4 February 2021

Tauākī Whāinga Mahi Tauwhirowhiro

Transitional Statement of Performance Expectations

2021

Te Pūkenga – New Zealand Institute of Skills and Technology

Te Pūkenga

Te Pūkenga. Transitional Statement of Performance Expectations 2021:
Te Pūkenga – New Zealand Institute of Skills and Technology, Hamilton, New Zealand.

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Whakataukī

Nau mai, nau ake, ka roi i tō kete aronui
Hei amonga mōhou ki te pūtake o te wānanga
Whakarewaia rā ki runga i te pakihiwi
He hikitanga, he hāpainga,
He amonga, he ārewa, he tauira,
Ka rongo te pō, ka rongo te ao
Ka huakina ki te ao mārama
Hei tohu tātai kura tāngata e

Come forth and secure your basket of knowledge
To carry you through to the source of learning
Hoist it upon your shoulders
For you to carry, for you to shoulder
Learning that is valued, to lift up as an exemplar
To be heard of during the night, and throughout the day
To emerge into a world of light
To be recognised and acknowledged as a treasured person
(replete with skills and knowledge to benefit the community)

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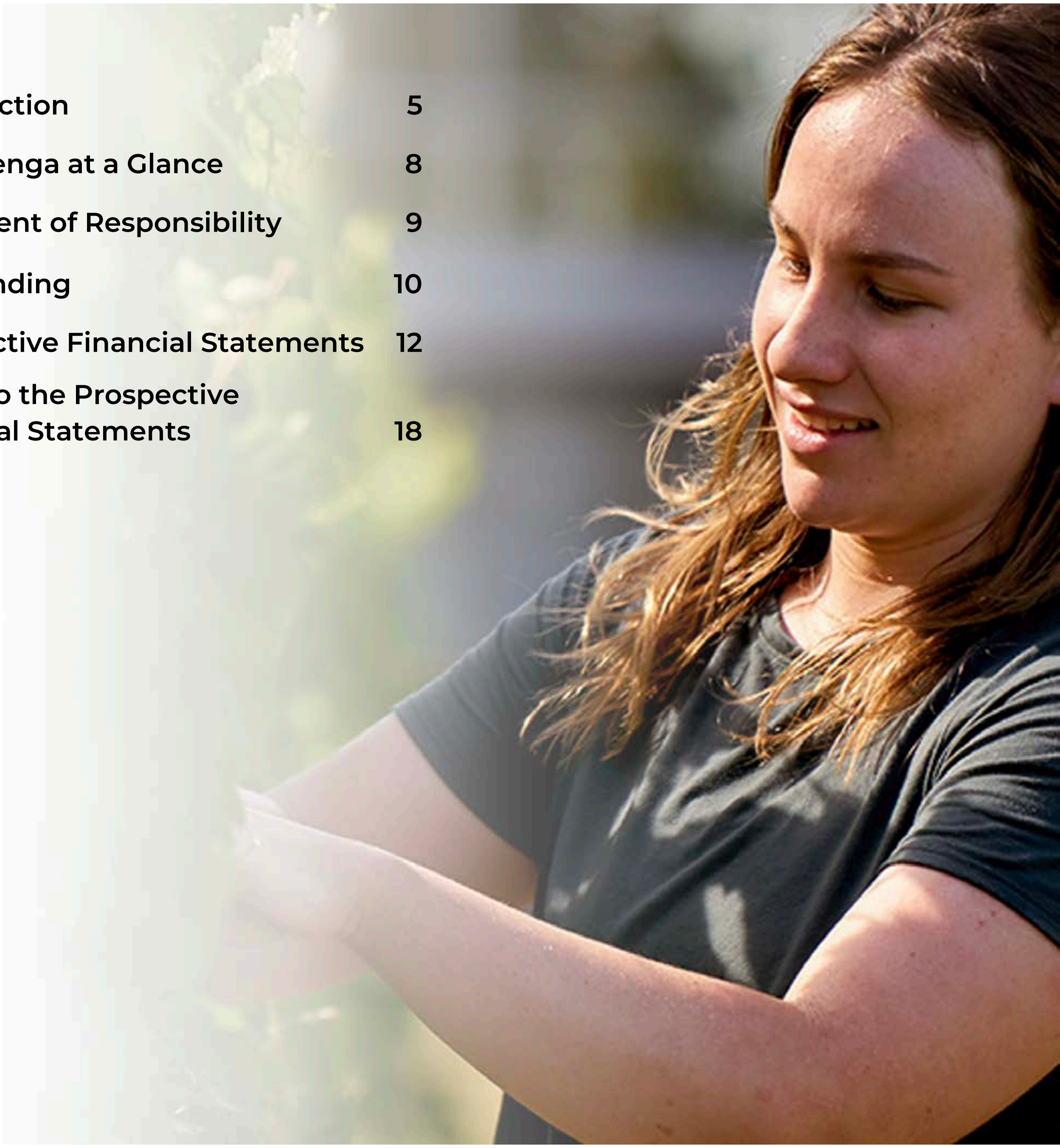

