Tauākī Whāinga Mahi

Statement of Performance Expectations

2025

Te Pūkenga

Whakataukī

Nau mai, nau ake, ka roi i tō kete aronui	Come forth and secure your basket of knowledge
Hei amonga mōhou ki te pūtake o te wānanga	To carry you through to the source of learning
Whakarewaia rā ki runga i te pakihiwi	Hoist it upon your shoulders
He hikitanga, he hāpainga,	For you to carry, for you to shoulder
He amonga, he ārewa, he tauira,	Learning that is valued, to lift up as an exemplar
Ka rongo te pō, ka rongo te ao	To be heard of during the night, and throughout the day
Ka huakina ki te ao mārama	To emerge into a world of light
Hei tohu tātai kura tāngata e	To be recognised and acknowledged as a treasured person (replete with skills and knowledge to benefit the community)

Te Pūkenga Statement of Performance Expectations 2025: Te Pūkenga
Hamilton, New Zealand.

Published in December 2024 by Te Pūkenga

Ngā ihirangi | Contents

Statement of Responsibility

The Statement of Performance Expectations 2025 is produced in accordance with the requirements of sections 149B to 149M of 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 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 is consistent with the appropriations contained in the Vote Tertiary Education Estimates of Appropriations 2024/25. These were laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed on behalf of Te Pūkenga Council by:

Sue McCormack - Acting Chair	Jeremy Morley - Council Member, Chair of Finance, Risk and Audit Committee
Date - 11 December 2024	Date - 11 December 2024

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.

Kupu whakataki | Introduction

This Statement of Performance Expectations 2025 sets out, at a broad level, what Te Pūkenga - New Zealand Institute of Skills and Technology (Te Pūkenga) expects to deliver in 2025, and how we will measure our performance.

Considering the New Zealand Government's intent to disestablish Te Pūkenga by the end of 2025, our priorities and planned activities for this period reflect an overall context of devolving responsibilities to our business divisions and enhancing regional autonomy. This SPE therefore outlines a relatively constrained set of performance measures focussed on core business. We will continue to prioritise excellent outcomes for learners, improving financial performance, and ensuring the regional network is in good health to support the impending changes to the sector.

Tā mātou whakahaerenga | Our Organisation

The formation of Te Pūkenga in April 2020 was one of seven key changes from the previous Government's Reform of Vocational Education (RoVE) – a sector-wide transformation unifying the vocational education system. Since 1 January 2023, Te Pūkenga has operated as a single tertiary education organisation (TEO), bringing together the existing network of former Institutes of Polytechnics (ITPs) and arranging training functions from Industry Training Organisations (TITOs).

With over 240,000 ākonga (learners) and 9,000 kaimahi (staff), Te Pūkenga has focussed on ensuring Aotearoa New Zealand has a vocational education system that puts learners at the centre and is a long-term skills partner for employers, industry, and iwi, hapū and Māori across the motu. We have provided nationally recognised new ways of learning with a focus on underserved learners (including ākonga Māori, Pacific and disabled ākonga), and have delivered improved outcomes.

As we look towards 2025, considering the intent of the Government to disestablish Te Pūkenga, we shift our view towards transitioning responsibilities and autonomy to our business divisions, while maintaining focus on achieving best possible outcomes for learners. At the same time, we aim to ensure the sector, which has been through significant change in the last five years, is in a solid financial position to respond effectively and efficiently to a new change programme.

Te horopaki o ngā mahi whakahaere| Our Operating Context

The New Zealand vocational education system has been facing increasingly significant challenges over the past decade: declining enrolments and financial viability; inequitable outcomes for Māori, Pacific and disabled learners; competition between and within the on-campus, online, and work-based components of the system; and increasing inconsistency in the engagement with and response to national and regional workforce needs. Over the past five years Te Pūkenga has established a national approach to addressing some of these issues. In 2025, many of the challenges are the same but the response will be different, and the sector will have to adapt to implement the Government's new policy direction.

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, and be responsive to and empower stakeholders. A key aim is to improve the quality and consistency of vocational education and training in Aotearoa New Zealand.

The Charter embodies enduring principles for the way Te Pūkenga must operate, to improve outcomes for the system as a whole and equity for ākonga Māori and communities, as well as other underserved groups, including Pacific and disabled people.

