Tertiary Education Commission
Te Amorangi Mātauranga Matua

Aide-Memoire: Infrastructure management in the university sector

To:	Hon Dr Shane Reti, Minister for Universities
From:	Tim Fowler, Chief Executive, Tertiary Education Commission
Date:	14 February 2025
Reference:	AM-25-00089

Purpose

1. This paper provides you with a high-level overview of the current legislative settings related to universities' ability to undertake and finance their capital programmes, including the extent to which the Government can influence these decisions. It also covers:
    - key transactions in the university sector that have required consent from the Secretary for Education (the Secretary) over the past five years;
    - current university borrowing limits for commercial debt;
    - an overview of universities' capital asset management performance;
    - a summary of the university sector's plan to undertake $8.4 billion in capital investment through to 2033.
2. While this paper provides a sector-level overview, we will provide you with more detailed information and advice on university-specific matters in our upcoming series of university 'deep-dive' papers.
3. 9(2)(f)(iv) [redacted]

Legislative settings

Universities are autonomous entities and have freedom to manage their capital assets accordingly…

4. Universities are tertiary education institutions (TEIs), and section 266 of the Education and Training Act 2020 (the Act) sets out that the legislative provisions relating to the administration of institutions are aimed at giving them "*as much independence and freedom to make academic, operational, and management decisions as is consistent with the nature of the services they provide, the efficient use of national resources, the national interest, and the demands of accountability*".
5. Accordingly, while universities, as Crown entities, are accountable to Parliament via you as the responsible Minister, they generally have the independence to make strategic and operational

decisions. University councils are responsible for their university's performance, setting institutional strategy, approving policies that govern operations, and making decisions about where to invest and what assets to divest.

6. This independence is reflected in the statutory provisions which govern universities' rights and powers. Section 282 provides that institutions have the rights, powers, and privileges of a natural person, in so far as they are exercised in performing a university's functions. While some limitations and controls are applied (as set out in this paper), it is useful to think of the starting position as being that universities *can* exercise rights and powers, with some limitations and controls imposed – rather than the starting position being that they *cannot* exercise rights and powers unless they obtain approval.

7. The controls and limitations that are applied – consistent with the objective of the Act to preserve and enhance institutional autonomy and academic freedom – are aimed at managing financial risk to the Crown which result from universities' status as Crown entities, i.e. poor financial or asset management can have financial implications for the Crown and/or negatively impact the wider Crown balance sheet. The controls are not intended to provide the Government with any ability to determine or override university councils' strategic decision making. Consideration of university requests for consent to exercise powers or functions is centred on the impacts on financial sustainability of the university (and the system).

8. There are currently no restrictions on investment undertaken by a university where this is approved by the council and ultimately self-funded (through free cash flow, cash reserves, or utilising already approved borrowing facilities). However, as part of a close working relationship with the sector, we do expect universities to engage with the TEC on any major projects being contemplated and commenced.

9. Universities are, however, expected to manage their assets appropriately to ensure the efficient use of resources and comply with all statutory processes as their assets are consolidated into the Crown's balance sheet.

…with the TEC's monitoring of capital asset management driven by Cabinet decisions…

10. Two Cabinet decisions guide universities' asset management. They are:

    - *Cabinet Office Circular CO (23) 9 dated 18 September 2023* – which sets out the government's expectations relating to *Investment Management and Asset Performance in Departments and Other Entities*. Two key requirements of this are the annual assessment of universities' capital asset management (CAM) capabilities (which alternate between independent and self-assessments) and the annual reporting of universities' 10-year capital intentions plans. This circular has generally been updated every four years since its inception in 2010[1].
    - *Crown Asset Transfer and Disposal (CAT&D) process* – Under CAB Min (09) 38/12 and CAB Min (10) 11/5 confirming SOC Min (10) 5/6, universities are allowed to obtain the legal title to assets in Crown title under their management and to retain the proceeds of the disposal of Crown-owned assets managed by universities that no longer meet their needs. In the case of disposals, retention of the final 20 percent of net proceeds is subject to the agreement of joint Ministers (those responsible for tertiary education and the Minister of Finance). Should a university sell a property within five years of its transfer from the Crown, it must also pay up to 20 percent of the net proceeds to the Crown unless joint Ministers agree the university can retain the full net proceeds (based on assessment criteria agreed by joint Ministers in 2018).

[1] Last updated in September 2023.