Introduction

This Transitional Statement of Performance Expectations sets out the performance expectations for Te Pūkenga - the New Zealand Institute of Skills and Technology for 2021.

This Transitional Statement of Performance Expectations enables the Minister of Education to participate in setting the annual performance expectations of Te Pūkenga, enables Parliament to be informed of these expectations and provides a base against which actual performance can be assessed.

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

Overview

Te Pūkenga is a Tertiary Education Institution (TEI) comprising sixteen subsidiaries made up of the former Institutes of Technology and Polytechnics, together with a small head office based in Hamilton.

We operate through 163 campuses and delivery sites from Kaitaia to Bluff, in workplaces across New Zealand and online.

Our revenue of over $1 billion each year will be used by our 10,000 fulltime equivalent staff to provide excellent, quality educational opportunities that support learners, employers and communities to gain the skills, knowledge and capabilities Aotearoa needs now and for the future.

This investment in quality education supports 110,000 learners to gain a wide range of foundation, vocational, professional and applied skills.

An organisation in transition

Te Pūkenga was established as a legal entity on 1 April 2020. This Transitional Statement of Performance Expectations reflects that the organisation is in transition. The process of bringing together sixteen subsidiaries into a single national network will take time. This document reflects this context.

As our first full year of operation, 2021 will be a transitional year. Te Pūkenga will focus its main efforts on setting up systems and ways of working across the network that place learners at the centre and prioritise equity for Māori through our Transition Pathway.

The key focus in 2021 will be ensuring the subsidiary network can maintain or improve the outcomes it delivers while working collaboratively on reimagining the future of vocational education and supporting the wider transition to a national network.

While the targets identified in this document are the aspirations of Te Pūkenga, our results are achieved through our subsidiary network and substantive monitoring occurs at that level, including through mechanisms such as the annual reports of subsidiaries.

When or if this will change will be determined by the operating model design and the resulting implementation plan. That plan is expected to be delivered in late 2021 and implementation of the operating model will begin in 2022.

An updated Statement of Performance Expectations will be prepared this year that reflects the progress we are making in transitioning to our new operating model.

Our functions and Charter are defined in the Education and Training Act 2020

The Charter embodies enduring principles for the way that Parliament expects Te Pūkenga to operate. Our statutory functions are also set out in the Education and Training Act 2020 and require us to:

- provide or arrange, and support, a variety of education and training, including vocational, foundation, and degree-level or higher education and training.
- conduct research, with a focus on applied and technological research.
- be responsive to and meet the needs of the regions of New Zealand and their learners, industries, employers, and communities by utilising our national network of tertiary education programmes and activities.
- improve the consistency of vocational education and training by using skill standards and working in collaboration with workforce development councils.
- improve outcomes in the tertiary education system as a whole, including (without limitation) by making connections with schools and other organisations involved in tertiary education and by promoting and supporting life-long learning.
- improve outcomes for Māori learners and Māori communities in collaboration with Māori and iwi partners, hapū, and interested persons or bodies.
- carry out any other functions consistent with our role as a Tertiary Education Institution.

