Tauākī Whāinga Mahi

Statement of Performance Expectations

2022

Te Pūkenga

Te Pūkenga. Statement of Performance Expectations 2022: Te Pūkenga
Hamilton, New Zealand.

Published in 2022 by Te Pūkenga

Contents

Statement of Responsibility

This Statement of Performance Expectations 2022 is produced in accordance with the requirements of sections 149B to 149M of the Crown Entities Act 2004.

This Statement of Performance Expectations 2022 has been prepared as required under the Crown Entities Act 2004. We take responsibility for the statement's content, including the assumptions used in preparing the forecast financial statements and the other required disclosures. We will not update these prospective financial statements following their publication.

We use and maintain internal controls to ensure the integrity and reliability of our performance and financial reporting.

We certify that the information contained in this Statement of Performance Expectations 2022 is consistent with the appropriations contained in the Vote Tertiary Education Estimates of Appropriations 2021/22. These were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed on behalf of the Council of Te Pūkenga by:

Murray Strong
Council Chairperson
Te Pūkenga
23 February 2022

Kim Ngārimu
Council Deputy Chairperson
Te Pūkenga
23 February 2022

Te Pūkenga is the definitive use of the word Pūkenga, describing the gaining and mastery of valuable skills. This occurs through the passing down of knowledge from person to person, where the receiver becomes a repository of that knowledge and in time an expert in those skills.

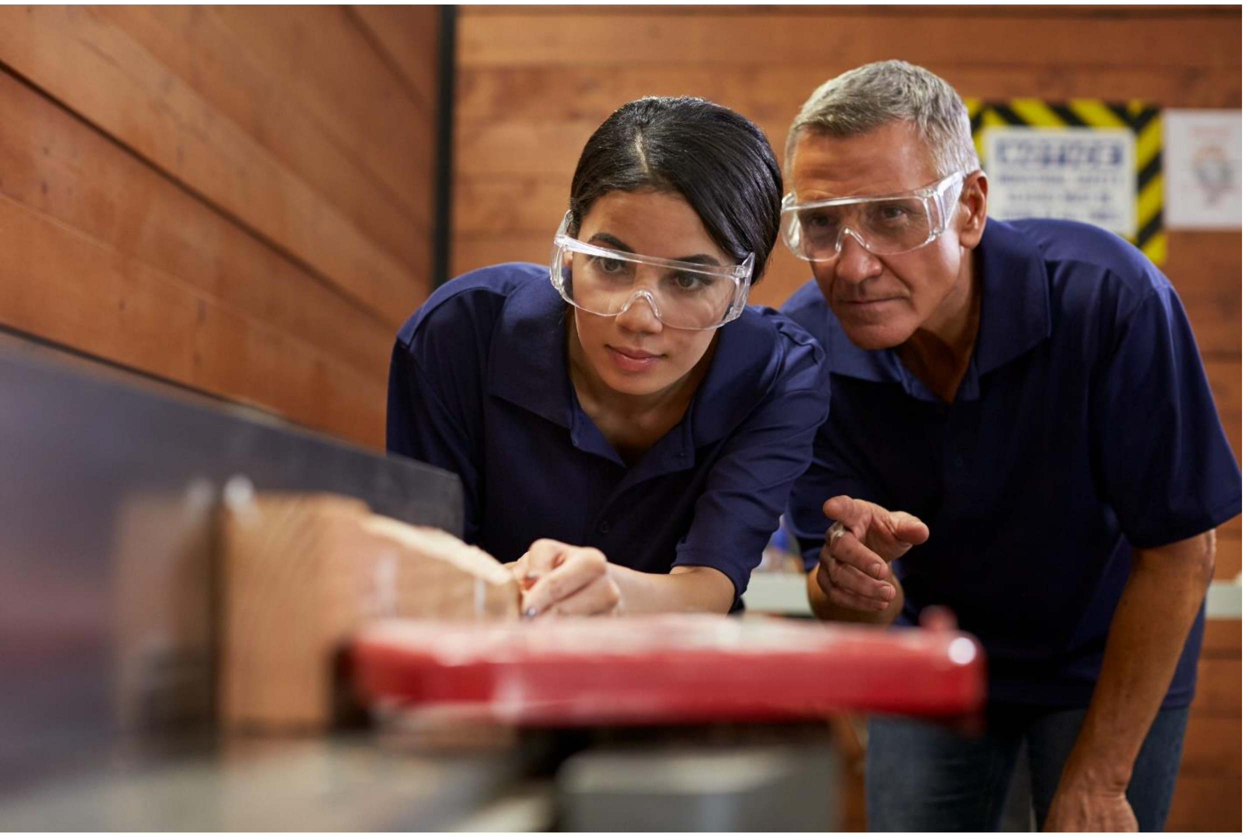
Our identity is inspired by the base of the harakeke, the strongest part of the plant, from where all threads meet and grow. Because while we are all separate strands, we are stronger together. It represents the sharing of perspectives, the exchanging of knowledge and skills. The weaving together of our collective past for a thriving tomorrow.

These separate strands are bound together to create a basket of knowledge filled with all the unique qualities, skills, and minds of Te Pūkenga. This is our tohu, the base from which we grow and flourish.

Introduction

This Statement of Performance Expectations sets out the performance expectations for Te Pūkenga - New Zealand Institute of Skills and Technology for 2022. It enables the Minister of Education to participate in setting the annual performance expectations of Te Pūkenga, informs Parliament of these expectations, and provides a base against which actual performance can be assessed.

Our strategic intentions are described in our Transitional Statement of Intent 2021-2024, which is available on our website www.tepūkenga.ac.nz.