Vocational Education and Training reform

In August 2024 the Minister for Tertiary Education and Skills released a proposal for the future of vocational education and training (VET) in New Zealand, furthering the government's commitment to disestablish Te Pūkenga and restore decision-making to the regions. While the outcome of the proposal is unknown at the time of writing, this Statement of Performance Expectations outlines our approach to handing over responsibilities for functional areas to business divisions, while maintaining overall accountability for compliance for as long as Te Pūkenga continues to be a legal entity. During this period, we will ensure that our focus remains on the core business of ākonga success, equity and wellbeing, while maintaining the trust and confidence of our regional networks.

Te Tiriti o Waitangi

The legislative framework that established Te Pūkenga provides a more explicit Te Tiriti o Waitangi standard than seen before within the tertiary education sector. It requires Te Pūkenga to honour and give effect to Te Tiriti o Waitangi and, with ākonga Māori at the forefront, enable inclusivity and equity at all levels of the network.

Our business divisions will continue to grow internal staff capacity and capability to lead the delivery of: Te Tiriti o Waitangi initiatives that improve ākonga Māori success; Te Tiriti o Waitangi risk responses; development and improvement of Tiriti partnerships; and protection of taonga Māori. This reflects our responsibility to ensure we actively work to protect the things that are considered as taonga by Te Tiriti o Waitangi partners, recognising that iwi, hapū, and Māori are key partners in regional, social, environmental, and economic development throughout Aotearoa New Zealand.

Mahere Haumi | Investment Plan 2025

Our Investment Plan 2025, agreed with the TEC, describes our investment priorities to ensure ongoing stability and quality delivery as we transition away from an integrated network to a model that places decision-making back in the regions. While we will need to review our priorities as the future of the VET sector is clarified, this Statement of Performance Expectations captures key performance measures from the 2025 Investment Plan (for example, ākonga participation and success, and overall delivery targets). While Te Pūkenga accountabilities under the existing legislation continue to apply, responsibility for specific projects and activities will be transitioned to business divisions or discontinued as appropriate.

In developing the 2025 Investment Plan, we requested a summary of delivery activities from each Te Pūkenga business division, giving effect to the TEC Plan Guidance mix of provision considerations. As we transition to a more regionally based model, business divisions will assume greater responsibility for mix of provision delivery, with overall accountability at a national level until such time as Te Pūkenga is legally dissolved.

Our Output Classes

Output Class 1: Education and training

In this output class, we provide a range of education and training that is developed collaboratively, is responsive to and meets the needs of iwi, hapū and Māori, employers, and community, and is equitable, barrier-free, and consistent for all ākonga.

As we transition away from a fully integrated, centralised model, we will empower regional decision making and the rebuilding of capacity and capability. Business divisions are in the process of reestablishing local communities of practice and advisory boards to ensure they can respond to regional needs. Academic management and delivery teams are also being rebuilt, to enable monitoring of quality and compliance at a local level.

Expected revenue and expenses for Output Class 1:

Education and training	Budget 2025 $000
Revenue	1,501,885
Expenses	1,498,969
Surplus/(deficit)	2,915

Output Class 2: Research

In this output class, we seek to undertake research, focusing on applied research, which responds to real-world regional and national societal and industry issues.

This means we create and transfer knowledge while we grow our research capability through collaboration with communities and industry.

Expected revenue and expenses for Output Class 2:

Research	Budget 2025 $000
Revenue	7,871
Expenses	8,848
Surplus/(deficit)	(977)

Output Class 3: Disestablishment

This output class, captures the work required to prepare for disestablishment of Te Pūkenga and transition of responsibilities and services to new entities as they are established. It also includes completion of key infrastructure projects.

Expected revenue and expenses for Output Class 3:

Disestablishment	**Budget 2025 $000**
Revenue	-
Expenses	8,000*
Surplus/(deficit)	(8,000)

*Includes restructuring expenses budgeted for the National office ($1,000k) and other provision of ($7,000k) at the centre.

Some activities in this output class are funded through the following appropriations contained in the Vote Tertiary Education Estimates of Appropriations 2024/25.

Establishment of a Single National Vocational Education Institution (Key Systems) Operating Expenditure	**Budget 2024/25* $000**	**Estimated Actual 2024/25* $000**
Revenue	-	-
Expenses	8,132	8,132
Surplus/(deficit)	(8,132)	(8,132)

Note: a $15.6m appropriation was received in early 2023 and falls out of the reporting period.

Support for a Single National Vocational Education Institution (High Priority Building Projects) Capital Expenditure	**Budget 2024/25* $000**	**Estimated Actual 2024/25* $000**
Capital Expenditure	16,134	16,134

* The financial year for Te Pūkenga is 1 January to 31 December and the government financial year is 1 July to 30 June. The Budget appropriations above are for the government financial year 1 July 2024 to 30 June 2025 and the Estimated Actual is for the same period.