Tertiary Education Strategy

The Tertiary Education Strategy sets out the government's priorities for tertiary education that are intended to ensure the success and wellbeing of learners in tertiary education.

The objectives of the Tertiary Education Strategy are:

- Learners at the centre – learners with their whānau are at the centre of education
- Barrier-free access – great education opportunities and outcomes are within reach for every learner.
- Quality teaching and leadership – quality teaching and leadership make the difference for learners and their whānau.
- Future of learning and work – learning that is relevant to the lives of New Zealanders today and throughout their lives.
- World class inclusive public education – New Zealand education is trusted and sustainable.

The Tertiary Education Strategy is intended to help create education environments that are learner-centred, and where more of our learners, and especially more of our Māori and Pacific learners, are successful.

Expectations set by the Minister of Education

Te Pūkenga operates in line with expectations set by the Minister of Education. The current expectations guide our priorities for the medium-term, covering the period of this Statement of Performance Expectations.

At their heart, these expectations challenge us to ask "what will this actually mean for students, trainees, apprentices and employers and their communities?"

The current priority expectations call on Te Pūkenga to support the Government's goals for building a productive, sustainable and inclusive economy and improving the wellbeing of all New Zealanders, and our long-term vision for the education system.

The Reform of Vocational Education

The Reform of Vocational Education (RoVE) is wide-ranging, with a long-term focus, to create an accessible, affordable, flexible and high-quality vocational education system that will provide learners with the training they need in a rapidly changing world.

The cornerstone of the reform is the design and implementation of a longer-term operating model for Te Pūkenga to create a sustainable, national network of regionally accessible vocational education and training, which is responsive to the needs of all regions of New Zealand, their learners, industries, employers and communities.

Our central challenge is to deliver our core functions to an excellent standard, mobilise the opportunities inherent in the transformation and take advantage of the opportunities that rationalisation presents to enhance our financial sustainability.

We are progressively bringing the sixteen former Institutes of Technology and Polytechnics into a single network and will, over the next two years, plan to transition the majority of trainees and apprentices currently supported by the transitional Industry Training Organisations (TITOs) into a single network.

Significant partnerships

We cater to the education and training needs of more than 110,000 learners each year and recognise that current and prospective learners need education and training options that are designed around their needs.

Our scale and potential impact for Māori gives urgency to our efforts. Te Pūkenga is the largest provider to Māori and among the largest providers to indigenous communities globally.

We are the largest provider of education and training nationally by a significant margin. As well as our current learners, Te Pūkenga anticipates assuming responsibility for many of the 138,000 trainees and apprentices over the next two years.

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Te Pūkenga subsidiaries, together with the TITOs, helped 65,000 people complete qualifications at all levels of the New Zealand Qualifications Framework in 2019.

As we integrate industry training into our new network, Te Pūkenga expects to forge direct relationships with the 35,000 employers that make their workplaces available for on-job training.

Strategic intentions for Te Pūkenga

In order to deliver on our statutory functions, vision, and outcomes, we have prioritised our work into nine strategic intentions.

The Minister's current Letter of Expectations requires us to achieve a balance between delivering transformative change and delivering on our core business-as-usual functions with our network of subsidiaries.