11. As you are aware, the receipt of the universities' CAM capability assessments and the 10-year capital intentions plan is the primary reporting received by the TEC to inform our monitoring of university capital activities beyond direct engagement with each university. This is due to be submitted to TEC on 30 May 2025, and we will be reporting to you on these reports in quarter 1 (July – September 2025).

…however, TEIs do require consent from the Secretary for some transactions…

12. Section 282 of the Act limits some of the transactions that can be undertaken by a university (the legislation specifically refers to TEIs) without the written consent of the Secretary. The policy framework seeks to balance institutional autonomy, academic freedom and system integrity. This ultimately means that the restrictions are in place to ensure that the Crown can review any decisions that may increase institutional or Crown/system risk and/or negatively impact the Crown's assets held by each university.

13. Under s282 (4) of the Act, an institution may not exercise any of the following powers without the written consent of the Secretary:

    - the power to sell or otherwise dispose of assets or interests in assets.
    - the power to mortgage or otherwise charge assets or interests in assets.
    - the power to grant leases of land or buildings or parts of buildings.
    - the power to borrow, issue debentures, or otherwise raise money.

14. In considering these requests, the Secretary considers the impact of the request on the institution and tertiary system, impacts on the accessibility of education and how the granting of a consent would fulfil the intention and obligations the Act sets out to achieve. The Secretary must also respect the autonomy, independence and freedom of an institution to make its own academic, operational and management decisions while considering those facts and any financial responsibility and institutional viability issues. In the past five years, there have been no consent requests declined given the engagement and work that occurs with a TEI before the formal request is made.

15. While the authority to provide written consent sits within the Ministry, in practice, the TEC plays a material advisory role in the process. This is due to the relationships that are held between the TEC and key university management staff, our knowledge of university operations, and the impact that large property disposals or borrowing can have on a university's financial sustainability. To support the process, the TEC often engages with a university prior to a request for consent being made to assist with the preparation and positioning of the request. Once a request for consent is made, the TEC then provides advice and recommendations to the Secretary (or their delegate) about whether the consent should be granted. This can be a time-consuming process for the university, the TEC and the Ministry.

…with some exceptions to those restrictions

16. Section 282 (4) covers a broad range of 'operational transactions' that university management and governance consider on a regular basis. As such, thresholds have been set to allow universities to enter relatively low risk transactions through solely internal approval processes and without the time delays of requiring Secretary approval. Set out in ***Appendix 1*** is a summary of the different transactions and the required approval paths. It is recommended that this is read alongside this section of the paper.

17. Under s282 (5) of the Act, an institution may, without the consent of the Secretary:

    - sell or otherwise dispose of, or mortgage or otherwise charge, an asset or an interest in an asset, <u>where the value of the asset or interest does not exceed an amount determined by the Minister or an amount ascertained in accordance with a formula determined by the Minister</u>.

- grant a lease for a term that does not exceed, and when added to any term for which the lease may be renewed does not exceed, 15 years.
- borrow, issue debentures, or otherwise raise money, where the amount to be borrowed, the amount of the debentures, or the amount to be raised, does not exceed an amount determined by the Minister or ascertained in accordance with a formula determined by the Minister.

Disposal of an asset (land, buildings, plant and equipment)

18. Under the current ministerial determination, universities can dispose of property assets (land and buildings) up to a maximum threshold of $15 million before they require the approval of the Secretary. There are four threshold levels based on the group equity values of each institution stepping up to the maximum threshold. All the universities are at this maximum threshold.

Table 1: Thresholds for disposal of an asset without Secretary approval

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

19. Despite the higher threshold, property easements[2], which usually do not have any exchange of value, were omitted from this determination and still require the Secretary's consent. 9(2)(f)(iv) [redacted]

19. Universities may dispose of plant and equipment (any item with an individual asset/serial number) and other non-land and building assets without seeking the consent of the Secretary up to the value of $50,000. This value is determined through an Asset Disposal Limit, which was established over 30 years ago. Operationally, we consider there is merit in increasing this threshold to remove compliance associated with minor transactions without any material increase in risk to the Crown. For example, Massey had to seek consent to dispose of a $9(2)(b)(ii) [redacted] piece of research equipment that was no longer required.

