

## Tertiary Education Institutions—Property Disposal Thresholds

### Background

Under section 192(5) of the Education Act 1989 (“Act”), the Minister of Education (“Minister”) may set a threshold amount for disposal of assets that require the consent of the Secretary for Education (“Secretary”). This would allow tertiary education institutions to enter into transactions for the disposal of assets valued below the threshold amount without first obtaining the consent of the Secretary.

This notice sets out the threshold amount that applies to property assets (land and buildings) with immediate effect. The disposal of assets other than property (land and buildings) will remain subject to the consent of the Secretary.

### Rationale

The property asset disposal threshold is aimed at reducing unnecessary administrative and compliance costs and time delays associated with low-value transactions, while managing the risks associated with larger transactions.

### The threshold does not affect existing management practices and responsibilities of institutions

Nothing in this notice limits or affects the duties of a tertiary education institution council, under section 181 of the Act, or any other duties or obligations of an institution or council under any other enactment.

Under section 181 of the Act, it is the duty of the council of an institution to ensure that the institution operates in a financially responsible manner that ensures the efficient use of its resources and maintains the institution’s long-term viability.

Institutions are expected to continue operating with appropriate internal delegations and make decisions that are consistent with their investment and capital plans. In disposing of property, institutions are also expected to confirm ownership of the property, and satisfy Treaty of Waitangi obligations, Public Works Act 1981 requirements, any Right of First Refusal, and any obligations from an earlier Crown asset transfer to institutions.

Words and phrases used in this notice bear the same meaning as under the Act.

### Threshold for property disposal by tertiary education institutions

The table below outlines the threshold amounts for property disposals by tertiary education institutions. The table separates institutions into tiers by the size of their equity. To determine which tier an institution is in, the group equity value of the institution will be taken from its most recent annual report. The right-hand column displays the threshold amount that applies for each tier.

<i>Group equity value of an institution (taken from the most recent annual report)</i>	<i>Maximum valuation price of property the institution can dispose of without the approval of the Secretary</i>
less than \$60 million	\$1,000,000
between \$60 million and \$100 million	\$3,000,000
between \$100 million and \$250 million	\$5,000,000
over \$250 million	\$15,000,000

### For an institution to dispose of property under the threshold amount without the consent of the Secretary, it must meet the following criteria

A tertiary education institution may only dispose of property assets under the threshold amount without the consent of the Secretary if:

- a. the proposed disposal is consistent with the institution’s Capital Intentions Plan; and
- b. the institution has a recent valuation (within the last year) of the property done as part of the annual audit process or by a registered valuer; and
- c. the institution has either:
  - i. a “core” rating in its most recent independent Capital Asset Management Maturity Assessment, if it has a “low” or “moderate” rating in its most recent Financial Monitoring Framework report; or
  - ii. an “intermediate” rating in its most recent independent Capital Asset Management Maturity Assessment, if it has a “high” rating in its most recent Financial Monitoring Framework report.

If an institution does not meet criteria (c) (i) or (ii), but fulfils criteria (a) and (b) listed above, the institution can still dispose of property valued below \$300,000 without needing the Secretary’s approval.

NEW ZEALAND GAZETTE

Dated at Wellington this 17th day of September 2018.

HON CHRIS HIPKINS, Minister of Education.

2019-go155

10-01-2019 09:00

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