	(5,451)	(5,333)	(13,925)	(13,902)	(13,810)	(13,994)
Closing Cash, Bank & Short Term Investments	**87,132**	**51,664**	**32,713**	**13,153**	**(5,451)**	**(5,333)**	**(13,925)**	**(13,902)**	**(13,810)**	**(13,994)**	**(14,467)**

Appendix F: Option 5 financial model

Statement of Financial Performance - Option 5

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Government Funding											
Variable Funding	56,430	58,144	60,119	61,705	63,264	64,999	66,778	68,602	70,472	72,391	74,358
Youth Guarantee Funding	3,031	3,724	4,132	4,132	4,132	4,132	4,132	4,132	4,132	4,132	4,132
CTC funding	1,935	2,222	2,509	2,509	2,509	2,509	2,509	2,509	2,509	2,509	2,509
Other Non-EFTS grants	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086
Total	64,482	67,176	69,846	71,432	72,991	74,726	76,505	78,329	80,199	82,118	84,085
Student Tuition Fees											
Domestic	26,090	27,230	28,803	30,084	31,486	32,522	33,590	34,691	35,826	36,996	38,202
International	9,752	10,700	11,642	12,651	13,273	14,134	14,830	15,561	16,329	17,135	17,981
Total	35,842	37,930	40,445	42,735	44,759	46,656	48,420	50,252	52,155	54,131	56,183
Other Teaching Income	3,014	3,661	3,778	3,943	4,067	4,195	4,279	4,364	4,451	4,540	4,631
Other Income											
Interest	3,568	3,326	2,142	1,239	457	28	-100	-195	-130	-99	-78
Other Revenue	4,772	4,915	5,062	5,189	5,319	5,452	5,588	5,728	5,871	6,018	6,168
	8,340	8,241	7,204	6,428	5,776	5,480	5,488	5,533	5,741	5,919	6,090
Total Revenue	**111,678**	**117,008**	**121,273**	**124,538**	**127,593**	**131,057**	**134,692**	**138,478**	**142,546**	**146,708**	**150,989**
Expenses											
Personnel											
Teaching	35,707	37,556	39,019	40,080	41,011	42,224	43,702	45,230	46,812	48,449	50,143
Non-Teaching	34,416	35,399	36,783	37,783	38,659	39,804	41,200	42,645	44,140	45,687	47,288
Total	70,123	72,955	75,802	77,863	79,670	82,028	84,902	87,875	90,952	94,136	97,431
as % of Revenue	62.8%	62.4%	62.5%	62.5%	62.4%	62.6%	63.0%	63.5%	63.8%	64.2%	64.5%
Other Costs (except Depreciation)											
Occupancy/Property costs	8,939	9,207	11,080	11,011	11,279	11,572	11,893	12,195	12,500	12,813	13,133
General Operating Expenditure	23,424	29,956	24,387	24,746	25,085	25,763	26,444	27,144	27,863	28,602	29,361
Total other costs	32,363	39,163	35,467	35,757	36,364	37,335	38,337	39,339	40,363	41,415	42,494
Depreciation	8,444	9,105	10,229	10,773	11,259	11,647	11,934	12,088	12,676	13,014	13,400
Total Expenses	**110,930**	**121,223**	**121,498**	**124,393**	**127,293**	**131,010**	**135,173**	**139,302**	**143,991**	**148,565**	**153,325**
Surplus/(Deficit) excl Abnormal	**748**	**(4,215)**	**(225)**	**145**	**300**	**47**	**(481)**	**(824)**	**(1,445)**	**(1,857)**	**(2,336)**
as % of Revenue	0.7%	-3.6%	-0.2%	0.1%	0.2%	0.0%	-0.4%	-0.6%	-1.0%	-1.3%	-1.5%

Statement of Cash Flows - Option 5

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Cash Flows from Operating Activities											
Cash was Provided from:											
Government Grants	64,482	67,176	69,846	71,432	72,991	74,726	76,505	78,329	80,199	82,118	84,085
Student Tuition Fees	35,842	37,930	40,445	42,735	44,759	46,656	48,420	50,252	52,155	54,131	56,183
Other Teaching Revenue	3,014	3,661	3,778	3,943	4,067	4,195	4,279	4,364	4,451	4,540	4,631
Other Revenue	4,772	4,915	5,062	5,189	5,319	5,452	5,588	5,728	5,871	6,018	6,168
Interest	3,568	3,326	2,142	1,239	457	28	- 100	- 195	- 130	- 99	- 78
Total	111,678	117,008	121,273	124,538	127,593	131,057	134,692	138,478	142,546	146,708	150,989
Cash was Applied to:											
Employees and Suppliers	108,717	112,118	111,296	114,333	118,838	119,363	123,239	127,214	131,315	135,551	139,925
Net Cash Flows from Operating Activities	**2,961**	**4,890**	**9,977**	**10,205**	**8,755**	**11,694**	**11,453**	**11,264**	**11,231**	**11,157**	**11,064**
Cash Flows from Investing Activities											
Cash Receipts from Investing Activity	58,000	-	2,000	800	500	-	-	-	-	-	-
Cash was Applied to:											
Purchase of Plant and Equipment	3,505	4,105	4,164	4,225	4,303	4,400	4,501	4,604	4,710	4,822	4,934
Purchase of Intangible Assets	295	145	145	145	145	145	145	1,645	145	145	145
Purchase of Building Assets	52,006	40,053	26,311	25,167	22,585	5,357	14,041	3,690	4,875	4,893	4,911
Total	55,806	44,303	30,620	29,537	27,033	9,902	18,687	9,939	9,730	9,860	9,990
Net Cash Flows from Investing Activities	**2,194**	**(44,303)**	**(28,620)**	**(28,737)**	**(26,533)**	**(9,902)**	**(18,687)**	**(9,939)**	**(9,730)**	**(9,860)**	**(9,990)**
Cash Flows from Financing Activities											
Cash was Provided from:											
Equity	9,450	-	-	-	-	-	-	-	-	-	-
Total	9,450	-	-	-	-	-	-	-	-	-	-
Cash was Applied to:											
Finance Lease Payments	628	628	641	654	667	684	701	719	737	755	774
Total	628	628	641	654	667	684	701	719	737	755	774
Net Cash Flows from Financing Activities	**8,822**	**(628)**	**(641)**	**(654)**	**(667)**	**(684)**	**(701)**	**(719)**	**(737)**	**(755)**	**(774)**
Total Net Cash Flows	**13,977**	**(40,041)**	**(19,284)**	**(19,186)**	**(18,445)**	**1,108**	**(7,935)**	**606**	**764**	**542**	**300**
Opening Cash, Bank & Short Term Investments	75,949	89,926	49,885	30,601	11,415	(7,030)	(5,922)	(13,857)	(13,251)	(12,487)	(11,945)
Closing Cash, Bank & Short Term Investments	**89,926**	**49,885**	**30,601**	**11,415**	**(7,030)**	**(5,922)**	**(13,857)**	**(13,251)**	**(12,487)**	**(11,945)**	**(11,645)**