Borrow, issue debentures, or otherwise raise money

21. Under section 282 (5) (c) a determination was made by the Minister in May 2014[3] that allows TEIs to borrow up to a specified limit without the approval of the Secretary. This determination allows:

    - all TEIs to borrow up to two percent of their group's consolidated total revenue in certain specified borrowing instruments (e.g. overdrafts or finance leases) without the Secretary's consent; and
    - well-performing TEIs to borrow up to $50 million or 10 percent of their group's consolidated total revenue, whichever is less, without the Secretary's consent, so long as they meet certain profitability criteria (among others). However, given the profitability challenges within the university sector, there are currently no universities that would be able to rely on this aspect of the determination

[2] Usually electricity and utilities transmission, fire access, cycleways, and pedestrianized walkways etc.
[3] Gazette notice number 2014-go2538, 1 May 2014

22. As the responsible Minister, you have the authority to change the determinations and implement different limits. However, as six of the eight universities hold borrowing consents approved by the Secretary for limits that exceed the current determination thresholds, any changes are unlikely to have an impact in the short-term.

Recent transactions requiring approval or under consideration

Disposal of assets

Land and buildings

23. Since 2019 only one disposal has required the Secretary's approval. This was a disposal of Massey University's (Massey) West Precinct of largely bare land at its Albany campus for $63 million in 2021. Other significant disposals over the past fifteen years include Massey's Hokowhitu campus in Palmerston North for ~$25 million in 2013 and Otea Rohe campus in Albany for $67 million in 2016; the University of Auckland's (Auckland's) Colin Maiden Park for $61 million in 2013 and Tamaki campus for ~$81million in 2016; and Victoria University of Wellington's (VUW) Karori campus for ~$27 million in 2016.

9(2)(f)(iv), 9(2)(b)(ii)

[redacted]

Easements

28. Since 2015, universities have made over 20 easement requests, and we have been seeing these increase over the last four years as universities upgrade older buildings and build newer more fit-for-purpose facilities on their campuses. Easement requests are mainly for electrical access (transformers), with a few for fire and emergency access and Council cycleways/thoroughfare.

Plant and equipment and financial assets

29. Consent requests for these assets were almost non-existent prior to 2023. Over the past two years we have seen close to 10 requests. These are mainly to dispose of unused internet protocol addresses, scientific equipment disposed as part of outsourcing previous in-house functions, and the spin-out of research start-up companies. The values for these cover a wide

range from $0.06 million to $6.0 million. No requests have been made for disposal of financial assets (e.g. shares in subsidiaries).

Mortgaging or otherwise charging assets or interests in assets

30. The system has evolved so that university borrowing agreements typically prevent them providing security to third parties. This protects the lenders' interests without them obtaining security over specific land or building assets. By utilising this approach universities have rarely used direct security over assets as a method to raise funds to support their investments in infrastructure. Our records show only one request for a short-term (less than a year) mortgage. This was by Auckland in 2012 for $57.5 million to fund (as bridging finance) the purchase of land for its Newmarket engineering campus.

Granting leases of land or buildings or parts of buildings

31. There have been few requests to approve leases that exceed over 15 years over the past six years. These have mainly been to enable external parties to build and operate student accommodation facilities for the university. 9(2)(b)(ii) [redacted] At times leases have enabled closer collaboration with other science entities. For example, Waikato entered into a 125-year lease allowing NIWA to build new facilities on its Hamilton campus.

University borrowing consents

Six universities have consents that enable borrowing of up to $1.2 billion…

32. As autonomous institutions, universities are expected to self-finance their long-term capital infrastructure needs. This means that they can take on commercial borrowing to support the strategic direction of the university, up to a pre agreed maximum level. This can include bank loans, finance leases, and arrangements with another party for the deferral of payments for the purchase of material assets or expenditure. The Crown does not ordinarily provide financial support for capital investment. To mitigate risk, financial covenants are imposed (through the borrowing consent process) alongside those of commercial lenders (which are generally less cumbersome), to place minimum financial performance expectations on the university.

33. Six of the eight universities currently hold borrowing consents approved by the Secretary (see *Table 2*); with five universities actively borrowing to help part-fund their long-term capital investment programmes. Based on financial forecasts received in September 2024, the six universities were forecasting to have borrowings of $485 million at the end of 2024, although given the positive trajectory of international enrolments in 2025, this figure could have been slightly lower given the prepayment of fees. This will be confirmed once unaudited 2024 financial information is received by the TEC on 24 February 2025.