He pēhea mātou e angitu ai| How we will achieve success

Our strategic objectives

The following table describes our areas of focus over 2025.

Objectives	Outcomes
Support the network to maximise ākonga success, equity and wellbeing	• Ākonga success and employment outcomes improve. • Equity of access and success for priority learners. • Ākonga feel supported and confident in their learning experience.
Maintain a trusted and sustainable regional network	• Rangahau and research is effectively supported. • Employer confidence is maintained. • Consistent quality of education and training across the network. • Quality infrastructure across the network. • Financial performance meets or exceeds budget.

Objective 1 – Support the network to maximise ākonga success, equity and wellbeing

Ākonga are at the core of what we do. We strive to maximise their outcomes, focusing on the ākonga journey. This objective relates to all ākonga-facing activity and outcomes, including educational and employment success, with a focus on equity and ākonga experience.

Ākonga success, equity, wellbeing and experience

Through our Learner Success and Equity strategy we are responsive to the needs of ākonga and kaimahi by putting learners at the centre, honouring Te Tiriti and delivering initiatives targeting those who have not been well-served by the current system, including Māori, Pacific and disabled ākonga. Over the past three years we have implemented network wide momentum initiatives and action plans that have provided measurable benefits to learners. These initiatives highlight the benefits of network collaborative practice that is data informed, and evidence-based strategies that are designed for reach and impact.

The focus in 2025 is to transition responsibility for implementation of learner success and disability action plans to business divisions via a regionally informed transition plan. Protocols and processes have been designed and implementation has begun to ensure the safe package and handover over of resources, artifacts and learner success initiatives from the past four years of work.

In 2025 Te Pūkenga national office will manage legislative and contractual learner success accountabilities (as part of the 2025 Investment Plan requirements) whilst monitoring and reporting on the network response.

Employment outcomes

Education and training are designed to improve employment outcomes for ākonga to maximise their success and wellbeing. It is important we enable more learners to gain the skills, training, and qualifications they need to fulfil employment outcomes and career progression. Central to this are strong partnerships with employers, industry, iwi and hapū, which are maintained by our regional divisions and industry sector specific WBL divisions.

In 2025 we will refocus our employer engagement strategies further to a regional and work-based business division level, informed by the Workforce Development Council (WDC) industry-level workforce development plans. This enables us to continue to provide, develop and shape best-fit national, regional and local delivery approaches that are future focused and responsive to workforce development needs.

Objective 2 – Maintain a trusted and sustainable regional network

To ensure the sector is well prepared for the changes ahead, and while Te Pūkenga is still a legal entity, we will aim to support a trusted and effective network. Meeting expectations and behaving with integrity will ensure we maintain the trust of our stakeholders despite uncertainty about the future.

Consistent quality of education and training

We aim for excellent education and training across the network, at all locations and through all delivery modes. It is important that ākonga have the same opportunities to succeed regardless of where and how they choose to study. We will prioritise consistency of outcomes via national monitoring, analytics, and insights reporting to business divisions.

Rangahau and Research

Te Pūkenga is required by statute to conduct research with an applied and technological focus. Additionally, our degree programmes must be taught mostly by people engaged in research.

Beyond these obligations, it is essential that our teaching and learning practices are informed by the latest research. We must also support regional research and innovation opportunities while leveraging research to generate revenue, contributing to a financially sustainable future—particularly for the future network of ITPs.

In 2025 we will focus on meeting our legislative requirements and preparing business divisions to independently deliver these functions. This collaborative approach in 2025 aims to prepare every region in Aotearoa New Zealand to have access to applied rangahau and research services tailored to their needs.

In addition to regular rangahau and research activities for Te Pūkenga, in 2025 we will work to:

- Coordinate the network to maintain and improve research productivity.
- Engage in locally led, network-coordinated revenue generation activities.
- Support the establishment of standalone and federated support for rangahau and research management.
- Coordinate support to develop rangahau, research and pacific research support infrastructure as required by the conditions of our unified degree programmes.
- Support strategic and target programme areas to be more productive through network coordination and events.
- Implement locally led, network-coordinated, risk-based interventions to ensure regulatory compliance.
- Develop common data infrastructure to facilitate future federated research management.