Our mission

Tō Mātou Tirohanga Roa | Our vision

Whakairohia he toki, tāraia te anamata
Learning with purpose, creating our futures.

Tō Mātou Pūtake | Our purpose

E tuku ana e Te Pūkenga ngā huarahi mātauranga hiranga, tino kounga hoki hei tautoko i ngā ākonga, ngā kaitukumahi me ngā hapori ki te whiwhi i ngā pūkenga, mōhiotanga, āheinga hoki kei te hiahiatia e Aotearoa i āianei, mō āpōpō hoki. Noho ai ngā ākonga me ō rātou whānau hei pūtake mō ā mātou mahi katoa.

Te Pūkenga provides excellent and quality education opportunities that support learners, employers and communities gain the skills, knowledge and capabilities Aotearoa needs now and for the future. Learners and their whānau are at the centre of all we do.

Ngā Whakaawenga | Enablers for change

Reform of Vocational Education (RoVE) includes seven key changes that will enable a unified vocational education system:

1. Create Workforce Development Councils
2. Establish Regional Skills Leadership Groups
3. Establish Te Taumata Aronui
4. **Create Te Pūkenga**
5. Shift the role of supporting workplace learning from Transitional Training Organisations (TITOs) to providers
6. Establish Centres of Vocational Excellence
7. Unify the vocational education funding system.

Ā Mātou Uara | Our values

Manawa nui
We reach out and welcome in

Manawa roa
We learn and achieve together

Manawa ora
We strengthen and grow the whole person

Ā mātou whāinga tōmua | Our priorities

1. A relentless focus on equity and ensuring participation – we honour and uphold Te Tiriti o Waitangi in all we do.
2. Delivering customised learning approaches that meet the needs of learners and trainees wherever they are.
3. Using our size and scale to strengthen the quality and range of education delivery throughout Aotearoa. Excellence in educational provision for all.
4. Services that meet the specific regional needs of employers and communities.
5. Transition educational services in a smooth and efficient manner.

Ngā Whāinga Matua| Our outcomes

1. Give effect to Te Tiriti o Waitangi in all that we do.
2. Provide exceptional learning experiences and equitable outcomes for Māori.
3. Be learner centred. Recognise the diverse and unique needs of all learners, with a focus on the unmet needs of Māori, Pacific and disabled learners, and staff, to empower diversity, belonging, and wellbeing.
4. Partner with employers to deliver relevant work-integrated education that meets skills needs.
5. Be responsive and empowering to staff and learners.
6. Become a connected and future focussed education provider driven by innovation, collaboration, research, data driven decision-making and teaching excellence.
7. Delivering regional flexibility and nationally consistent outcomes. Create-barrier free access, mobility across, and clear pathways within the network for learners.
8. Become a sustainable network of provision creating social, economic, environmental and cultural wellbeing.
9. Focus on efficient and cost-effective delivery across the network.

Our organisation

Overview

The formation of Te Pūkenga in April 2020 created New Zealand's largest tertiary education provider. With the addition of the arranging training function from Transitional Industry Training Organisations (TITOs) through Te Pūkenga Work Based Learning Limited (WBL) to the existing network of subsidiary Institutes of Technology and Polytechnics (ITPs), Te Pūkenga will be one of the largest providers of vocational education globally.

Te Pūkenga is at the centre of a once-in-a-generation opportunity to design a vocational education and training system that is simple to understand and navigate, and responsive to the needs of learners and employers. Importantly, this offers the opportunity to ensure equitable access and outcomes for all learners – particularly Māori, Pasifika, and disabled.

Since 2020, we have focused on setting in place the key strategies, plans and activities on our journey to transform vocational education in New Zealand, by creating an organisation that is flexible enough to change as the future develops – to help New Zealand thrive in the future.

Our functions and Charter are defined through legislation. We operate in accordance with expectations set for us by the Minister of Education and contribute to the objectives of the Tertiary Education Strategy.

Our functions and Charter

Our functions and Charter are defined in the Education and Training Act 2020. Te Pūkenga exists to provide education and training, conduct research, be responsive to and empowering of stakeholders. A key aim is to improve the quality and consistency of vocational education and training. The Charter embodies enduring principles for the way that Parliament expects Te Pūkenga to operate, to improve outcomes for the system as a whole and equity for Māori learners and communities, as well as other underserved learner groups including Pasifika and disabled people.

Our Governing bodies

Te Pūkenga Council is accountable to Parliament and the Minister of Education and its members are appointed in accordance with the Education and Training Act 2020. We currently have 12 members of Council.

We have established advisory committees to Council for staff, students, and Māori to ensure that each of these groups has a strong voice in our decision-making. A representative from each of the committees sits as a full member of the Council.

The other Committees of the Council are Appointment and Remuneration Committee; Risk and Audit Committee; Capital Asset Management and Infrastructure Committee; and Health, Safety and Wellbeing Committee.

The ITP and WBL subsidiaries are governed by Boards of Directors.

As required by the Education and Training Act 2020, Te Pūkenga has established an academic board, Te Poari Akoranga, consisting of its chief executive and members of the staff and students of Te Pūkenga. Te Poari Akoranga advises on matters relating to work-based learning, courses of study or training, awards, and other academic matters; and exercises powers delegated to it by the Council.

A formal Te Tiriti o Waitangi Excellence Framework – Te Pae Tawhiti Te Tiriti Excellence Framework, has been put in place to ensure that we are connected with and responsive to the needs of iwi and hapū across Aotearoa.

Our Tiriti Partners

In accordance with Te Tiriti o Waitangi, Te Pūkenga is focused on ensuring our services work well and respond with excellence to the needs of Māori learners and their whānau, and to the aspirations of iwi and Māori communities throughout Aotearoa. This objective is driven from our legislative mandate, our Charter, regulatory guidance, and from the will of our governing Council and Leadership.

