



Property disposal thresholds guidance for TEIs

This page explains when approval from the Secretary is not required by TEIs to dispose of property (land and buildings). It also outlines the disposal thresholds that apply to your institution and the criteria that must be met to enable disposal.

Background

Under section 192(5) of the Education Act 1989, the Minister of Education has set thresholds for the disposal of property assets.

These thresholds allow tertiary education institutions to dispose of properties valued below the thresholds without requiring approval from the Secretary. Accordingly, the thresholds reduce unnecessary administrative and compliance costs and time delays associated with low-value transactions, while managing the risks associated with larger transactions.

What does disposal mean?

Disposal is defined as the selling of property, but also includes the demolition of buildings.

Property covered by the property disposal thresholds includes land and buildings owned by tertiary education institutions, but not Crown-owned assets.

Thresholds for property disposal by tertiary education institutions

The table below outlines the thresholds for property disposal 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 that is then applied for each tier.

Group equity value of an institution (taken from the most recent annual report)	Maximum valuation price of property the institution can dispose of without the approval of the Secretary
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

Criteria for use of the thresholds

For an institution to dispose of property under the thresholds, it must:

- a. Ensure the disposal is consistent with its Capital Intentions Plan;
- b. Have 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. Either have:
 - I. A 'core' rating in its most recent independent CAM Maturity Assessment, if it has a 'low' or 'moderate' rating in its most recent FMF report, or
 - II. An 'intermediate' rating in its most recent independent CAM Maturity Assessment, if it has a 'high' rating in its most recent FMF 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.

The FMF risk rating used by the institution requires to be confirmed with TEC (Monitoring and Crown Ownership).

Existing management practices and responsibilities of institutions

The property disposal thresholds do not limit nor affect the duties of a tertiary education institution council under section 181 of the Education Act 1989, or any other duties or obligations of an institution or council under any other enactment.

Under section 181, 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
- The Public Works Act 1981 requirements
- Any Right of First Refusal
- Any obligations from an earlier Crown asset transfer to institutions

Institutions are also required to inform TEC (Monitoring and Crown Ownership) of any intended disposal or demolition prior to its occurrence and the particulars of each transaction on completion.

More information

If you have any questions about the property disposal thresholds you can email them to:

CAMenquiries@tec.govt.nz



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