



Talking points for Cabinet on Unitec Institute of Technology

To:	Hon Chris Hipkins, Minister of Education
From:	John Soulis, Acting Chief Executive
Date:	29 June 2018
Reference:	AM/18/00438

Purpose

1. This aide memoire provides you with talking points to update your Cabinet colleagues on your intention to provide Unitec Institute of Technology (Unitec) with financial support and the statutory process for dissolving the council and appointing a Commissioner.
2. Should you decide to follow this process, we recommend proactively releasing this document on the TEC's website once a final decision has been gazetted. If not, we recommend deferring the release until financial support negotiations with Unitec have been completed.

Talking points

3. Unitec, one of the country's largest polytechnics is in extreme financial distress and forecast to run out of cash in September 2018.
4. Unitec has been a high risk on the TEC's financial monitoring framework since 2016, due to the high cost of its comprehensive business transformation project, which has provided limited benefits.
5. Unitec advised us that its financial position had significantly deteriorated in April 2018. Since then TEC has been working closely with Unitec, and an Independent Financial Advisor (IFA) appointed by mutual agreement between TEC and Unitec to confirm that Unitec faces a cash shortfall of \$19m in 2018, and approximately \$27m in 2019.
6. This is mainly due to Unitec's failure to respond to declining EFTS (which have dropped nearly 30% from 2015 to 2018) and significant costs related to its transformation project in recent years.
7. Unitec's recent sale of 29.3ha of surplus land to government for \$134m only cleared its debt, and while it has further land that it could sell, such asset sales would not be realised by September 2018.

8. **Section 9(2)(b)(ii), 9(2)(g)(i) and 9(2)(j)**

9. **Section 9(2)(g)(i)**

10. I have no confidence in Unitec's current Council's ability to undertake this task.
11. I therefore propose to:
- a. **Provide financial support via a no-interest fully repayable concessionary loan of up to \$50 million.** I have directed officials to draft a detailed Cabinet paper, as your agreement will be needed to establish an appropriation and funding for the suspensory loan.
 - b. **Dissolve the Council and appoint a Commissioner, under section 159D of the Education Act 1989.** This is the most serious of intervention options available to me, but warranted in the case of Unitec. Further, it is important that the Crown sends a strong message to the sector that it will respond with robust action in cases like this.

To progress this intervention, I am required to consult the Unitec Council and any other interested parties. I intend to commence this consultation immediately, due to the urgent nature of the challenges Unitec is facing. This means starting consultation ahead of Cabinet agreeing to financial support. The government's intention to provide financial support will be signalled during this consultation.

Following this consultation, I must formally notify the Council of my preliminary decision of whether to proceed. The Council would then have 21 days to respond, before I consider any feedback and make a final decision. Any final decision to dissolve Council and appoint a Commissioner is made by formal notice in the *Gazette*, and presented to the House. I will report back to Cabinet ahead of any final decision.

There are a number of challenges facing the polytechnic sector

12. There is at least one other polytechnic that is also facing a possible cash shortfall in 2018. Officials are still assessing the situation, **Section 9(2)(f)(iv)**

As Cabinet is aware, I am undertaking a significant programme of work to transform the polytechnic sector and wider vocational education and training system in light of such concerns.



John Soulis
Acting Chief Executive
Tertiary Education Commission

29 June 2018

Hon Chris Hipkins
Minister of Education

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