Appendix G: Options 6-7 financial model

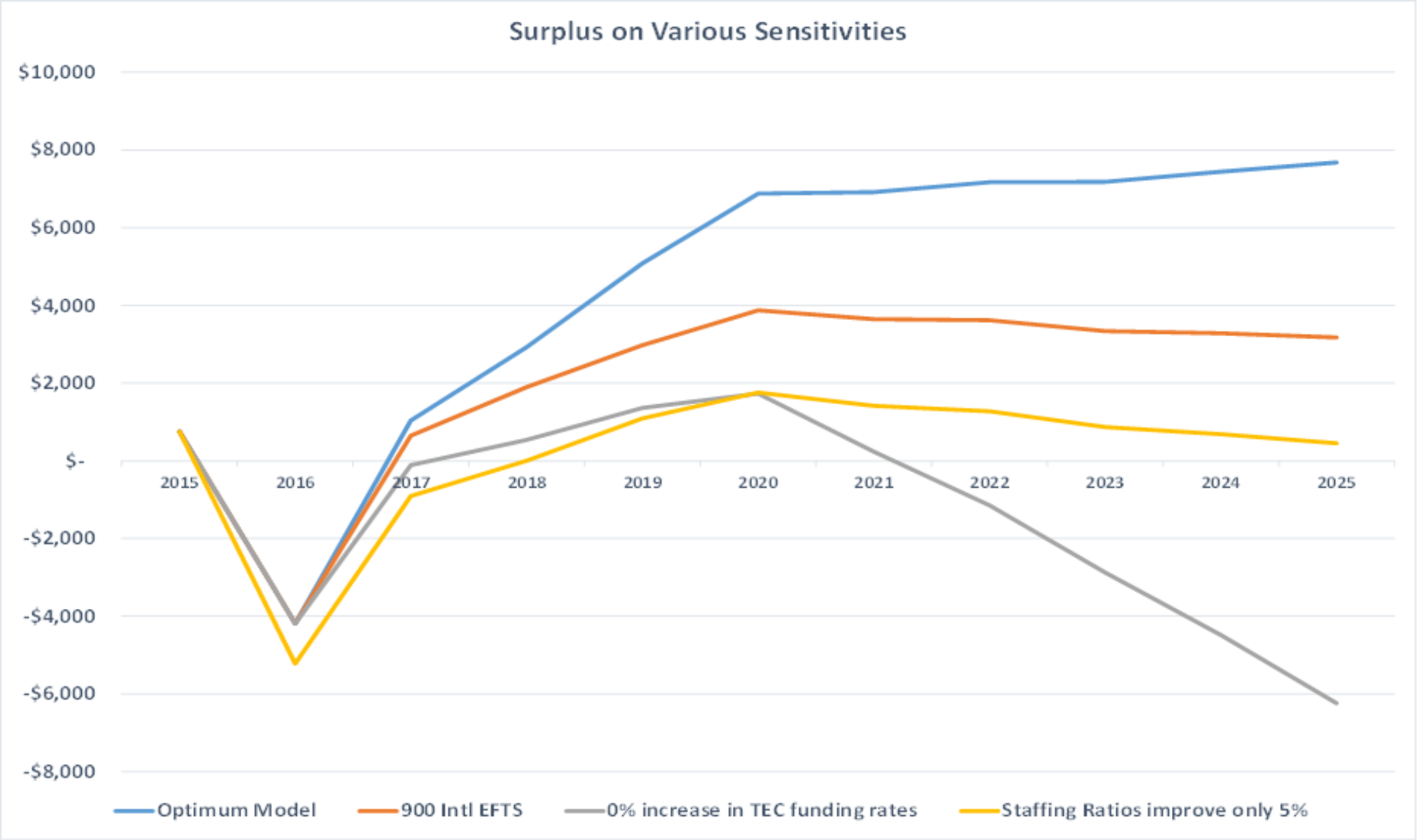
Statement of Financial Performance - Options 6-7