9(2)(b)(ii)

[redacted]

9(2)(b)(ii) [redacted]

Total	**$1,263.m**	-	-	**$485.1m**

34. Massey is the only university that has a borrowing consent (and an established liquidity facility) but is not currently borrowing. Lincoln University (Lincoln) and UC do not hold a borrowing consent, and based on their September 2024 financial forecasts were not anticipating borrowing across the 2025 to 2028 period.

35. The University of Otago (Otago) holds the largest borrowing consent of all universities and the longest duration. This was approved by the Secretary in 2022 and was requested by Otago to enable it to undertake a large programme of capital work over the next 10 years, including the development of its Christchurch health precinct. The consent is to remain in place until 31 December 2041 given the structural debt that Otago has taken on to enable the programme to go ahead.

…with each consent unique to each university

36. Each borrowing consent contains financial covenants and reporting requirements that reflect the nuances of each institution. In general, borrowing limits for universities are kept to 3 times or lower EBITDA levels to ensure borrowings are maintained at a sustainable level. 9(2)(b)(ii), 9(2)(f)(iv) [redacted]

37. Over the last three years, we have been working to simplify financial covenants so that these are centred around minimum EBITDA levels and maintaining adequate liquidity levels. Additionally, we have provided longer duration consents to provide more certainty to management/councils and help with the financing of long-term assets. Many universities would not be able to repay current borrowing levels whilst progressing concurrently with their capital plans. All the universities generate significant cash flow from operations, so borrowings relate to the size of their capital plan. Despite these changes, we are very clear with the sector that they should not be borrowing to meet day to day operating costs. If such a situation occurred, we would increase our monitoring and engagement (and potentially implement other levers) to ensure Crown risk is appropriately managed.

38. While the TEC's assessment of borrowing consent requests will consider the benefits and risks of the activities proposed to be funded by commercial borrowing – this will be in the context of how those impacts will impact the university's financial performance and sustainability. As noted earlier, it is not the TEC or the Government's role to determine universities' strategic direction or initiatives, and accordingly our assessment of borrowing consent requests are focused on the potential risks to the institution as an indicator of potential risk to the Crown.

University capital asset management (CAM) performance has been assessed as high

39. The information collected through the CAM assessments provides the TEC with a view of:
    - The level of asset management practice and performance that is appropriate to the scale of assets under TEIs' management;
    - The quality of underlying asset management practices, systems and culture in the TEIs;
    - The TEIs' ability to plan and finance infrastructure renewal; and
    - Where the TEIs might invest to lift capability to appropriate levels of maturity.

40. TEIs are required to assess their asset management capability annually and send their assessments to TEC by 31 May each year. TEIs complete this exercise using the CAM Maturity Assessment tool IM2020. CAM reviews have been conducted each year since 2013 alternating between an assessment conducted by independent reviewers and self-assessments. Independent assessments done biennially by an external assessor also include a report highlighting the TEI's achievements, areas for infrastructure improvement and recommendations for infrastructure improvement activities. The TEC maintains a short list of assessors that TEIs are required to use. This short-list was developed from a comprehensive assessment of each assessor's knowledge, experience and capability to undertake reviews in the tertiary education sector following a "request for services" process. The list is updated periodically. The TEIs pay for these reviews.

The university sector is assessed as having strong capabilities and processes

41. The most recent CAM assessment[4] was a self-assessment completed in 2024. The results showed that the sector is performing well with all eight universities exceeding the required CAM standard, as agreed with Treasury, as 'Core'. The assessments are scored and assigned against five levels; 0-20 for Aware, 21-40 for Basic, 41-60 for Core, 61-80 for Intermediate and 81-100 for Advanced.

42. The sector currently sits at the intermediate level with an average score of 71 out of 100. The results reflect the independent reviews carried out in 2023. The individual results are set out in *Table 3.* These results show that the continuous infrastructure improvement reflected in the past continues to be maintained, with slight reductions for 9(2)(b)(ii) [redacted]. While all universities have a 'core rating', 9(2)(b)(ii) [redacted]. However, we have seen a marked improvement in this space through our recent engagement and the development of their financial recovery plans. This may be reflected in the next independent assessment due in May 2025.