Employer confidence

As we transition away from a centralised model and reprioritise our regional and sector employer networks, including advisory boards, our business divisions will continue to focus their response to regional and national employer needs. We aim for industry, employers and Te Tiriti o Waitangi partners of our divisions to report high levels of satisfaction through provision of appropriate training and education that enables the development of their skilled workforce needs. We will do this by focussing on equity of access and inclusivity for ākonga traditionally underserved by the education system, consistency and quality of education outcomes, and strengthening regional partnerships with iwi, hapū, and Māori.

Quality infrastructure

In 2025 we will focus on delivering the remaining infrastructure programmes of work across the network to help us to work consistently, effectively, and safely.

Property

Our property programme will continue to deliver the remaining Crown funded High Priority Building projects, focusing on solutions to those buildings with Earthquake Prone Buildings notices, asbestos and weather tightness issues. Te Pūkenga Property will continue to support the business divisions in project management of major projects and disposals.

Digital services

A key focus is the Digital Transition Programme designed to redeploy systems, people and accountability for IT-related services back to business divisions. This work includes the transfer or discontinuation of, or ongoing collaborative arrangements for agreements, licenses and services that have been procured for the national network.

The National Digital infrastructure and system used by the national office will be reduced to minimum operational requirements for 2025.

Finance Management Information System (FMIS) & Enterprise Performance Management (EPM)

Progress on the rollout of a common finance system (FMIS) for the former ITPs began in 2024, with the expectation that nine business divisions will have migrated across to the new platform by the end of 2024. An additional release will take place in April 2025 focusing on those divisions that have systems that are out of support or lacking in functionality. A common Enterprise Performance Management tool is being rolled out in support of the new finance system to give both consistency of reporting and local business intelligence and is on track to be substantively complete by April 2025.

Data Systems Refresh (DSR) Programme

The TEC Data System Refresh Programme will continue across all business divisions in 2025. We will meet all funding milestones and other requirements. Expected production dates are April 2025 for ITP divisions and July 2025 for WBL divisions.

Financial sustainability and performance

The Minister for Tertiary Education has emphasised the need for Te Pūkenga to devolve decision-making back to regional business divisions, to focus on improving financial sustainability and halt initiatives inconsistent with the disestablishment, including recruitment and restructuring plans. In 2025 Te Pūkenga will focus on delivering to these expectations.

Work is in progress with financial consultants to review the viability of former Institutes of Technology and Polytechnics (ITPs). Opportunities to minimise financial losses and make savings will be identified so they can become viable, stand-alone entities. Plans to implement these changes will start in late 2024 and continue through 2025.

As part of the devolution of decision making, the 2025 financial planning and budget setting process has been led by the divisions and will be further informed by the review of viability.

Ngā whāinga whakatutuki mō 2025 | Our Performance Expectations for 2025

Our performance measures are mapped to the objectives and outcomes set out in our strategic framework and to our output classes.

Key:

Output Class 1 – Education and training= ▲

Output Class 2 – Research= ■

Output Class 3 – Disestablishment = ★

	Support the network to maximise ākonga success, equity and well-being	**2025 target**	**2024 provisional result** (as at Nov 2024)	**2024 target**
Ākonga success and employment outcomes improve				
▲	Course completion[1]	79.6%	79.2%	79.4%
▲	Credit achievement[2]	81%	78%	80%
▲	Cohort-based programme completion[2]	65%	57%	64%
▲	Graduate employment rate (provider-based)[3]	Maintain 2024 result	60%	Maintain 2023 result (63%)
▲	Graduate employment rate (work-based)[3]	Maintain 2024 result	82%	Maintain 2023 result (85%)
Equity of access and success for priority learners				
▲	Learner participation - Māori learners[4]	24%	23%	23%
▲	Learner participation - Pacific learners[4]	10.2%	9.7%	9.7%
▲	Learner participation - Disabled learners[4]	7.5%	7.9%	7.0%
▲	Equity in course completion for Māori learners[5]	-7.0%	-11.6%	-8.0%
▲	Equity in course completion for Pacific learners[5]	-8.0%	-9.7%	-9.0%
▲	Equity in credit achievement for Māori learners [6]	-7.0%	-13.4%	-8.0%

[1] Provider-based learners (SAC funded).
[2] Work-based learners.
[3] 2022 graduating cohort post 1 year of graduation.
[4] All domestic learners.
[5] Provider-based learners relative to non-Māori and non-Pacific completing courses (SAC funded) at levels 1-10.
[6] Work-based learners relative to non-Māori and non-Pacific learners.