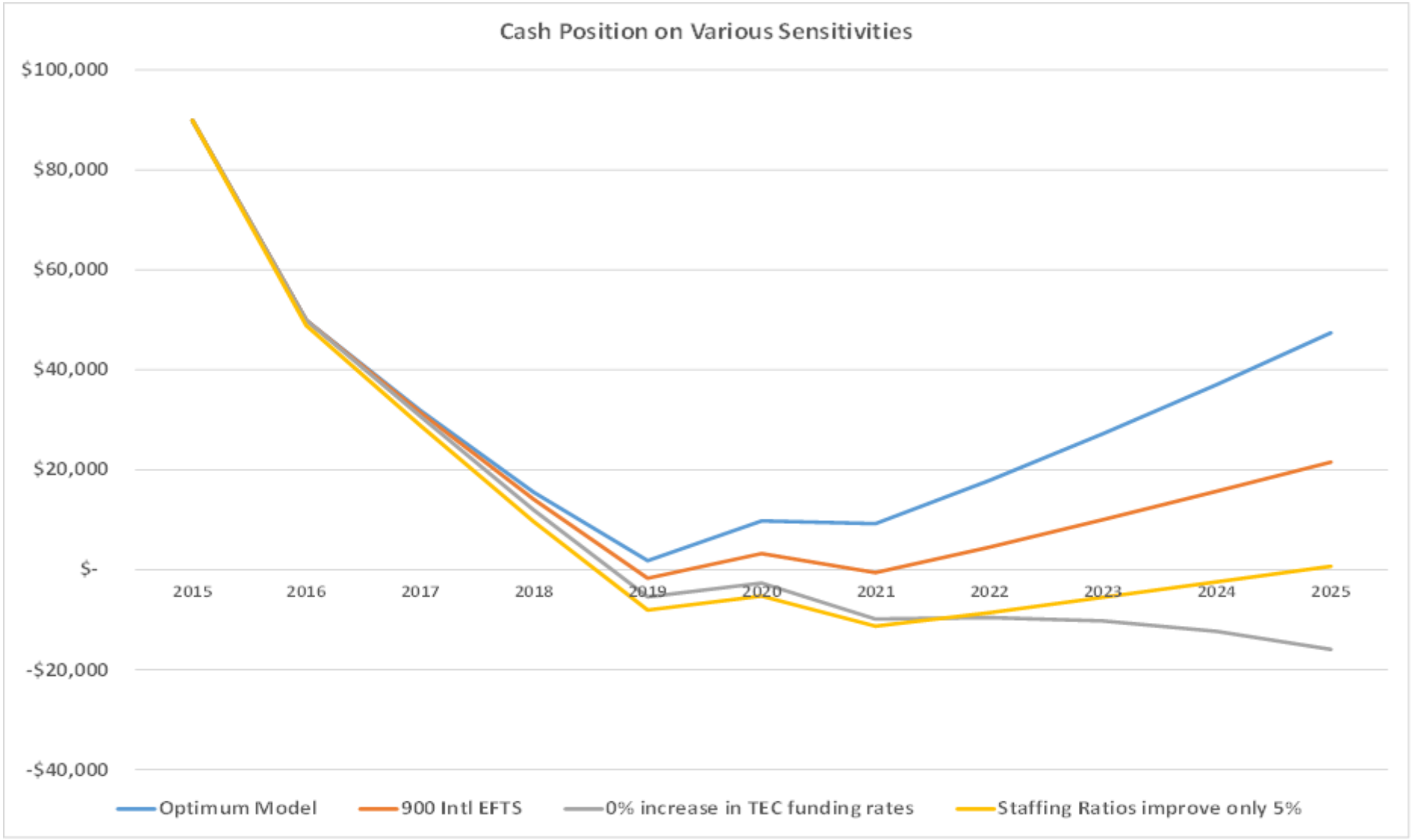
	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Government Funding											
Variable Funding	56,430	58,144	60,119	61,705	63,264	64,999	66,778	68,602	70,472	72,391	74,358
Youth Guarantee Funding	3,031	3,724	4,132	4,132	4,132	4,132	4,132	4,132	4,132	4,132	4,132
CTC funding	1,935	2,222	2,509	2,509	2,509	2,509	2,509	2,509	2,509	2,509	2,509
Other Non-EFTS grants	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086
Total	64,482	67,176	69,846	71,432	72,991	74,726	76,505	78,329	80,199	82,118	84,085
Student Tuition Fees											
Domestic	26,090	27,230	28,803	30,084	31,486	32,522	33,590	34,691	35,826	36,996	38,202
International	9,752	10,700	12,833	15,620	19,075	21,986	23,080	24,229	25,435	26,702	28,033
Total	35,842	37,930	41,636	45,704	50,561	54,508	56,670	58,920	61,261	63,698	66,235
Other Teaching Income	3,014	3,661	3,778	3,943	4,067	4,195	4,279	4,364	4,451	4,540	4,631
Other Income											
Interest	3,568	3,326	2,143	1,291	620	382	527	729	1,113	1,489	1,883
Other Revenue	4,772	4,915	5,062	5,189	5,319	5,452	5,588	5,728	5,871	6,018	6,168
	8,340	8,241	7,205	6,480	5,939	5,834	6,115	6,457	6,984	7,507	8,051
Total Revenue	**111,678**	**117,008**	**122,465**	**127,559**	**133,558**	**139,263**	**143,569**	**148,070**	**152,895**	**157,863**	**163,002**
Expenses											
Personnel											
Teaching	35,707	37,061	38,614	39,934	41,425	42,740	44,275	45,866	47,514	49,222	50,993
Non-Teaching	34,416	35,265	36,654	37,817	39,141	40,295	41,746	43,250	44,809	46,424	48,097
Total	70,123	72,326	75,268	77,751	80,566	83,035	86,021	89,116	92,323	95,646	99,090
as % of Revenue	62.8%	61.8%	61.5%	61.0%	60.3%	59.6%	59.9%	60.2%	60.4%	60.6%	60.8%
Other Costs (except Depreciation)											
Occupancy/Property costs	8,939	9,207	11,080	11,011	11,279	11,572	11,893	12,195	12,500	12,813	13,133
General Operating Expenditure	23,424	30,556	24,850	25,097	25,371	26,128	26,804	27,499	28,213	28,947	29,701
Total other costs	32,363	39,763	35,930	36,108	36,650	37,700	38,697	39,694	40,713	41,760	42,834
Depreciation	8,444	9,105	10,229	10,773	11,259	11,647	11,934	12,088	12,676	13,014	13,400
Total Expenses	**110,930**	**121,194**	**121,427**	**124,632**	**128,475**	**132,382**	**136,652**	**140,898**	**145,712**	**150,420**	**155,324**
Surplus/(Deficit) excl Abnormal	**748**	**(4,186)**	**1,038**	**2,927**	**5,083**	**6,881**	**6,917**	**7,172**	**7,183**	**7,443**	**7,678**
as % of Revenue	0.7%	-3.6%	0.8%	2.3%	3.8%	4.9%	4.8%	4.8%	4.7%	4.7%	4.7%