We will ensure that our governance, management, and operations give effect to Te Tiriti o Waitangi; recognise that Māori are key actors in regional, social, environmental, and economic development; and respond to the needs of and improve outcomes for Māori learners, whānau, hapū and iwi, and employers.

In 2022, Te Pūkenga Te Tiriti Relationship Model will be established and implemented, and will be influencing the development of our organisation.

Our Integrated Work Plan

As the parent company of 17 subsidiaries (16 former ITPs and our WBL subsidiary), our network stretches right across the motu. While ensuring over 190,000 learners are still able to continue in their studies without disruption, and our ~9,000 staff across the network are undertaking their duties to support their learners and keep their places of work running, we are undertaking a major redesign of the vocational education and training system the likes of which hasn't been seen in 30 years.

While integration is already underway and opportunities for efficiencies identified and actioned, we will see more substantial efficiencies as our operating model is approved, implemented, and embedded through 2022 and into 2023.

Considering this, we have designed an integrated work plan with both the short and long term in mind, breaking our pathway down into horizons – horizon 1 is the immediate to December 2022, horizon 2 from January 2023 to end 2026, and horizon 3 takes us from 2027 – 2033.

Our funding

The establishment of Te Pūkenga is funded primarily through the following appropriations, which are intended to establish Te Pūkenga as a leading provider of on-campus, on-job, and online learning. This funding enables our transition pathway and underpins the delivery of our strategic intentions.

Establishment of a Single National Vocational Education Institution (MA26) *Operating Expenditure*	**Budget 2021/22* $000**	**Estimated Actual 2021/22* $000**
Revenue	10,000	10,000
Expenses	10,000	10,000
Surplus/(deficit)	0	0

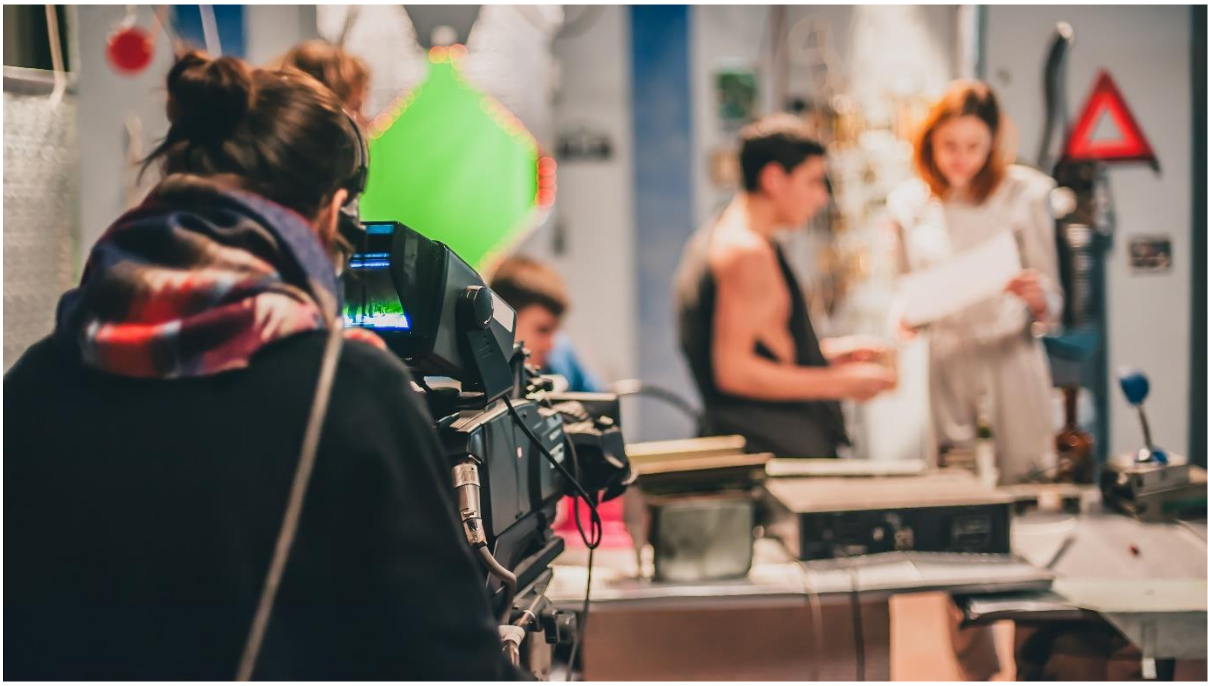
Support for a Single National Vocational Education Institution (MA26) *Capital Expenditure*	**Budget 2021/22* $000**	**Estimated Actual 2021/22* $000**
Revenue	16,000	16,000
Expenses	16,000	0
Surplus/(deficit)	0	16,000

In 2020/21 Te Pūkenga received a capital expenditure appropriation of $20m. In 2020 Te Pūkenga received $4m of this funding. The balance ($16m) of the 2020/21 capital appropriation was carried forward to the 2021/22 year.

*Note: the financial year for Te Pūkenga is 1 January to 31 December and the Government financial year is 1 July 2021 to 30 June 2022. The Budget appropriations above are for the Government financial year 1 July 2021 to 30 June 2022 and the Estimated Actual is for the same period.

How we will assess performance

	2021/22 Budget Target	**2021/22 Estimated Actual**
Te Pūkenga - New Zealand Institute of Skills and Technology submits reports that show it is meeting the targets and milestones in its funding agreement with the Crown	Achieved	Achieved



Our performance expectations for 2022

Te Pūkenga Council educational priorities

We have five educational priorities to support us to meet our legislative requirements, which our integrated work plan reflects.