Table 3: University CAM assessment scores

University	2023 Independent score	2023 Target	2024 Self-Assessment score	2024 Target	Target gap trend (23-24)
9(2)(b)(ii) [redacted]					
Average Score	**70**	**79**	**71**	**79**	▲

43. 9(2)(ba)(i) [redacted] When the target level is set the independent assessors consider the overarching asset base of the university, the age of assets, specialist facilities (e.g. for medical, engineering and veterinary teaching), quality, type of buildings, geographical spread of assets,

[4] The TEC CAM standard is based on the National Asset Management Support[4] (NAMS) principles and agreed by the Treasury for the TEI sector.

core systems, number of students and staff, and people capability. 9(2)(ba)(i) [redacted] New targets will be set by the independent assessors when reporting is received later in May 2025.

University Capital Intention Plans

42. Capital intention plans (CIP) are provided to the TEC on an annual basis, with the next returns due on 1 July 2025. The information collected through CIP submissions provides the TEC with a view of:

    - The key capital decisions facing TEIs over the next ten years and provide an opportunity for the TEC to identify any emerging asset-related funding pressures and affordability concerns;
    - The risks identified relating to any specific capital project or capital programmes where these may seem large relative to the resources available to implement them (especially when assessing TEI requests to establish new or amend existing borrowing consents); and
    - Levels of asset performance over time.

The university sector spent close to $2.9 billion on capital investment across 2020 to 2023…

43. We have set out in *Table 4* a summary of the nature of expenditure over the four years to 2023. The majority of this spend was centred around physical assets with 64 percent of the sector's spend on non-accommodation buildings (which are all physical buildings owned by the universities that do not allow for inhabitancy), and $29 million spent on accommodation buildings. The purchase of plant and equipment is the second largest category of spend at $347 million, shortly followed by $214 million across IT Equipment and intangible assets such as software development.

Table 4: Summary of capital expenditure, 2020 to 2023

Nature of Expenditure	Amount spent ($m)	Proportion of spend
Land	39.2	1%
Non-accommodation buildings	1,833.2	64%
Accommodation dwellings	29.1	1%
IT Equipment	109.2	4%
Plant and equipment	347.4	12%
Library and collections	112.9	4%
Intangible assets e.g. software	105.5	4%
Work in Progress	223.7	8%
Other	66.2	2%
Total Expenditure	**2,866.5**	**100%**

44. Recent major projects completed or planned or projects still ongoing over the long-term are:

    - Not in scope [redacted]
    - [redacted]

- Not in scope [redacted]
- [redacted]
- [redacted]

… and expects to undertake $8.4 billion over the next 10 years…

45. In the most recent CIP submissions received in July 2024, the universities expect to spend $8.4 billion over the next 10 years (2024-2033) as outlined in *Table 5*.

9(2)(b)(ii) [redacted]

Total capex	849,126	999,586	879,215	866,460	809,891	781,370	788,216	814,990	838,649	758,955	8,386,458

46. The planned capital expenditure is generally evenly spread. $4.4 billion (52 percent) is planned to be spent in the first five years to 2028 and $4.0 billion in the latter years. This reflects the typical planning cycles of these institutions and while a significant investment, is contextualised against forecast depreciation levels averaging close to $600 million per annum over the next two years.

47. Historically, universities have underspent against their capital plans, and this has become more prominent following Covid-19 and the softening in financial performance. One of the primary ways that the universities respond to financial shocks is to pull-back on their capital expenditure plans.

48. We expect this pattern to continue in the short-to-medium term given a tight fiscal operating environment and the profitability challenges many universities are experiencing. High and unpredictable construction costs also contribute to this situation. We do not expect to see numerous new large capex projects initiated in the short-term until depleted reserves are re-established, and underlying profitability improves. We also anticipate that university councils will want clarity on the possible funding implications if the TEC remains in the position where it is unable to fund all forecast future growth.

…with most of the planned investments on upgrading, refurbishing or constructing new buildings…

49. Over the next 10 years, 63 percent of the planned spend is to be directed towards accommodation and non-accommodation buildings and their services infrastructure. This percentage is however slightly overstated 9(2)(b)(ii) [redacted] Around 12 percent of the total spend is on plant and equipment while other categories are all below 10 percent. This trend of spending has largely

remained the same over the years with non-accommodation buildings being the main user of all capex, distantly followed by plant and equipment. The spending is almost equally divided between (routine) operational capex (52 percent) and capex on major projects (48 percent).

50. We have set out in ***Appendix 3*** a dashboard of key graphs that provide an overview of capital expenditure (by class), the balance between routine capital expenditure and spend on major projects, and the forecast level of net cash flow from operations available to fund routine capital investment.