Statement of Cash Flows - Options 6-7

	2015 Forecast $000	2016 Forecast $000	2017 Forecast $000	2018 Forecast $000	2019 Forecast $000	2020 Forecast $000	2021 Forecast $000	2022 Forecast $000	2023 Forecast $000	2024 Forecast $000	2025 Forecast $000
Cash Flows from Operating Activities											
Cash was Provided from:											
Government Grants	64,482	67,176	69,846	71,432	72,991	74,726	76,505	78,329	80,199	82,118	84,085
Student Tuition Fees	35,842	37,930	41,636	45,704	50,561	54,508	56,670	58,920	61,261	63,698	66,235
Other Teaching Revenue	3,014	3,661	3,778	3,943	4,067	4,195	4,279	4,364	4,451	4,540	4,631
Other Revenue	4,772	4,915	5,062	5,189	5,319	5,452	5,588	5,728	5,871	6,018	6,168
Interest	3,568	3,326	2,143	1,291	620	382	527	729	1,113	1,489	1,883
Total	111,678	117,008	122,465	127,559	133,558	139,263	143,569	148,070	152,895	157,863	163,002
Cash was Applied to:											
Employees and Suppliers	108,717	112,089	111,225	114,572	120,020	120,735	124,718	128,810	133,036	137,406	141,924
Net Cash Flows from Operating Activities	**2,961**	**4,919**	**11,240**	**12,987**	**13,538**	**18,528**	**18,851**	**19,260**	**19,859**	**20,457**	**21,078**
Cash Flows from Investing Activities											
Cash Receipts from Investing Activity	58,000	-	2,000	800	500	-	-	-	-	-	-
Cash was Applied to:											
Purchase of Plant and Equipment	3,505	4,105	4,164	4,225	4,303	4,400	4,501	4,604	4,710	4,822	4,934
Purchase of Intangible Assets	295	145	145	145	145	145	145	1,645	145	145	145
Purchase of Building Assets	52,006	40,053	26,311	25,167	22,585	5,357	14,041	3,690	4,875	4,893	4,911
Total	55,806	44,303	30,620	29,537	27,033	9,902	18,687	9,939	9,730	9,860	9,990
Net Cash Flows from Investing Activities	**2,194**	**(44,303)**	**(28,620)**	**(28,737)**	**(26,533)**	**(9,902)**	**(18,687)**	**(9,939)**	**(9,730)**	**(9,860)**	**(9,990)**
Cash Flows from Financing Activities											
Cash was Provided from:											
Equity	9,450	-	-	-	-	-	-	-	-	-	-
Total	9,450	-	-	-	-	-	-	-	-	-	-
Cash was Applied to:											
Finance Lease Payments	628	628	641	654	667	684	701	719	737	755	774
Total	628	628	641	654	667	684	701	719	737	755	774
Net Cash Flows from Financing Activities	**8,822**	**(628)**	**(641)**	**(654)**	**(667)**	**(684)**	**(701)**	**(719)**	**(737)**	**(755)**	**(774)**
Total Net Cash Flows	**13,977**	**(40,012)**	**(18,021)**	**(16,404)**	**(13,662)**	**7,942**	**(537)**	**8,602**	**9,392**	**9,842**	**10,314**
Opening Cash, Bank & Short Term Investments	75,949	89,926	49,914	31,893	15,489	1,827	9,769	9,232	17,834	27,226	37,068
Closing Cash, Bank & Short Term Investments	**89,926**	**49,914**	**31,893**	**15,489**	**1,827**	**9,769**	**9,232**	**17,834**	**27,226**	**37,068**	**47,382**

Appendix H: Sensitivity graphs of Surplus and Cash




Cash Position on Various Sensitivities
$100,000
$80,000
$60,000
$40,000
$20,000
$-
-$20,000
-$40,000
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Optimum Model
900 Intl EFTS
0% increase in TEC funding rates
Staffing Ratios improve only 5%

Appendix I: Report Back to Staff, Students and Stakeholders

Attached

REPORT BACK TO STAFF, STUDENTS & STAKEHOLDERS

AORAKI POLYTECHNIC & CPIT: EXPLORATION OF FEASIBILITY TO FORM A NEW COMBINED ENTITY

1. Introduction

1.1 In December last year Aoraki Polytechnic and CPIT announced that they would be exploring the feasibility of forming a new combined entity. This initiative was a response to operating pressures and the changing needs of students, industry and communities in the Canterbury region.

1.2 Since then the Institutions have been working together to explore ways to ensure the sustainable provision of high quality vocational education that is accessible to the whole of the Canterbury region for the future.

1.3 This has involved developing a vision for delivery of vocational education in Canterbury, and investigating the possibility of forming a new single organisation to provide tertiary level vocational education for the whole of the Canterbury region.

1.4 This document sets out the background to this work, the vision, the best option of those that have been considered, the impact of that option if it were to proceed, and a process and timeline for getting feedback from staff and stakeholders.