These were approved by our Council and will guide our work over the next few years.

1.	Kia mau kia arotahi ki te mana ōrite me te whai wāhitanga – ka whakamana, ka hāpai hoki mātou i Te Tiriti o Waitangi i roto i ā mātou mahi katoa.	A relentless focus on equity and ensuring participation – we honour and uphold Te Tiriti o Waitangi in all we do.
2.	Te tuku whakaakoranga e tutuki tonu ai ngā matea o ngā ākonga me ngā tauira ahakoa kei hea.	Delivering customised learning approaches that meet the needs of learners and trainees wherever they are.
3.	Te whakarite mā mātou rahi, tō mātou whānui hoki hei whakakaha i te whānuitanga o te tuku mātauranga puta noa i Aotearoa. Te hiranga o te tuku mātauranga mō te katoa.	Using our size and scale to strengthen the quality and range of education delivery throughout Aotearoa. Excellence in educational provision for all.
4.	He ratonga e rite ana ki ngā hiahia Motuhake o ngā kaitukumahi me ngā hapori.	Services that meet the specific regional needs of employers and communities.
5.	Te whakawhiti ratonga mātauranga kia ngāwari, kia tika ake hoki te whakahaere.	Transition educational services in a smooth and efficient manner.

In this SPE we have grouped our performance measures into these priorities to ensure we have focused in the right areas over the next year as we move towards Horizon 1 of our integrated work plan.

Our Performance Measures

	2022 Target	2021 Baseline (estimated)[1]
A relentless focus on equity and ensuring participation – we honour and uphold Te Tiriti o Waitangi in all we do.		
Participation - proportion of learners[2] in priority groups:		
• Māori learners	22%	20.7%
• Pacific learners	10%	8.6%
• Disabled learners	7%	6.5%
Equity in course completion for Māori learners[3]	-7.4%	TBC
Equity in course completion for Pacific learners[3]	-8.4%	TBC
Equity in credit achievement for Māori learners[4]	-8%	-9%
Equity in credit achievement for Pacific learners[4]	-11%	-13%
Progress against Te Pae Tawhiti Action Plans.	Milestones met	Action plans developed
Delivering customised learning approaches that meet the needs of learners and trainees wherever they are.		
Course completion[5]	80.5%	TBC
Cohort-based qualification completion[5]	55%	TBC
Credit achievement[4]	77%	66%
Cohort-based programme completion[4]	64%	61%
Learner satisfaction	Baseline established through first network-wide survey	N/A
Using our size and scale to strengthen the quality and range of education delivery throughout Aotearoa. Excellence in educational provision for all.		
Total learners[6]	Increase	190,107
Proportion of qualifications engaged in unification process[7]	31%	22%

[1] As at 25/11/2021. Some baselines subject to change as 2021 data finalised in Jan 2022.
[2] All domestic learners, incl work-based
[3] Relative to non-Māori and non-Pacific SAC EFTS completing courses at levels 1-10.
[4] ITF-funded learners
[5] SAC-funded learners
[6] Total domestic learners from all ITP subsidiaries and the 3 TITOs that have transitioned to WBL (source: Ngā Kete)
[7] Relative to total qualifications in the Te Pūkenga mix of provision.

Services that meet the specific regional needs of employers and communities.		
No. of employers entering training agreements[8]	15800	14977
Partner and stakeholder satisfaction:		
• Employers	Baseline established	N/A
• Māori partners	Baseline established	N/A
• Community	Baseline established	N/A
Transition educational services in a smooth and efficient manner.		
Operating model	Finalised and implementation underway	Draft model developed
Staff engagement score	60%	51%
TITO transitions	Completed, with no negative impacts to employers or learners	3 TITOs transitioned

[8] As at 1 Dec 2021 based on the 3 TITOs currently transitioned to WBL – target to be updated as additional TITOs transition.

The following table illustrates coverage of proposed performance measures across the five Council Education Priorities

	Council priority				
Measure	**Equity & Tiriti**	**Meeting learner needs**	**Quality & range of delivery**	**Meeting regional needs**	**Transition of services**
Participation - proportion of learners in 3 priority groups	1		2		
Equity in course completion/credit achievement for Māori & Pacific learners	1	2			
Progress against Te Pae Tawhiti Action Plans	1				2
Māori partner satisfaction	1			2	
Educational Performance Indicators (SAC and ITF)		1	2		
Learner satisfaction		1	2		
Total number of learners			1		2
Proportion of programmes engaged in unification process			1		2
No. of employers in training agreements			2	1	
Employer satisfaction				1	2
Community satisfaction				1	2
Operating model progress					1
Staff engagement			2		1
TITO transitions			2		1

1. The main Council priority the measure is aligned to
2. Secondary Council priority the measure is aligned to

Prospective Financial Statements

These prospective financial statements provide insight on the future financial performance, position and cash flows for Te Pūkenga during 2022. As prospective financial statements, they include assumptions that Te Pūkenga reasonably expects to occur during the reporting period. There is likely to be a variance between the actual results of the reporting period and the forecasted figures set out in this part of the Statement of Performance Expectations.

An added complexity in ensuring the accuracy of our figures is due to COVID-19. There is heightened risk that variations may, therefore, be material.