	Support the network to maximise ākonga success, equity and well-being	2025 target	2024 provisional result (as at Nov 2024)	2024 target
▲	Equity in credit achievement for Pacific learners[6]	-8.0%	-12.4%	-9.0%
Ākonga feel supported and confident in their learning experience				
▲	Ākonga Net Promotor Score	Maintain 2024 result	31.3	Maintain 2023 result (24.2)
▲	Ākonga satisfaction with experience	Maintain 2024 result	92.5%	Maintain 2023 result (90.1%)
▲	Ākonga wellbeing	Maintain 2024 result	92.3%	Maintain 2023 result (90.5%)
▲	Ākonga retention	Maintain 2024 result	84.1%	Maintain 2023 result (83.0%)

Maintain a trusted and sustainable regional network		2025 target	2024 provisional result (as at Nov 2024)	2024 target
Rangahau and research is effectively supported				
■	Research staff productivity[7]	Maintain 2024 result	N/A	Maintain 2023 result (48%)
■	Total research revenue[8]	$7,871k	$11,191K	$8,731K
Employer confidence is maintained				
★	Employers Net Promoter Score	23.0	N/A	21.5
▲	No. of employers entering training agreements	29,000	23,300	29,000
Consistent quality of education and training across the network				
▲	Consistency in course completion across regional groups[9]	Standard deviation of 2% (or less)	1.9%	Standard deviation of 2% (or less)
▲	Consistency in credit achievement across regional groups[9]	Standard deviation of 2% (or less)	1.1%	Standard deviation of 2% (or less)
Quality infrastructure across the network				
★	High Priority Buildings projects completed or in progress as per funding agreement	9	11	11
★	Completion of digital key systems[10]	Completion of FMIS, EPM and DSR projects	N/A	Completion of FMIS and EPM projects
Financial performance meets or exceeds budget				
▲	Achieve delivery targets[11]	Achieve targets as per MoP	N/A	Achieve targets as per MoP
▲	Total international revenue[12]	$162,964K	$132,780K	$133,442K
★	Overall financial result[13]	Achieve budgeted deficit of ($6,062K)	($9,818K)	Achieve budgeted deficit of ($93,403K)

[7] Proportion of degree and postgraduate teaching staff (FTE) that produce at least 2.0 verified outputs across the previous 2 years.
[8] The total amount from external research revenue classifications and PBRF.
[9] Regional groups comprise Rohe 1-4
[10] FMIS – Financial Management Information System; EPM – Enterprise Performance Management; DSR – Data System Refresh
[11] Proportion of funds received through the Investment Plan that meet delivery thresholds, by funding category and region.
[12] Includes international student EFTS and other revenue from international activities.
[13] As per budget approved by Te Pūkenga Finance, Risk and Audit Committee on 24 October 2024.

Ngā tauākī ā-pūtea āmu | Prospective Financial Statements

FOR YEAR ENDING 31 DECEMBER 2025.

Financials '$000	2025 Budget	2024 Forecast	Variance	
Revenue	1,474,685	1,397,788	76,897	
Operating Expenses	1,381,012	1,309,293	(71,719)	
EBITDA	**93,673**	**88,495**	**5,178**	
Depreciation & Amortisation	116,974	123,868	6,894	
EBIT	**(23,302)**	**(35,374)**	**12,072**	
Net Interest Income	16,464	32,731	(16,267)	
Net Operating Deficit	**(6,838)**	**(2,643)**	**(4,195)**	
Transformation Funding	2,501	9,853	(7,352)	
Transformation Costs	9,981	17,353	7,372	
Net Transformation	**(7,480)**	**(7,500)**	**20**	
Other Unusal or Non Reurring items	**(8,256)**	**6,071**	**14,327**	
Other Unusal Income	(12,100)	(5,066)	7,034	
People change costs (Restructuring)	3,844	11,137	7,293	
Net Surplus/(Deficit)	**(6,062)**	**(16,213)**	**10,152**	

Note: this represents the 2025 Te Pūkenga budget which doesn't include any adjustments for the Regional ITP Viability review, which is in progress.