Our strategic intentions are divided into two categories:

Transformation Programme

5.1 Mana Ōrite – Māori Partnerships and Equity

5.2 Ko te Ākonga te Pūtake – Ākonga at the Centre

5.3 Hāngai ki te Kaitukumahi – Employer Aligned

5.4 Whakaumu i te ako – Operating Model

5.5 Ahumahi, Ahuako – TITO Transition & Work-based Learning

5.6 He Tukunga Auaha – Academic Delivery Innovation

Core Capability and Enabling Projects

5.7 Whātui Mahi Tahi – Network Collaboration

5.8 Mana Tiaki, Manu Mātai – Governance and Accountability Framework

5.9 Tātai Rawa – Capital Asset Strategy and Network Stabilisation

An additional strategic intention, managing organisational health and capability, recognises that we must have the right people, technology, resources and a stakeholder-focused organisation.

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Te Pūkenga at a Glance

2021 enrolment forecast

69,800 **EFTS for 2021**	**+11.6%** Domestic growth	-45.1% International decline

Delivery by level (2020)

7% Foundation learners	**58%** Level 3-7 (non-degree) learners	34% Degree and Postgrad

Current capability (2020)

42 **Main campuses**	10,000+ Academic and professional staff	**$1.9b** Physical assets

Reach by 2022

65,000 Graduates	**35,000** Employers	**240,000** Learners from 2022

Outcomes (2019)

50% Māori do not complete	81% **of all courses completed**	66% First-year retention rate

Key areas of provision (2019)

18% Engineering	**17%** **Society and Culture**	16% Architecture and Building
12% Management and Commerce	11% Health	**7%** **Primary**

Statement of Responsibility

This Statement of Performance Expectations 2021 is produced in accordance with the requirements of sections149B to 149M of the Crown Entities Act 2004.

This Statement of Performance Expectations 2021 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.

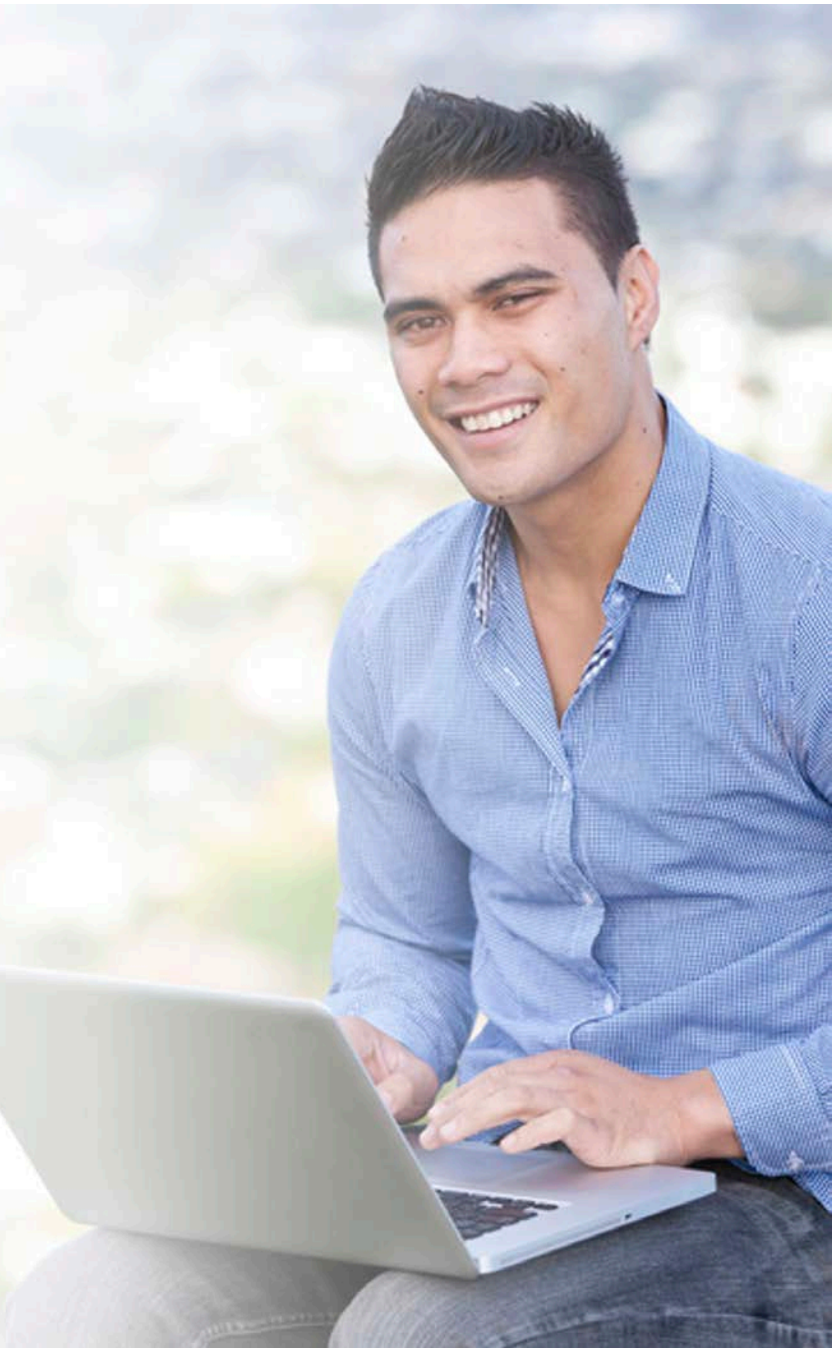
We use and maintain internal controls to ensure the integrity and reliability of our performance and financial reporting.