If you have any feedback, questions or concerns about the proposal, in the first instance we would appreciate you emailing:

Aoraki Polytechic Staff
consultation2015@aoraki.ac.nz

Aoraki Polytechnic students & stakeholders
feedback@aoraki.ac.nz

CPIT Staff
kay.giles@cpit.ac.nz

CPIT students & stakeholders
feedback2015@cpit.ac.nz

2 Staff and Community Engagement and Consultation

2.1 This is the first step of a possible three stage process for engaging and consulting with staff and stakeholders:

2.2 **Stage One**: The purpose of Stage One is to seek high level feedback on the currently preferred option and the impact on learners in the region from staff and stakeholders that will inform the decision of each Council and ensure all views are considered and/or represented.

2.3 It is important for all staff and stakeholders to know that each Council will not make any decision about future options until the feedback from this process has been received.

2.4 If the Councils both decide that a single organisation is the best way to meet the vocational education needs of learners in the region then they will recommend this to the Minister for Tertiary Education. More detail would be provided at that point. We expect that this will occur in August.

2.5 **Stage Two:** The Minister for Tertiary Education will make the final decision, but before deciding the Minister will consult all stakeholders, including staff.

2.6 **Stage Three:** If after consulting, the Minister decides that a single organisation is the best way to provide vocational education in the region then CPIT and Aoraki Polytechnic will consult with staff about any proposed changes that could affect their employment.

3 A Changing Region: Exciting Opportunities for Vocational Training

3.1 Canterbury is going through a period of exceptional expansion as the Christchurch earthquake rebuild matures, and as sustained growth in primary production continues to underpin demographic and economic growth. As this process continues, the Canterbury economy will rely less on the rebuild and more on other sectors and regions to sustain economic growth into the future.

3.2 Already the regional economy is increasingly dispersed beyond Christchurch; for instance, Ashburton is now one of the fastest-growing towns in New Zealand.

3.3 The economy has a number of significant strands. While construction in Christchurch has been an obvious hot spot of activity, dairying, tourism, and the businesses associated with other primary industry supply chains (not just the on-farm elements) have all been growing strongly, and are likely to continue to do so. The region has small but economically significant ICT and research clusters, as well as significant health sector provision.

3.4 A significant proportion of the region's economic activity is exposed to global competition, or is dependent on global markets. Constant competitive pressure means these supply chains need to adapt continually. Skills matter in responding to these pressures, and continued provision of relevant, timely vocational training is essential to the region's enduring economic success.

3.5 More broadly, economic commentators have identified the need to sustain the 'heartland' of the New Zealand economy as the single most important foundation for the country's future prosperity.

3.6 Skills drive modern economies and vocational education underpins the creation of a skilled workforce. Strong vocational education provision must continue to extend across rural and regional Canterbury, not just its metropolitan centre, to ensure Canterbury remains a vibrant and prosperous community and economy.

3.7 Vocational education institutions contribute to an efficient system of provision, with polytechnic resources at its heart, deeply embedded in the economy, employers, and the whole community.

3.8 In this context it is increasingly important for vocational education to be delivered efficiently, with an eye to costs, and the ability to adapt quickly to changing needs in order to represent the best value to the community and the Government.

3.9 It is clear that to adapt to a rapidly changing region, economic drivers and stakeholder needs our organisations need to be nimble, and be ready to deliver anywhere, anytime.

3.10 Reflecting these factors, the case for change at both CPIT and Aoraki Polytechnic is strong. Neither is future-proofed in its current guise and both require strategies and new directions to utilise resources better and adapt to rapid change.

3.11 The challenge for both organisations is to embrace change as an exciting, vibrant, opportunity-laden process leading to new ways of delivering education with better outcomes for all.

4 Our Vision

4.1 The first stage in deciding how Aoraki Polytechnic and CPIT can best deliver for Canterbury, and New Zealand, has been to agree a clear vision for the future.

Our Vision:
to be an exciting, relevant, contemporary, vibrant and viable contributor to individual and community prosperity throughout Canterbury by improving access, range of programmes and services and by becoming a destination for national and international students.

Our Mission:
To sustain the delivery of high quality skills training for the whole Canterbury region and beyond.

Firstly, student needs are paramount. Students want:

- ★ Access to the range of vocational and applied tertiary education programmes that address their interests and that visibly lead to employment and personal success;
- ★ Association with a provider that has high recognition and a strong reputation;
- ★ Assurance that the qualification they receive is well regarded and recognised locally, nationally and internationally;
- ★ Assurance that programme content is relevant, current and provides them with work readiness;
- ★ Engaging, interesting content and delivery of programmes with “hands-on” experiences and work-integrated learning;
- ★ Assurance that their investment of time and money will pay dividends; and
- ★ Study environments and practices that are safe, supportive and flexible.

Industry stakeholders want:

- ★ Work ready graduates with sound wider skills and attitudes;
- ★ Engagement with an organisation that involves opportunities for input, alignment and involvement in programme delivery; and
- ★ Assurance that technical skills are current, relevant and provide a solid basis for further development.

Community stakeholders want:

- ★ Recognition of the diverse populations that are serviced and representation of their interests in decision-making;
- ★ Responsiveness to the identified issues in accessing and succeeding in tertiary education including issues around cultural, geographical and social isolation; and
- ★ Increased access to vocational and applied tertiary education for regional communities, youth, existing workers and Māori and Pasifika people.

The educational vision that supports these student, industry and community requirements needs to include:

- ★ Governance, advisory and management mechanisms that engage with and respond to student, industry and community priorities;
- ★ Portfolio planning that directly supports the main supply chains in the region, and regional economic and social development efforts (with close links to economic development organisations, companies, employer and community associations);
- ★ Quality assurance of subject matter;
- ★ Agile, responsive product development, properly resourced;
- ★ Delivery that provides participation strategies for the whole range of potential student populations in a whole range of settings – school students, disengaged youth, those seeking employment, people requiring bridging programmes, full-time entry level through to advanced level studies, existing workers and people seeking re-training and upskilling;
- ★ Programmes that incorporate academic literacies and work-readiness;
- ★ Physical infrastructure for efficient quality delivery;
- ★ Professionally developed and enhanced staff skills;
- ★ Delivery which facilitates participation - blended delivery, work-integrated learning, work-based learning, technology enabled learning, recognition of prior learning, mobile learning;
- ★ Support services that facilitate access, progress and success in tertiary education and subsequent employment;
- ★ Stakeholder partnerships that work - with schools, iwi, community and employers; and
- ★ Learner analytics, academic and pastoral services that support student success.