Prospective statement of comprehensive revenue and expense

FOR YEAR ENDED 31 DECEMBER 2022

All in $000s	ESTIMATED ACTUAL 31 Dec 2021	FORECAST 31 Dec 2022
REVENUE		
Government grants	744,963	765,595
Tuition fees	245,913	234,573
Other revenue	115,437	116,402
Total revenue	1,106,313	1,116,570
EXPENDITURE		
Employee expenses	691,943	727,107
Depreciation & amortisation expense	114,844	115,685
Interest expense	5,490	4,422
Administration and other expenses	324,311	338,130
Total expenditure	1,136,588	1,185,344
Surplus/(deficit)	(30,275)	(68,774)

Prospective statement of financial position

AS AT 31 DECEMBER 2022

All in $000s	ESTIMATED ACTUAL 31 Dec 2021	FORECAST 31 Dec 2022
ASSETS		
Current assets		
Cash and cash equivalents	109,760	31,719
Student fees and other receivables	126,620	115,142
Prepayments	22,115	21,731
Inventory	6,176	6,329
Total current assets	264,671	174,921
Non-current assets		
Property, plant and equipment	2,132,679	2,159,468
Intangible assets	84,026	82,384
Investment in subsidiary / associate	361	611
Investment property	140,571	122,778
Total non-current assets	2,357,637	2,365,241
Total assets	2,622,308	2,540,162
LIABILITIES		
Current liabilities		
Trade and other payables	70,622	66,737
Employee entitlements	52,259	51,893
Revenue received in advance	120,835	112,102
Borrowings	1,322	1,346
Other current liabilities	14,255	14,239
Total current liabilities	259,293	246,317
Non-current liabilities		
Employee entitlements	3,797	3,673
Borrowings	47,689	50,322
Other non-current liabilities	43,023	40,568
Provisions - non-current	1,261	1,219
Total non-current liabilities	95,770	95,782
Total liabilities	355,063	342,099
Net assets	2,267,245	2,198,063
EQUITY		
General funds	1,172,716	1,102,500
Property revaluation reserve	912,607	912,604
Trust, endowments and bequests	35,846	36,926
Other reserves	146,076	146,033

Total equity	2,267,245	2,198,063

Statement of changes in equity

AS AT 31 DECEMBER 2022

	ESTIMATED ACTUAL	FORECAST
All in $000s	31 Dec 2021	31 Dec 2022
Balance at 1 April	2,268,707	2,267,836
Other comprehensive revenue and expense		
Surplus/(deficit)	(5,176)	(68,774)
Movement in reserves		
Movement in reserves	3,714	(999)
Balance at 31 December	2,267,245	2,198,063

The accompanying notes form part of these financial statements.

Prospective statement of cash flows

AS AT 31 DECEMBER 2022

All in $000s	ESTIMATED ACTUAL 31 Dec 2021	FORECAST 31 Dec 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Government funding	728,688	748,731
Receipts from student fees	286,823	296,206
Receipt of interest	2,548	2,577
Receipt of other revenue	135,992	144,704
Goods and services tax (net)	(26,466)	(19,992)
Payments to suppliers and employees	(1,054,744)	(1,113,997)
Interest paid	(2,425)	(2,804)
Net cash flow from operating activities	70,416	55,425
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	84,609	29,506
Proceeds from sale or maturity of investments	15,392	53,307
Proceeds from sale of intangibles	0	0
Purchase of property, plant and equipment	(107,171)	(151,760)
Purchase of investments	(19,283)	(37,771)
Purchase of intangible assets	(18,143)	(23,325)
Net cash flow used in investing activities	(44,596)	(130,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	17,049	5,800
Proceeds from capital contributions from the Crown	9,000	1,000
Proceeds from suspensory loans from the Crown		
Repayment of borrowings	(100,767)	(1,451)
Distributions to the Crown		
Repayment of finance leases		
Proceeds/Distributions from other financial activities	(3,749)	(9,327)
Net cash flows from financing activities	(78,467)	(3,978)
Net (decrease)/increase in cash and cash equivalents	(52,647)	(78,596)
Cash and cash equivalents at beginning of the year	162,407	110,315
Cash and cash equivalents at end of the year	109,760	31,719

The accompanying notes form part of these financial statements.

Statement of capital intentions 2021 – 2024

Our capital investment intentions to 31 December 2024 are detailed below

	PLANNED INVESTMENT			
All in $000s	2021	2022	2023	2024
Property plant and equipment	61,478	33,741	56,281	59,736
Major development projects	47,181	82,796	66,506	61,538
Investments	3,458	41,617	2,000	2,000
Intangible assets	11,777	14,316	11,360	11,560
Total	123,894	172,470	136,147	134,834

Tāpirihanga | Appendix

STATEMENT OF ACCOUNTING POLICIES

PURPOSE OF PROSPECTIVE STATEMENTS
The purpose of these prospective financial statements is to provide a base against which the actual financial performance can be assessed to promote public accountability. These prospective financial statements are prepared for this purpose, and the information may not be appropriate for any other purpose. Actual financial results achieved for the period covered may vary from the information presented, and the variations may be material. The information in the prospective financial statements is unaudited. There is no intention to update the prospective financial statements subsequent to presentation.

REPORTING ENTITY
Te Pūkenga - New Zealand Institute of Skills and Technology is a Tertiary Education Institution (TEI) that is domiciled and operates in New Zealand. The relevant legislation governing the operations includes the Crown Entities Act 2004 and the Education and Training Act 2020.

The financial statements are presented on a consolidated group basis. The group consists of the Te Pūkenga - New Zealand Institute of Skills and Technology and its wholly-owned subsidiaries, as listed below:

- Ara Institute of Canterbury Limited
- Eastern Institute of Technology Limited
- Manukau Institute of Technology Limited
- Nelson Marlborough Institute of Technology Limited
- Northland Polytechnic Limited
- Open Polytechnic of New Zealand Limited
- Otago Polytechnic Limited
- Southern Institute of Technology Limited
- Tai Poutini Polytechnic Limited
- Toi Ohomai Institute of Technology Limited
- Unitec New Zealand Limited
- Universal College of Learning Limited
- Waikato Institute of Technology Limited
- Wellington Institute of Technology Limited
- Western Institute of Technology Taranaki Limited
- Whitireia Community Polytechnic Limited
- Te Pūkenga - Work Based Learning Ltd

Te Pūkenga provides educational and research services for the benefit of the community. It does not operate to make a financial return.