…and while routine capex can be comfortably funded by internal cash flows, major projects often require universities to utilise commercial borrowing...

51. The net cash flows from operating activities of the universities are forecast to double over the next 10 years to around $1 billion per annum generating almost $8.5 billion during this period.

52. Asset sales are also forecast to raise around $200 million 9(2)(b)(ii) [redacted] Therefore, while most (if not all) of the routine capex can be funded internally, the major projects will require external borrowing and/or donations from benefactors to cover funding shortfalls.

53. Forecasts received from the universities indicate an average level of drawn down borrowing of around $450 million per annum will be required while maintaining minimum liquidity levels of five percent, and $711 million while maintaining minimum liquidity levels of 10 percent. The total consented debt limit for the sector is $1.2 billion which is adequate to support this level of debt.

…and asset performance metrics continue to be within acceptable thresholds or forecast to improve

54. As part of the data collection on capital plans, we also gather other financial and non-financial indicators to assess the asset performance indicators of the TEIs. These indicators provide us with the trends relating to these metrics. Three of the key metrics we review are:

- *Cashflow to capex ratio* – This measures the investment capacity. According to the metrics, university operations are generating enough cash to fund annual investment needs. While borrowing is currently needed to fund long-term assets, the reliance on this is expected to decrease in the medium to long-term.
- *Physical asset investment ratio* – This measures the extent of capital renewal. The metrics show an increasing trend suggesting the sector is currently in a good position (maybe even over-investing), but this reduces to more moderate and stable levels quite quickly.
- *Return on assets* – This measures the efficiency of the use of assets to provide sales and/or services. The metrics indicate that universities operate around the recommended threshold.

The Crown Asset Transfer and Disposal process (CAT&D) that began in 2010 is nearing completion for the universities

55. When Cabinet policy relating to CAT&D was enacted in 2009/2010 it was envisaged that the transfer for each TEI would be completed within two to three years. However, the transfer and disposal process proved to be more complex than expected with processing of most of the university applications taking up to 10 years. This was mainly due the need to fulfil the requirements of the Public Works Act 1981 (PWA) that proved to be complex and time-consuming.

56. All universities have now either completed the CAT&D process or are in the post approval PWA clearances process. The legal title of all applicable land has been transferred from the Crown to the University at Auckland, UC and VUW; 9(2)(b)(ii) [redacted] The objective is to complete these latter transfers by the end of 2025, but experience has shown that these may be subject to lengthy delays arising from matters such as agreeing heritage covenants (e.g. for 9(2)(a), 9(2)(f)(iv [redacted] city campus) and agreeing easements and right of ways (e.g. for 9(2)(f)(iv) [redacted] where there is a prerequisite for 9(2)(f)(iv) [redacted] to agree its interrelated campus development plan). Transfers at 9(2)(f)(iv) [redacted] may also take some time as they were the last to be approved and include complexities of land still held under the 1800s Deeds system and buildings crossing land titles.

9(2)(f)(iv) [redacted]

58. When the transfers went through the CAT&D process the universities would have declared that these properties were still required for educational purposes. Therefore, once transferred, if any of them decide to dispose of a property within 5 years of the transfer completion, then they will need to apply to Joint Ministers to retain 100 percent of the net sale proceeds, otherwise they can retain only 80 percent and the 20 percent balance will be paid to the Crown.

59. There have been just three instances of universities requesting approval of Joint Ministers for the retention of the final 20 percent of net proceeds of disposal, all of which were approved. They were:

- 2017: Victoria University of Wellington – Karori campus. The 20 percent amounted to $5-6 million.
- 9(2)(b)(ii) [redacted]
- 9(2)(b)(ii) [redacted]

60. While this is not an immediate matter that requires your attention, we may need to advise you on similar requests in the future.

Next steps

60. We would like to discuss this paper with you, alongside Ministry officials, at your earliest convenience.

61. 9(2)(b)(ii) [redacted]

Appendices

62. **Appendix 1** provides you with a summarised view of transaction approvals.

9(2)(f)(iv) [redacted]

64. **Appendix 3** provides you with a placemat of key capital investment metrics.