We certify that the information contained in this Statement of Performance Expectations 2021 is consistent with the appropriations contained in the Vote Tertiary Education Estimates of Appropriations 2020/21. 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
4 February 2021

Kim Ngārimu
Council Deputy Chairperson
Te Pūkenga
4 February 2021



Our Funding

The establishment of Te Pūkenga is funded through the following two appropriations:

Establishment of a Single National Vocational Education Institution

The funding is 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.

Support for a Single National Vocational Education Institution

This funding is intended to enable Te Pūkenga to establish and build the core infrastructure to deliver an integrated and collaborative network of vocational education, including to support the sustainability of its subsidiary entities.

Establishment of a Single National Vocational Education Institution	Budget 2020* $000	Actual 2020* $000
Revenue	35,912	33,331
Expenses	46,521	8,303
Surplus / (deficit)	(10,609)	25,028

* Note the financial year for Te Pūkenga is from January to December and the government financial years are 2019/20 and 2020/21. The second appropriation is $10,000,000 for 2019/2020 and $20,000,000 for 2020/21

How we will assess performance

Operational measures	2021 Target	2020 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

As a Tertiary Education Institution, we also receive government funding to deliver education and to conduct research.

How we will assess performance

Participation	2021 Performance commitment	2020 Estimated actual	2019 Actual
Number of Student Achievement Component-funded domestic equivalent full-time learners at levels 1-10	50,850	47,151	50,346
Percentage of Student Achievement Component-funded domestic equivalent full-time learners completing courses at levels 1-10	83.2%	82.5%	82.5%
Disparity in educational performance indicators for Student Achievement Component-funded domestic Māori equivalent full-time learners*	Improving trend	Improving trend	-10.0%
Disparity in educational performance indicators for Student Achievement Component-funded domestic Pacific equivalent full-time learners*	Improving trend	Improving trend	-10.3%
The number of Research Degrees completed#	Improving trend	Improving trend	179

Notes on sources:

2021 Performance Commitments and 2020 Estimated Actuals for enrolments based on TEC-supplied data.

2021 Performance Commitments for course completions based on aggregated commitments made the former Institutes of Technology and Polytechnics. Subsidiaries will provide detailed reporting on the outcomes they deliver for learners.

2020 Estimated Actual for course completions based on 2019 actuals.

* Rates presented are relative to the course completion rates associated with Student Achievement Component-funded non-Māori, non-Pacific equivalent full-time learners completing qualifications at levels 1-10. 2019 actual data based on TEC-supplied data.