4.2 To fulfil our Vision we need fit for purpose organisations that deliver on all elements for students, industry, and our communities.

5 Our Organisations

5.1 Aoraki Polytechnic and CPIT are central to the success of the Canterbury economy. As well as being major employers, they are repositories of knowledge and capability that underpin the development of skills for local workforces, and as organisations, make a major contribution to the social cohesion of their communities.

5.2 They provide the primary mechanism for regional employers to increase the skill levels of their staff; pathways for school leavers to enter the workforce for the first time or to staircase into other higher education; and ways for people in employment to further develop their expertise and alter careers in response to a changing economy.

5.3 Both Aoraki Polytechnic and CPIT provide high quality programmes and are strongly engaged in their local communities.

5.4 CPIT operates a number of campuses across Christchurch. Following the Christchurch earthquakes, CPIT developed a ten-year financial forecast. This predicted that CPIT would remain a sustainable organisation, maintaining an operating surplus throughout the period and generating a positive cash balance which would fund its capital programme.

5.5 CPIT received a Category 1 rating, which is the highest quality rating level available, in its most recent NZQA External Evaluation and Review and delivers to about 6,500 equivalent full time students annually.

5.6 The CPIT Council acknowledges that while the organisation's performance is sustainable, there are many changes needed to meet the region's future needs, and the new Vision. CPIT faces a highly competitive environment with increased operating pressure. New investments are required, especially in the technology space, to keep pace with other providers and remain relevant in the market.

5.7 Aoraki Polytechnic operates from campuses in Timaru, Ashburton, Oamaru, Dunedin and Christchurch. The burden of providing programmes in the smaller population centres of Timaru, Ashburton and Oamaru has resulted in Aoraki Polytechnic posting sizeable operating deficits in recent years. In spite of restructuring, rationalisation and planned growth, forward projections see these deficits continuing. Aoraki Polytechnic has been able to withstand this situation due to its considerable cash reserves.

5.8 Aoraki Polytechnic received a Category 2 rating, which is the second highest quality ranking available, in its most recent External Evaluation and Review by NZQA and delivers over 90 programmes to about 1,000 equivalent full time students annually.

5.9 Despite creative partnership initiatives, streamlined operations and growth, Aoraki Polytechnic faces on-going operating deficits and depletion of its cash reserves for the foreseeable future. Within four to five years, Aoraki Polytechnic will not have the funds to continue operating and would face an uncertain future.

5.10 Reflecting the urgent drivers for change from both organisations, the Councils of Aoraki Polytechnic and CPIT have taken proactive and pragmatic steps to explore new operating models together.

6 Criteria for Any New Operating Models

6.1 To ensure this process delivered for Aoraki and CPIT staff, students and communities, the following requirements were deemed essential to any new operating model. The criteria on which both organisations entered into this discussion were:

Aoraki Polytechnic

- The financial reserves that Aoraki Polytechnic had previously built up must be invested to support the delivery of quality education for the Aoraki region;
- Campuses within the Aoraki region are retained;
- The Council of the new organisation will include appropriate Aoraki region representation; and
- There will be delivery of quality education that appropriately meets the needs of current and future learners and industries in the Aoraki region.

CPIT

- Creation of the new single organisation doesn't have a negative impact on the CPIT projected financial position after transition has been accomplished;
- Continuity of governance arrangements such that the CPIT Master Plan Implementation and associated capital works is not affected; and,
- Avoidance of disruption to other elements of the CPIT work plan.

6.2 Both Councils also agreed a bottom line that all current students are able to complete their current studies without disruption.

7 Investigating a New Organisation

7.1 The investigations around the formation of a new single organisation to provide vocational and applied tertiary education in Canterbury has involved:

- Developing a Vision for what "ideal" provision of vocational and applied tertiary education in Canterbury would look like, and arriving at that vision;
- Developing a range of options for what the structure and operation of provision of vocational and applied tertiary education in Canterbury could look like;
- Evaluating each of these options against the criteria of:
  - Whether they will be financially and educationally sustainable in the long term,
  - Whether they will significantly contribute to the national and regional economic development goals set out by stakeholders, including the Government,
  - Whether they will deliver the vision articulated by the Councils, and,
  - Whether they are legally and practically feasible.