Te Pūkenga has designated itself and the group as public benefit entities (PBE's) for the purposes of complying with generally accepted accounting practice.

The prospective financial statements of Te Pūkenga are for the year ended 31 December 2022, and were authorised for issue by the Council on 7 December 2021.

BASIS OF PREPARATION
The Education and Training Act 2020 (schedule 1, clause 21) states that all Te Pūkenga subsidiaries will continue in existence until 31 December 2022. Thereafter the rights, assets and liabilities of each subsidiary will be transferred to Te Pūkenga. There are mechanisms in the legislation to vary this date. Despite these provisions, the financial statements have been prepared on a going concern basis. While the disestablishment date is less than 12 months after the date the financial statements are issued, the operational delivery of the

functions of each subsidiary will continue through Te Pūkenga after 31 December 2022. Consequently, there have been no changes to the recognition and measurement, or presentation of information in these financial statements.

Statement of compliance

The financial statements of Te Pūkenga have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education and Training Act 2020, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Te Pūkenga is a Tier 1 entity and the financial statements have been prepared in accordance with PBE Standards. These financial statements comply with PBE Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values, other than the Council member remuneration disclosures and the related party transaction disclosures in Note 23, are rounded to the nearest thousand dollars ($000). Council member remuneration and related party transaction disclosures are rounded to the nearest dollar.

Standards issued and adopted early

Standards and amendments issued but not yet effective that have been early adopted and which are relevant to Te Pūkenga are:

Te Pūkenga and the subsidiaries of Te Pūkenga early adopted PBE IPSAS 41 Financial Instruments for the year ended 31 December 2021. This new standard is effective for periods beginning on or after 1 January 2022, however Te Pūkenga has elected to early adopt the standard. PBE IPSAS 41 establishes requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 public benefit entities. This standard replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. As a result of the adoption of PBE IPSAS 41, the Group has adopted consequential amendments to PBE IPSAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive revenue and expense. Consequently, Te Pūkenga reclassified impairment losses recognised under PBE IPSAS 29 to impairment loss on receivables in the consolidated statement of comprehensive revenue and expense for the year ended 31 December 2021. Additionally, the Group has adopted consequential amendments to PBE IPSAS 30 Financial Instruments: Disclosures. Classification and measurement of financial assets and financial liabilities PBE IPSAS 41 contains three principal classification categories for financial assets: measured at amortised costs, fair value through other comprehensive revenue and expense (FVOCRE) and fair value through surplus or deficit (FVTSD). The classification of financial assets under PBE IPSAS 41 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PBE IPSAS 41 eliminates the previous PBE IPSAS 29 categories of held to maturity, loans and receivables and available for sale.

PBE IPSAS 41 largely retains the existing requirements in PBE IPSAS 29 for classification and measurement of financial liabilities. The adoption of PBE IPSAS 41 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The effect of adopting PBE IPSAS 41 on the carrying amounts of financial assets as at 1 January 2021 relates solely to the new impairment requirements.

PBE IPSAS 41 replaces the ‘incurred loss’ model in PBE IPSAS 29 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Te Pūkenga and the subsidiaries of Te Pūkenga have used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment requirements). Differences in carrying amounts of financial assets and liabilities resulting from adoption of PBE IPSAS 41 are recognised in general funds as at 1 January 2021. Accordingly, the information presented for 2020 does not generally reflect the requirements of PBE IPSAS 41, but rather those of PBE IPSAS 29.

Standards issued and not yet effective and not early adopted
Standards and amendments issued but not yet effective that have not been early adopted and which are relevant to the Te Pūkenga are:

- PBE FRS 48 Service Performance Reporting:
- PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. Te Pūkenga has not yet determined how application of PBE FRS 48 will affect its statement of service performance.
- PBE IPSAS13 Accounting for Leases is effective for reporting periods beginning on or after 1 January 2022 with early adoption permitted in the financial year starting 1 January 2020. Te Pūkenga has chosen not to early adopt this standard and intends to adopt the standard for the 31 December 2021 financial year. Te Pūkenga has not yet assessed in data the impact of the new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The following significant accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these financial statements.

Forecast figures
The estimated and forecast figures for Te Pūkenga are based the consolidated budgets approved by the Subsidiary councils for the 2022 financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Critical accounting estimates and assumptions
In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions might differ from the subsequent actual results. The prospective financial statements are consistent with the delivery of strategies and impacts disclosed in this SPE and the programme of work that Te Pūkenga expects to undertake during the forecast period. A conservative view has been adopted, with the assumption that funding will remain at the currently appropriate levels over the forecast period of these statements. Budget expenditure is based on the assumption that the cost of certain inputs will increase in line with general inflation, while others will decrease as cost-saving measures are implemented. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no critical assumptions to detail specifically.

Foreign currency transactions
Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZ$ (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Goods and services tax
Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax
Te Pūkenga is exempt from Income Tax. Accordingly, no provision has been made for Income Tax.

Revenue
Revenue is measured at fair value. The specific accounting policies for significant revenue items are explained below:

Student Achievement Component funding
Student Achievement Component (SAC) funding is the main source of operational funding from the Tertiary Education Commission (TEC). Te Pūkenga considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course.

Tuition fees
Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course.