Tim Fowler

Chief Executive

Tertiary Education Commission

14 February 2025

Hon Dr Shane Reti

Minister for Universities

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Appendix 1: Overview of transaction approvals

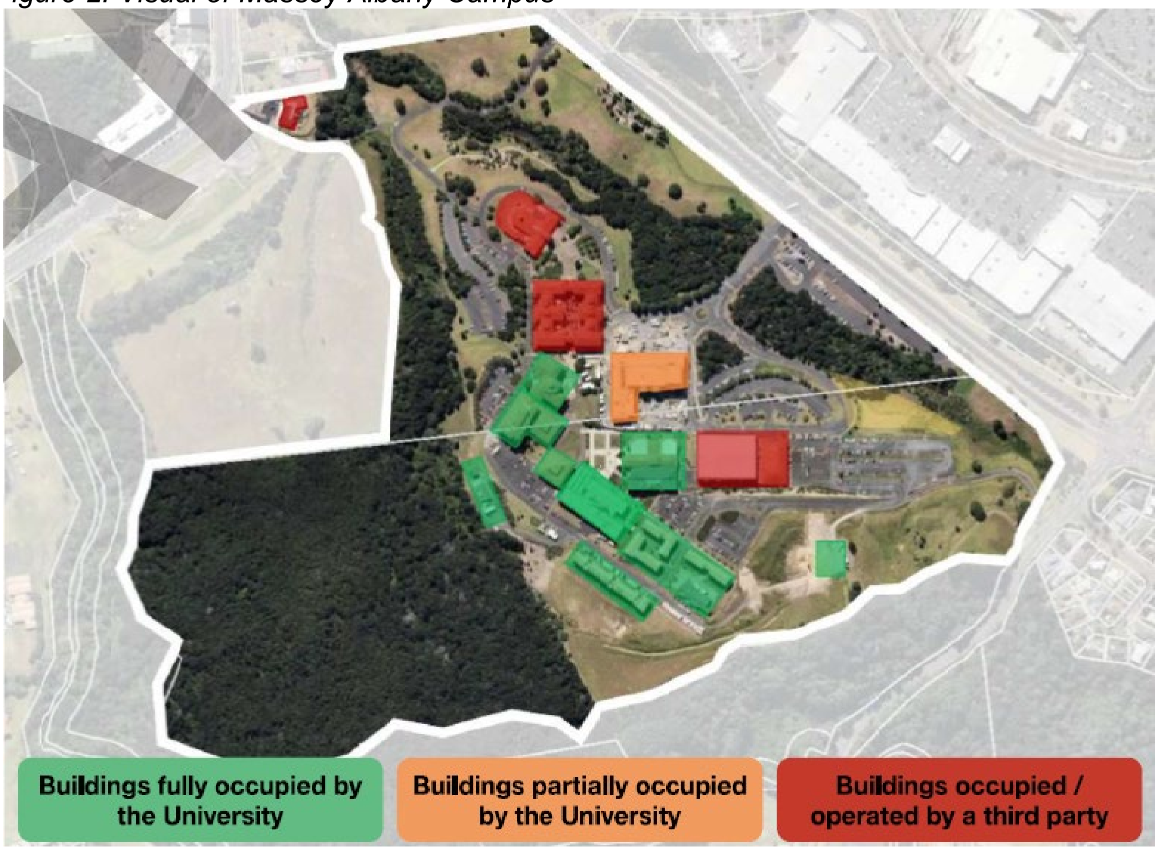
Transaction bucket	Type of transaction	Council approval	Secretary consent required	Ministerial input
Sale of property assets	Sale of Asset <$15 million	Y	N	N
	Sale of Asset >$15 million	Y	Y	N
Sale of plant and equipment	<$0.05 million	Y	N	N
	>$0.05 million[5]	Y	Y (if exceeds calculated ADL)	N
Leasing (including right of renewal)	Granting a lease of < 15 years	Y	N	N
	Granting a lease of >15 years	Y	Y	N
Borrowing	<2% of consolidated total revenue	Y	N	Y – Minister determines the amount below which TEIs can borrow without needing to obtain consent from the Secretary
	>2% of consolidated total revenue (and considered high risk)	Y	Y	
	< $50 million or <10% of consolidated total revenue (and considered low risk)	Y	N	
	>50 million or 10% of consolidated total revenue	Y	Y	
Mortgage / Interest in asset	Mortgage or otherwise charge assets or interests in assets	Y	Y	N
	Granting of an easement	Y	Y	N

[5] The ADL (Asset Disposal Limits- based on income and current ratio factors) calculated by the formula would differ for each university.