Number presented relates to the 2018 calendar year due to a lag in reporting eligible completions by TEC.

Prospective Financial Statements

These prospective financial statements provide insight on the future financial performance, position and cash flows for Te Pūkenga during 2021. 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 THE YEAR ENDING 31 DECEMBER 2021

All in $000s	ESTIMATED ACTUAL 31 Dec 2020	FORECAST 31 Dec 2021
REVENUE		
Government grants	605,521	651,945
Tuition fees	395,026	358,647
Other revenue	80,235	77,728
Total revenue	**1,080,782**	**1,088,320**
EXPENDITURE		
Employee expenses	653,032	693,420
Depreciation & amortisation expense	110,225	109,906
Interest expense	5,481	4,577
Administration and other expenses	341,367	331,570
Total current liabilities	**1,110,105**	**1,139,473**
Surplus / (deficit)	**(29,323)**	**(51,153)**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

All in $000s	ESTIMATED ACTUAL 31 Dec 2020	FORECAST 31 Dec 2021
ASSETS		
Current assets		
Cash and cash equivalents	260,455	209,577
Student fees and other receivables	73,805	76,514
Prepayments	16,703	15,732
Inventory	6,664	6,708
Total current assets	**357,627**	**308,531**
Non-current assets		
Property, plant and equipment	2,087,626	2,081,798
Intangible assets	71,896	76,134
Investment in subsidiary / associate	3,434	4,134
Investment property	14,265	14,703
Total non-current assets	**2,177,221**	**2,176,769**
Total assets	**2,534,848**	**2,485,300**
LIABILITIES		
Current liabilities		
Trade and other payables	68,548	63,280
Employee entitlements	48,860	48,840
Revenue received in advance	97,742	122,431
Borrowings	66,117	55,335
Other current liabilities	14,408	14,201
Total current liabilities	**295,675**	**304,087**
Non-current liabilities		
Employee entitlements	5,580	5,087
Borrowings	75,871	72,698
Other non-current liabilities	37,975	36,846
Provisions – non-current	1,533	902
Total non-current liabilities	**120,959**	**115,533**
Total liabilities	**416,634**	**419,620**
Net assets	**2,118,214**	**2,065,680**
EQUITY		
General funds	1,079,732	1,024,018
Property revaluation reserve	800,576	804,042
Trust, endowments and bequests	30,020	29,742
Other reserves	207,886	207,878
Total equity	**2,118,214**	**2,065,680**

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING 31 DECEMBER 2021

All in $000s	ESTIMATED ACTUAL 31 Dec 2020	FORECAST 31 Dec 2021
Balance at 1 April	0	2,118,214
Other comprehensive revenue and expense		
Surplus / (deficit)	(29,323)	(51,153)
Movement in reserves		
Movement in reserves	2,147,537	(1,381)
Balance at 31 December	**2,118,214**	**2,065,680**

PROSPECTIVE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING 31 DECEMBER 2021

All in $000s	ESTIMATED ACTUAL 31 Dec 2020	FORECAST 31 Dec 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Government funding	596,156	648,149
Receipts from student fees	328,400	355,907
Receipt of interest	6,406	3,117
Receipt of other revenue	142,066	187,417
Goods and services tax (net)	(20,302)	(19,954)
Payments to suppliers and employees	(1,033,756)	(1,106,870)
Interest paid	(2,624)	(2,022)
Net cash from operating activities	**16,346**	**65,744**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	5,715	6,656
Proceeds from sale or maturity of investments	46,794	10,000
Proceeds from sale of intangibles	2,046	4,000
Purchase of property, plant and equipment	(118,492)	(107,100)
Purchase of investments	(10,322)	(16,154)
Purchase of intangible assets	(18,732)	(15,461)
Net cash flow used in investing activities	**(92,991)**	**(118,059)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	64,619	21,125
Proceeds from capital contributions from the Crown	15,025	10,000
Proceeds from suspensory loans from the Crown		
Repayment of borrowings	(38,093)	(24,989)
Distributions to the Crown		
Repayment of finance leases		
Proceeds/Distributions from other financial activities	(2,374)	(4,699)
Net cash flows from financing activities	**39,177**	**1,437**
Net (decrease)/increase in cash and cash equivalents	**(37,468)**	**(50,878)**
Cash and cash equivalents at beginning of the year	297,923	260,455
Cash and cash equivalents at end of the year	**260,455**	**209,577**