International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

Fees-free revenue
Te Pūkenga considers fees-free revenue is non-exchange revenue and recognises revenue when the course withdrawal date for an eligible student has passed. Te Pūkenga has presented funding received for fees-free as part of tuition fees. This is on the basis that receipts from the TEC are for payment on behalf of the student as specified in the relevant funding mechanism.

Performance-based research fund
Te Pūkenga considers funding received from Performance-Based Research Fund (PBRF) to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 425 of the Education and Training Act 2020. Te Pūkenga recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the financial year. PBRF revenue is measured based on the funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future

periods is not recognised until confirmed for that future period.

Research revenue
For an exchange research contract, revenue is recognised on a percentage completion basis. The percentage of completion is measured by reference to the actual research expenditure incurred as a proportion to total expenditure expected to be incurred.

For a non-exchange research contract, the total funding receivable under the contract is recognised as revenue immediately, unless there are substantive conditions in the contract. If there are substantive conditions, revenue is recognised when the conditions are satisfied. A condition could include the requirement to complete research to the satisfaction of the funder to retain funding or return unspent funds. Revenue for future periods is not recognised where the contract contains substantive termination provisions for failure to comply with the requirements of the contract. Conditions and termination provisions need to be substantive, which is assessed by considering factors such as contract monitoring mechanisms of the funder and the past practice of the funder.

Other grants received
Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and then recognised as revenue when the conditions of the grant are satisfied.

Donations, trust funds, endowments, bequests, and pledges
Donations, trust funds, endowments, and bequests for the benefit of Te Pūkenga are recognised as an asset and revenue when the right to receive the funding or asset has been established, unless there is an obligation in substance to return the funds if conditions are not met. If there is such an obligation, they are initially recorded as revenue in advance and then recognised as revenue when the conditions are satisfied. Pledges are not recognised as assets or revenue until the pledged item is received.

Sales of goods
Revenue from the sale of goods is recognised when the product is sold to the customer.

Accommodation services
Revenue from the provision of accommodation services is recognised on a percentage completion basis. This is determined by reference to the number of accommodation days used up till balance date as a proportion of the total accommodation days contracted for with the individual.

Interest and dividends
Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment. Dividends are recognised when the right to receive payment has been established.

Scholarships
Scholarships awarded by Te Pūkenga that reduce the amount of tuition fees payable by the student are accounted for as an expense and not offset against student tuition fees revenue.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Cash reserves and ring fencing
The Government set a policy whereby existing reserves from previous Institutes of Technology and Polytechnics (above a set limit) would be consolidated through the central balance sheet of Te Pūkenga, but would only be able to be drawn upon for projects and capital expenditure in the relevant region that have been approved by the Te Pūkenga Council. The objective is that existing reserves are in the future spent on the regions in which they had been accumulated by the relevant legacy ITPs. The use of ring-fenced amounts is restricted to particular uses, which may include major capital expenditure projects, routine/minor capital expenditure, operating investments (e.g. funding the establishment of a new capability) or operating losses of the regional operation.

Accounts Receivable
Short-term receivables are recorded at the amount due, less an allowance for credit losses. Te Pūkenga applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivable. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery.

Inventory
Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

Provisions
A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using market yields on Government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

Restructuring
A provision for restructuring is recognised when either an approved detailed formal plan for the restructuring has been announced publicly to those affected, or implementation of it has already started.

Property, plant and equipment
Property, plant, and equipment consists of nine asset classes: land, buildings, infrastructure, leasehold improvements, computer hardware, furniture and equipment, motor vehicles, library collection, and heritage collections. Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Revaluation
Land, buildings, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions
The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Te Pūkenga and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Te Pūkenga and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred. Additions over $2,000 in value are capitalised. Amounts under this are expensed.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds within equity.

Depreciation
Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land and heritage collections, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Heritage collections are not depreciated because they are maintained such that they have indefinite or sufficiently long useful lives that any depreciation is considered to be negligible. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Buildings (including components) 25 to 100 years 1% to 4%
- Infrastructure 10 to 50 years 2% to 10%
- Leasehold improvements 3 to 10 years 10% to 33.3%
- Computer hardware 5 years 20%

- Furniture and equipment 2 to 13 years 7.7% to 50%
- Motor vehicles 4 years 25%
- Library collection 10 years 10%

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Impairment of property, plant and equipment
Property, plant, and equipment are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is considered to be impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of an impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets
Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets
Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash- generating assets and cash-generating units is the present value of expected future cash flows.

Intangible assets
Software acquisition and development
Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and relevant professional fees. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Course development costs
Course development costs are expensed when incurred.

Course-related software and websites
Course-related software and website development costs are classified as software and accounted for in accordance with the accounting policy for software. Capitalised costs are tested for impairment and, once

available for use, amortised in accordance with that policy.

Courses purchased from other organisations
Separately acquired courses and programmes (including trademarks and licences) acquired from outside of the Te Pūkenga group are initially recognised at historical cost. They have a finite useful life and, subsequent to initial recognition, should be carried at cost less accumulated amortisation and impairment losses. They are amortised over a period not exceeding 5 years.

Internally developed courses
Course development costs are expensed when incurred unless the course development costs are directly attributable to the design of identifiable and unique courses and programmes controlled by the group in which case they are recognised as intangible assets where all the following criteria are met:

a) The course material is identifiable and the use and redistribution of course material is controlled by the group through legal or other means.
b) It is probable that the courses will generate future economic benefits attributable to the course and the cost can be reliably measured. This is the case when:
    i. it is technically feasible to complete the development so that the course or programme will be available for use and/or sale;
    ii. management intends to complete the development of the course or programme and use or sell it:
    iii. there is an ability to use or sell the course or programme;
    iv. it can be demonstrated how the course or programme will generate probable future economic benefits;
    v. there are adequate technical, financial and other resources available to complete development of the course or programme and to use or sell the course or programme; and
    vi. the expenditure attributable to the course or programme development can be reliably measured.