Prospective statement of financial position

AS AT 31 DECEMBER 2025

Financials '$000	2025 Budget	2024 Forecast
Cash & Cash Equivalents	488,633	550,926
Other Current Assets	47,735	55,693
Total Current Assets	**536,369**	**606,619**
Non Current Assets	2,495,099	2,444,902
Total Non Current Assets	**2,495,099**	**2,444,902**
ST Loans and Borrowings	25,356	1,363
Other Current Liabilities	398,793	403,856
Total Current Liabilities	**424,149**	**405,219**
LT Loans and Borrowings	50,052	78,526
Other Non Current liabilities	16,398	15,765
Total Non Current Liabilities	**66,450**	**94,291**
Total Equity	**2,540,870**	**2,552,011**

Prospective statement of cash flows

AS AT 31 DECEMBER 2025

Financials '$000	2025 Budget	2024 Forecast
Opening Cash Balance	550,886	263,328
Total Cash Flow	- 62,253	(43,516)
Closing Cash Balance	**488,633**	**219,812**

Net Cash Flow			2025 Budget	2024 Forecast
Net Operating Cash Flow	Operating Cash was Provided from	Government Grants	913,107	902,456
		Student Fees	476,706	438,166
		Other Revenue	97,960	146,607
		Interest and Dividends	19,075	14,595
		Total	**1,506,847**	**1,501,825**
	Operating Cash was Applied to	Employees and Suppliers	1,411,934	1,295,922
		Other Operating Payments	-	154,848
		Total	**1,411,934**	**1,450,770**
Net Investing Cash Flow	Investing Cash was Provided from	Sale of Property Plant and Equipment	38,236	28,130
		Sale of Investments/ Intangibles	-	36,713
		Total	**38,236**	**64,843**
	Investing Cash was Applied to	Purchase of Property Plant and Equipment	159,532	205,535
		Purchase of Investments/ Intangibles	20,807	40,207
		Total	**180,339**	**245,742**
Net Financing Cash Flow	Financing Cash was Provided from	Net Increases in Debt	-	82,725
		Other Financing Inflow	-	20,010
		Total	-	**102,735**
	Financing Cash was Applied to	Net Settlement of Debt	-	5,316
		Other Financing Outflows	15,063	11,091
		Total	**15,063**	**16,407**
Total			**- 62,253**	**(43,516)**

The accompanying notes (appendix) form part of these financial statements.

Statement of capital intentions 2023 – 2025

Our capital investment intentions to 31 December 2025 are detailed below.

All in $000s	Planned Investments		
	FY2023 A	FY2024 B	FY2025 B
Major investment projects (Value >$1m)	30,496	119,523	87,448
Medium Investment Projects (Value >$100K and <$1m)	-	12,946	4,071
Minor Investment Projects (Value <$100K)	-	7,213	5,159
Annual Allocations	36,058	53,779	65,547
Total	**66,554**	**193,461**	**162,226**

Not - FY23 Medium and Minor Investment projects were included under Annual Allocations

Tāpirihanga | Appendix

Appendix: Te tauākī ā-kaupapa here kaute | 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 business divisions (formerly wholly owned subsidiaries), as listed below:

- Ara Institute of Canterbury
- Eastern Institute of Technology
- Manukau Institute of Technology
- Nelson Marlborough Institute of Technology
- Northland Polytechnic
- Open Polytechnic of New Zealand
- Otago Polytechnic
- Southern Institute of Technology
- Tai Poutini Polytechnic
- Toi Ohomai Institute of Technology
- Unitec New Zealand
- Universal College of Learning
- Waikato Institute of Technology
- Wellington Institute of Technology
- Western Institute of Technology at Taranaki
- Whitireia Community Polytechnic
- Competenz
- Connexis
- BCITO
- MITO
- Service IQ
- Careerforce
- HITO
- Primary
- EarnLearn

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 2024 and were authorised for issue by the Council on 1 November 2023.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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 are rounded to the nearest thousand dollars ($000).

Standards issued and adopted

Standards and amendments issued and in effect that have been adopted and which are relevant to 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.
- PBE IPSAS13:
- PBE IPSAS13 Accounting for Leases is effective for reporting periods beginning on or after 1 January 2022 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 2023 forecast figures for Te Pūkenga are approved by the Council. 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. The 2024 budget for Te Pūkenga was approved by the Council on 1 November 2023.

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.

Apprenticeship/Training Fees

Apprenticeship/training fees are partially subsidised by government funding and are considered non-exchange. Revenue is recognised when the service associated with the fee is delivered over time, or in the case of products, when the products are supplied.

Industry Training Fund (ITF)

Te Pūkenga considers ITF funding to be non-exchange revenue and recognises ITF funding as revenue when the service associated with the funding is delivered over time. ITF funding is received monthly (one twelfths) in advance, based upon the annual funding allocation. To the extent that funding has been received but not recognised as revenue, a liability is held in the statement of financial position.

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.

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 (for example, 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-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
- 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.