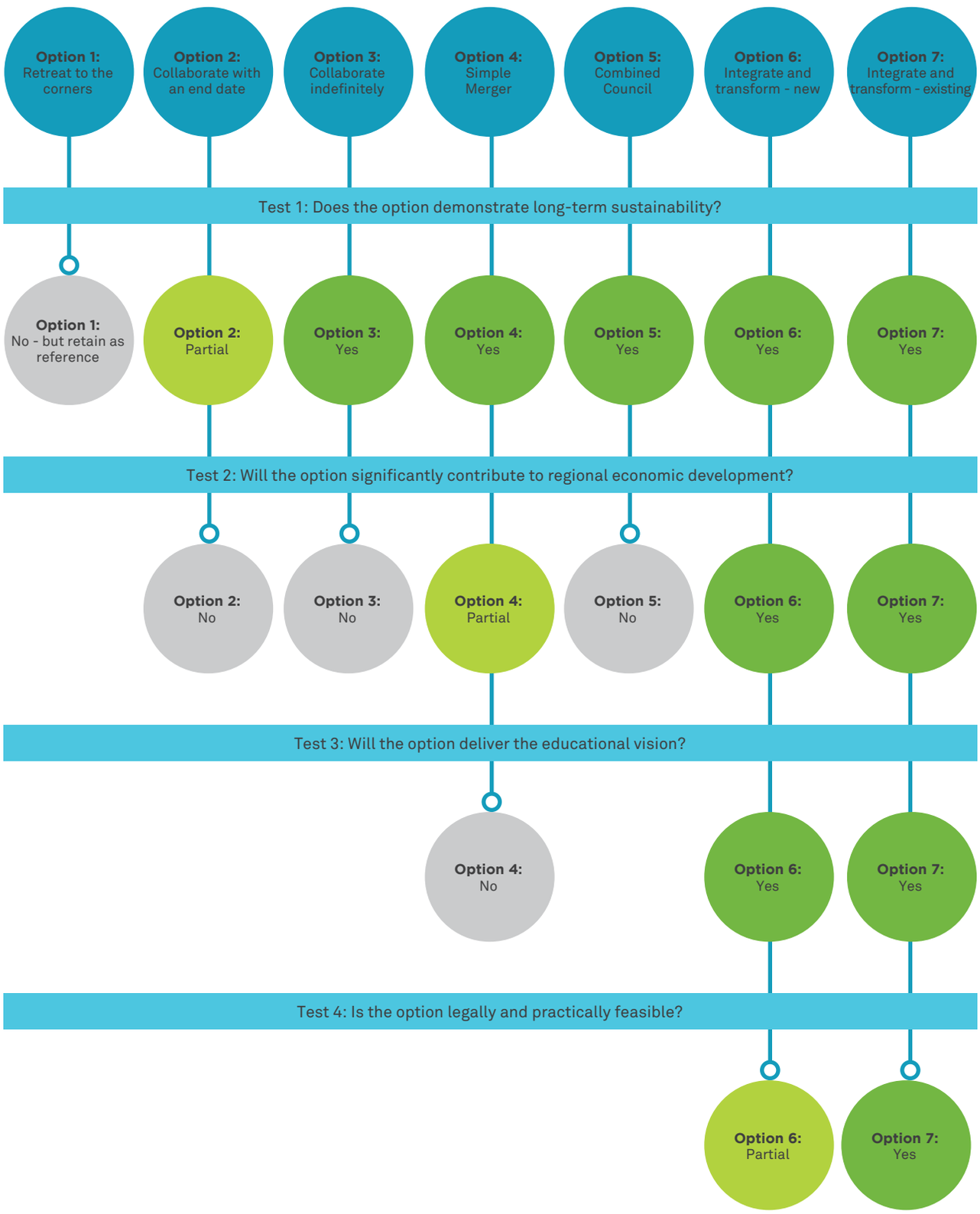
7.2 The following options have been investigated:

- **Option One** sees the end of collaboration, with both organisations working independently of each other.
- **Option Two** continues the current (quite close collaboration, but with an end date after which each would act independently).
- **Option Three** continues collaboration indefinitely including new projects and areas of joint working on a case-by-case basis.
- **Option Four** is a simple amalgamation by continuing existing provision and structures.
- **Option Five** maintains separate institutions but establishes a single governance Council over both institutions.
- **Option Six** establishes an entirely new organisation, folding both CPIT and Aoraki Polytechnic into it.
- **Option Seven** integrates Aoraki Polytechnic with CPIT as the legal entity, with a Council, management team and investment plan dedicated to the transformational vision of a single new organisation.

7.3 These options were assessed against the following criteria:

- **Criterion 1**: Long term sustainability
- **Criterion 2**: Contribution to economic development goals
- **Criterion 3**: Delivering the vision
- **Criterion 4**: Legal and practical feasibility

This table sets out our assessment of the structural options against the evaluation criteria:



8 The Best Option to Date

8.1 The investigation that has been done to date indicates that Option Seven is the option that best meets the vocational education needs of the region and is the most sustainable in the future.

8.2 Option Seven integrates Aoraki Polytechnic with CPIT as the legal vehicle, with a Council, management team and investment plan dedicated to the transformational vision of a single new organisation.

8.3 Option Seven has been evaluated as the best because it:

- Would continue to provide education at campuses throughout the Canterbury and Aoraki region.
- Is able to operate at a lower overall cost than the two existing institutions.
- Fulfils the vision by providing an option to ensure the future learning needs of students in the Canterbury region are met.
- Supports the economic development of the region.
- Is the most feasible option across all areas, including legal, human resources and timing-wise.

Before making a decision the Councils are both keen to get feedback from staff and stakeholders about this option.

8.4 In detail, the following sections outline how Option Seven delivers against the evaluation criteria:

8.4.1 **Criteria 1: Financially**

Under Option Seven both CPIT and Aoraki Polytechnic will contribute to the cost of the new organisation and ensuring its success.

Aoraki Polytechnic financial reserves (expected to be $21.1 million including $2 million of tagged crown funding as at the end of 2015) would be utilised to support the ongoing delivery of provision into the Aoraki region and invested in enhancing the delivery capability of the new organisation. This investment is intended to ensure that the following could be achieved for the communities in the Aoraki region:

- Maintain a physical presence in the Aoraki region;
- Meet commitments to existing students;
- Sustain and improve delivery formerly provided by Aoraki Polytechnic through any transitional period and beyond;
- Expand the range and depth of programmes offered in the Aoraki region
- Invest in connectivity across the new delivery ecosystem, including refreshed capacity at the Timaru campus;
- Leverage Aoraki Polytechnic's existing comparative advantage in primary industries to create a Centre of Excellence at the Timaru Campus;
- Strong engagement with industry across other supply chains (including building and construction, healthcare, tourism and others);
- Refresh teaching material and delivery to make the best use of resources;
- Sustain strong engagement with Māori and Pasifika groups, and other parts of the community too; and
- Achieve growth in the number of international students and make a sustained financial contribution to local communities.