Appendix 2: Epsom and Albany Campus Visual

Figure 1: Visual of Epsom Campus land area

Figure 2: Visual of Massey Albany Campus



Appendix 3: Key Capital investment metrics

Figure 1: Activity driving capital investment

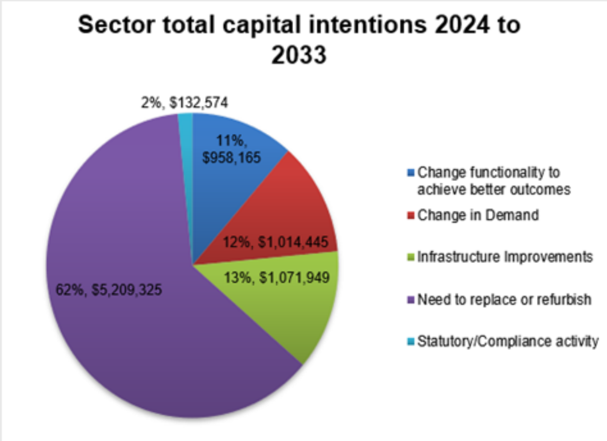


Figure 2: Overview of routine capital need

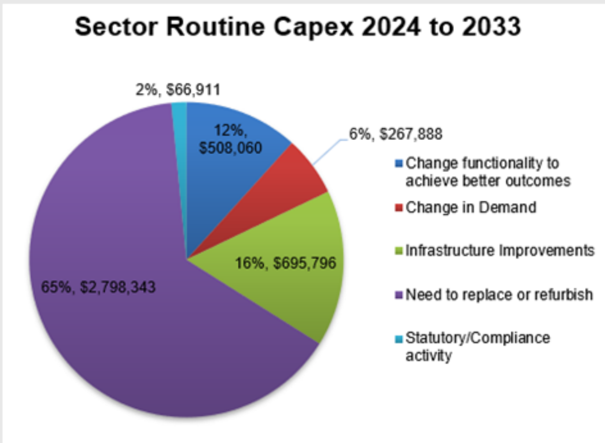


Figure 3: Overview of major project drivers

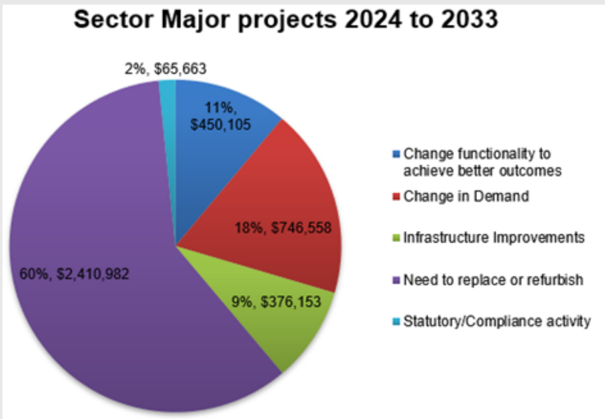


Figure 4: Major Projects vs Routine capital expenditure

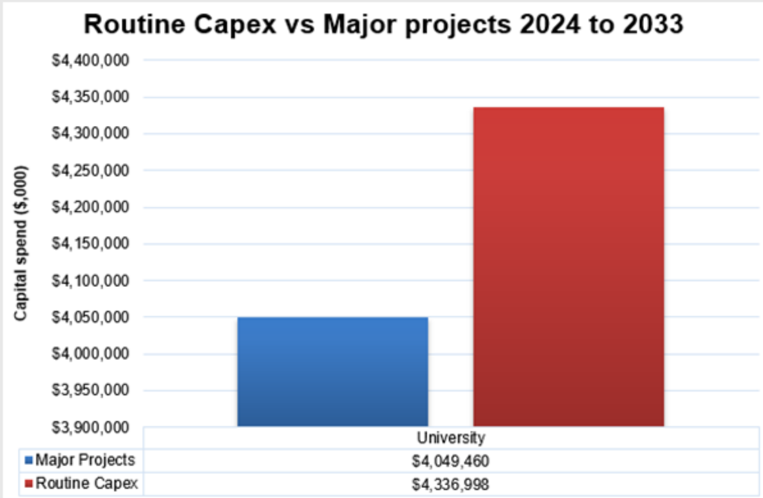


Figure 5: Cash flow to routine capital expenditure activity