Capitalised course development costs related to courses that are not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Capitalised course development costs are amortised from the point at which the course or programme is ready for use and are amortised over a period not exceeding 5 years. They are carried at cost less accumulated amortisation and impairment losses. They are tested for impairment whenever there is an indication that the asset may be impaired.

Costs associated with maintaining courses and programmes are recognised as an expense as incurred.

Intellectual property development
Research costs are expensed as incurred in the surplus or deficit. Development costs that are directly attributable to the design, construction, and testing of pre-production or pre-use prototypes and models associated with intellectual property development are recognised as an intangible asset if all the following can be demonstrated:

- It is technically feasible to complete the product so that it will be available for use or sale.
- Management intends to complete the product and use or sell it.
- There is an ability to use or sell the product.

- It can be demonstrated how the product will generate probable future economic benefits.
- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available.
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenses that do not meet these criteria are recognised as an expense as incurred in the surplus or deficit. Development costs previously recognised as an expense cannot be subsequently recognised as an asset.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Computer software 3 to 6 years 16.7% to 33.3%

Capitalised intellectual property development costs are still work in progress. The useful life of completed projects will be established at project completion.

Impairment of intangible assets
Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Goodwill
Te Pūkenga will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by Te Pūkenga. If the consideration transferred is lower than the net fair value of the interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed. Goodwill is tested for impairment on an annual basis taking into consideration any changes to the business activities and environment in which Te Pūkenga operates.

Leased assets
At the commencement of the lease term, Te Pūkenga shall recognise assets acquired under finance leases as assets, and the associated lease obligations as liabilities in the statement of financial position. Although the legal form of a lease agreement is that the lessee may acquire no legal title to the leased asset, in the case of finance leases the substance and financial reality are that the lessee acquires the economic benefits or service potential of the use of the lease asset for the major part of its economic life in return for entering into an obligation to pay for that right, an amount approximating, at the inception of the lease, the fair value of the asset and the related finance charge. A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense. The depreciation policy for depreciable leased assets shall be consistent with that for the depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets shall be fully

depreciated over the shorter of the lease term or its useful life.

INVESTMENT IN ASSOCIATES

Associate

An associate is an entity over which Te Pūkenga has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for in the group financial statements using the equity method of accounting. Investments in associates are measured at cost in the financial statements.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are measured at cost in the parent financial statement. Investments in associates and joint ventures are accounted for in the group financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the change in net assets of the entity after the date of acquisition. The group's share of the surplus or deficit is recognised in the group surplus or deficit. Distributions received from the investee reduce the carrying amount of the investment in the group financial statements. If the share of deficits of the entity equals or exceeds the interest in the entity, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the entity. If the entity subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of only after its share of the surpluses equals the share of deficits not recognised.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Property held to meet service delivery objectives is classified as property, plant, and equipment. Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Accounts payable

Short-term payables are recorded at the amount payable. Payables are non- interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Employee benefit Liabilities

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to - but not yet taken - at balance date, and sick leave.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements
Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements
Sick leave, annual leave, vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes
Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expenses in the surplus or deficit when incurred.

Loan borrowings
Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless Te Pūkenga has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Finance leases
A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether Te Pūkenga will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Other financial assets and liabilities
Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Term deposits and loans to subsidiaries
Term deposits and loans to subsidiaries are initially measured at the amount invested. Where applicable, interest is subsequently accrued and added to the investment balance. At year end, term deposits and loans to subsidiaries are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

New Zealand Government bonds
New Zealand Government bonds are designated at fair value through other comprehensive revenue and expense. After initial recognition, the bonds are measured at

their fair value, with gains and losses recognised in other comprehensive revenue and expense.

Managed fund
The managed fund is a portfolio of financial assets that are actively traded with the intention of making profits. Therefore, the managed fund is classified as held for trading. After initial recognition, the managed fund is measured at fair value, with gains and losses recognised in the surplus or deficit.

Unlisted shares
Equity investments are designated at fair value through other comprehensive revenue and expense. After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to general funds.

Fair value
For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation techniques using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

Equity
Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds;
- property revaluation reserves.
- fair value through other comprehensive revenue and expense reserve; and
- trusts and bequests reserve.
-

Property revaluation reserves
These reserves relate to the revaluation of land, buildings and infrastructure assets to fair value.

Fair value through other comprehensive revenue and expense reserve.
This reserve comprises the cumulative net change of financial assets classified as fair value through other comprehensive revenue and expense.

Trusts and bequests reserve
The trusts and bequests reserve are a component of equity which has been created by Te Pūkenga.

Transfers from the reserve may be made only for certain specified purposes or when certain specified conditions are met. The restrictions on use may be established by Te Pūkenga or legally through the terms and conditions of specific trusts and bequests.

Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the

surplus or deficit as a reduction of rental expense over the lease term.

Consolidation
The group financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the group on a line-by-line basis. All intra-group balances, transactions, revenue, and expenses are eliminated on consolidation.The group financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date Te Pūkenga obtains control of the entity and ceases when the Te Pūkenga loses control of the entity.

Subsidiaries
Te Pūkenga consolidates in the group financial statements those entities it controls. Control exists where Te Pūkenga is exposed, or has rights, to variable benefits (either financial or non-financial) and has the ability to affect the nature and amount of those benefits from its power over the entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by Te Pūkenga. Investments in subsidiaries are measured at cost in the parent financial statements.

Te Pūkenga

tepūkenga.ac.nz