8.4.2 **Criteria 2: Economically**

The enhanced provision of skills and education to support people looking to work in Canterbury's economically significant supply chains would provide a significant contribution to the regional economy and also fit into the business growth agenda.

The new single organisation with its greater scale and wider reach would be in a position to establish Centres of Excellence which would support and enhance the economic development prospects of the region.

The Centres of Excellence would, among others, include:

- Primary industries,
- Health,
- Broadcasting,
- Sustainable practice,
- Trades,
- Tourism/outdoor recreation.

These Centres of Excellence would provide whole-of-Canterbury teaching resources, linked to a mix of provision reflecting student and employer needs. The mix of provision is where the economies of scope identified earlier are realised, so material is used and reused effectively, and different modes of delivery are provided and adapted readily and routinely.

The Centres would recruit both from the local region and nationally and internationally, bringing income to the region and improving the availability of skilled labour. The Centres would be outward facing, engaging with industry on practical, applied research to further enhance industry productivity.

8.4.3 **Criteria 3: On the Vision**

Option Seven would see the transformation of the existing institutions into a new single organisation characterised by:

- A comprehensive range of provision of vocational and tertiary education offerings with multi-level programmes in each discipline area accessible throughout the region facilitating access and pathways to higher qualifications through having a focus on the needs of the whole of the Canterbury region;
- Programmes and courses which align to and respond to the economic and social priorities of the Canterbury region designed and implemented in conjunction with the region's stakeholders and chief bodies;
- Investment in development as a priority with the capability to fund the required level of investment through the scale of the organisation. Investment would target facilities and capability (human resource, learning resource and information technology) that would benchmark against international best practice in contemporary vocational and applied tertiary learning;
- The development of delivery strategies which maximise access for all students and potential students across the region regardless of the place, time or rate of their studies through partnerships with schools, iwi, community, employers and agencies throughout the region and which result in increased student participation, success and relevance; and
- A highly credible organisation of a scale and breadth which attracts local, national and international students and applied research and contributes significantly both directly and indirectly to the region's economic development.

Option Seven was also evaluated regarding its ability to deliver on the six priority areas identified in the Tertiary Education Strategy. The transformative

new single organisation was assessed as having a strong alignment to deliver on these priorities of:

- Delivering skills for industry – through its focus on responding to the economic needs of the Canterbury region;
- Getting at-risk young people into a career – through expansion of the number, type and access to programmes throughout the region and the proposed close links to schools, iwi, community and agencies;
- Boosting achievement of Māori and Pasifika – by building on the existing strong links of the current institutions and leveraging their combined capability to achieve greater reach and impact;
- Improving adult literacy and numeracy – through co-ordination, capability building, new delivery strategies and greater access;
- Strengthening research based institutions – by achieving scale and region-wide presence to optimise the ability to respond to research opportunities; and
- Growing international linkages – again by combining the capability of the existing institutions, investing in market and programme development and therefore growing international opportunities for both local and overseas students.

8.4.4 **Criteria 4: Feasibility**

Integrating Aoraki Polytechnic into the existing CPIT vehicle is considered to be the best way to create a new organisation.

This is not an easy choice: in an ideal world, a new organisation would be created from scratch. However, timing, management complexity, employment issues and potential costs all led to the view that it was significantly less complex and the best use of resources and least operational risk to use the CPIT vehicle.

In taking this approach, it was acknowledged that the new single organisation must be quite distinct and different from both its predecessors.

9 Potential Impacts of the Preferred Option

9.1 Should Option Seven go ahead, detailed planning would be undertaken on timelines, structures and impacts on staff and stakeholders.

9.2 Student needs would be kept paramount throughout any transition period and every attempt will be made to ensure learning is not disrupted.

9.3 At this early stage, the following likely impacts have been identified:

Under Option Seven:

- Aoraki Polytechnic would be legally disestablished.
- CPIT would become the legal entity for the new organisation and employer for all staff.
- The organisation would have a new name.
- Two members of the CPIT Council would stand-down to be replaced by two representatives from the Aoraki region with industry and rural community competencies/understanding.
- Most Aoraki Polytechnic staff would transition to the new organisation (ex CPIT).
- Consultation with staff would start as soon as appropriate. Aoraki Polytechnic staff that do not want to transfer would be offered redundancy.
- An appropriately resourced integrated HR, Finance, Legal and Communications group would be established as early as possible to assist the transition process. While it is expected that the staff numbers required to run this group would be less than the number employed across the two organisations, detailed options would be developed and consulted before final decisions are made.

- A special function within Student Services would be established to provide advice and solutions to new and continuing students. Policies and practices would be established to ensure that no student is academically or financially disadvantaged by the transition to the new single organisation.
- From 2016 new courses would be offered in Timaru, the teaching and learning facilities would be revitalised and technology would be improved to enhance teaching and learning.

10 Your Feedback

10.1 Staff, student, community and business feedback is important to help the Council decide on the future course of action.

10.2 We encourage you to consider the information in this document thoroughly and provide any feedback. Specific areas for feedback you may wish to focus on are:

- Whether Option Seven would improve the accessibility, quality and continued delivery of high quality, relevant courses in the whole of Canterbury?
- Would Option Seven ensure the needs of learners, communities and employers throughout Canterbury would be heard and acted on?
- Your suggestions for improvement.
- Areas where we might be able to provide more information.

11 Timeframe

11.1 We would appreciate your feedback by 10 July 2015. This will enable the Council to consider the outcome of this stage of community engagement and staff consultation before making a decision in early August.

11.2 It is expected that the Council will decide on a recommendation in August and then refer to the Minister for Tertiary Education to consider.

If you have any feedback, questions or concerns about the proposal, in the first instance we would appreciate you emailing:

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