STATEMENT OF CAPITAL INTENTIONS

OUR CAPITAL INVESTMENT INTENTIONS TO 31 DECEMBER 2024 ARE DETAILED BELOW:

	PLANNED INVESTMENT			
All in $000s	2020	2021	2023	2024
Property plant and equipment	56,742	56,566	50,475	48,796
Major development projects	54,527	48,140	36,800	58,667
Investments	16,847	4,070	4,070	4,070
Intangible assets	10,599	13,642	12,847	12,852
Total	**138,715**	**122,418**	**104,192**	**124,385**

Notes to the Prospective Financial Statements

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 after presentation.

REPORTING ENTITY

Te Pūkenga - New Zealand Institute of Skills and Technology is a 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 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 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 (PBEs) for the purposes of complying with generally accepted accounting practice.

The prospective financial statements of Te Pūkenga are for the year ended 31 December 2021.

BASIS OF PREPARATION

The financial statements for Te Pūkenga have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the reporting period. The financial information presented reflects the estimated actual and intended budget for that year. The budgeted financial information does not include actual transactions and events.

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 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 IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments and is effective for financial years beginning on or after 1 January 2022, with earlier adoption permitted. The main changes compared to PBE IPSAS 29 that are relevant to Te Pūkenga are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

Te Pūkenga intends to adopt PBE IPSAS 41 for the 31 December 2022 financial year. Te Pūkenga has not yet assessed in data the impact of the new standard.

Amendment to PBE IPSAS 2 Statement of Cash Flows: An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. Te Pūkenga does not intend to early adopt the amendment.

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 2021. 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 2021 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 2021 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 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 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.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, Te Pūkenga does not hold or issue derivative financial instruments for trading purposes. Te Pūkenga and the group have elected not to apply hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of forward foreign exchange derivatives is classified as non-current.

The portion of the fair value of an interest rate derivative that is expected to be realised or settled within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

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 of 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, and 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 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 that 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.

RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm’s length in the same circumstances.

Further, transactions with government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

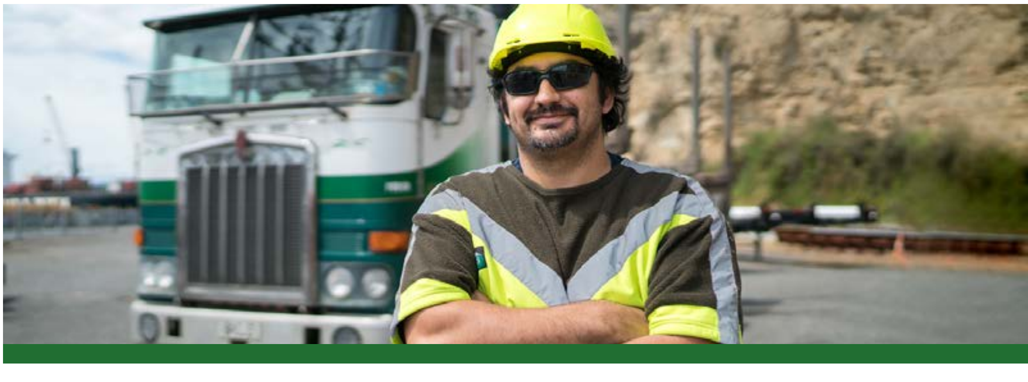
Consolidation

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