



## Assessment of TEI application to transfer ownership of Crown title assets (internal document)

This form should be used to assess whether an institution has met certain criteria necessary to transfer Crown title assets into its ownership. For an application to be approved, the application must show that the institution's Crown title assets are required to support its investment plan, capital asset management plan, and required for ongoing educational activities.

### Key points

The core principles on which the policy is based are:

- Decisions about transfers should be fair and transparent, and like cases should be treated alike.
- When TEIs approach the Crown to initiate transfers, they should understand what the process involves, and what decisions have to be made and why.
- TEIs are autonomous and, provided the public interest is protected, they should manage their own assets in the way they believe best supports their institution in achieving its goals.
- TEIs should manage their capital strategically and efficiently, in a way that supports their Investment Plans and preserves the value of the tertiary asset base in the long term.

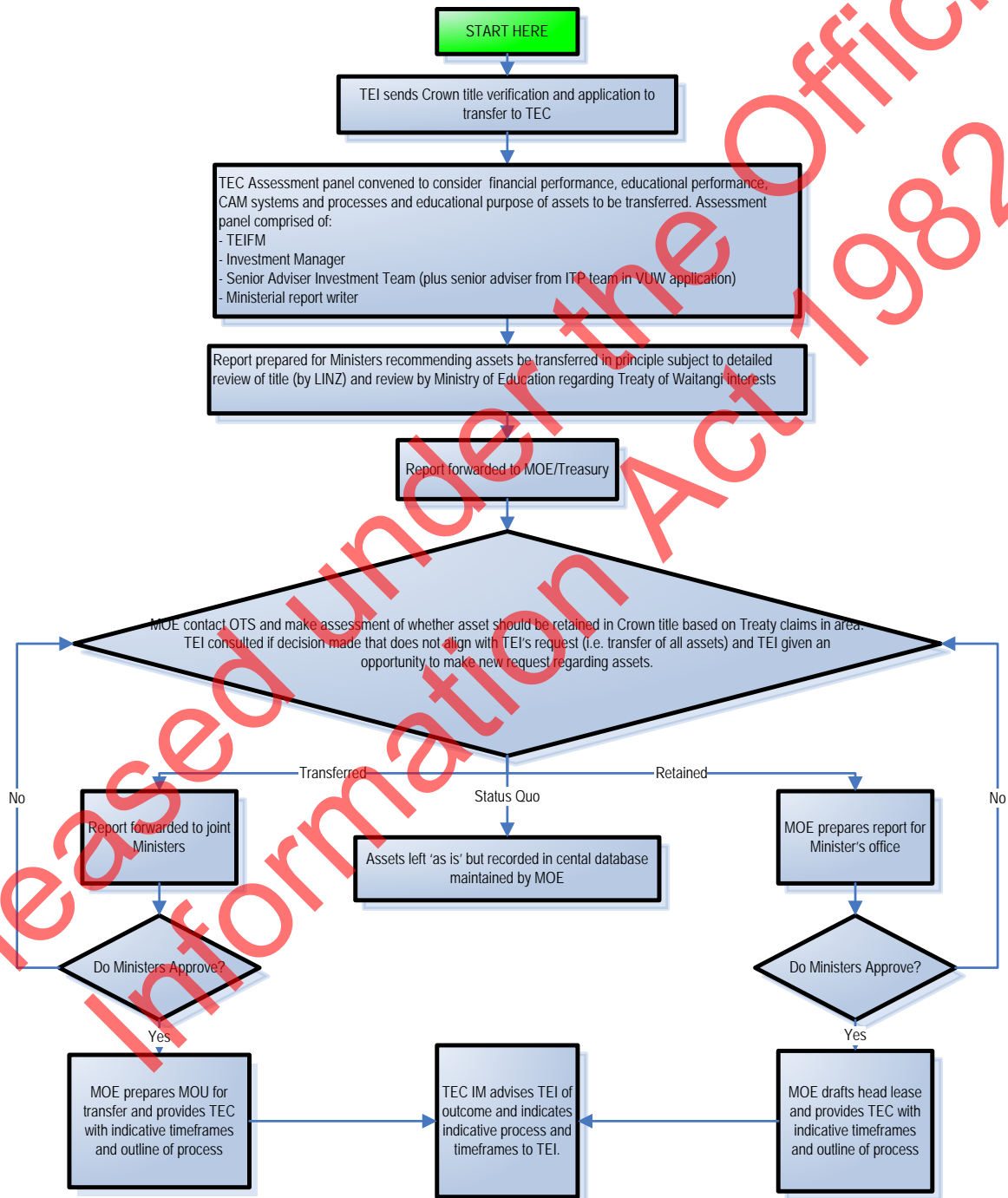
Key things to note about this policy are that:

- The new policy will make it easier for TEIs managing Crown-owned property to maximise the value of their capital assets, by acquiring legal title of Crown assets for which they have an ongoing educational need, and allowing them to dispose of assets that are surplus to their needs.
- The Minister of Finance and the Minister for Tertiary Education (joint Ministers) will give agreement in principle for transfers to go ahead, based on advice from officials. The transfers and disposals will then be subject to the usual existing statutory and policy clearances, which the new policy does not change. These clearances can take up to three years to complete.
- The policy allows TEIs to acquire full legal title of assets in Crown title that they manage, providing there are no over-riding reasons to retain the asset in Crown title (as assessed by joint Ministers). If there are over-riding reasons to retain the land in Crown title, the Crown and TEI will identify a satisfactory outcome on a case-by-case basis. If the TEI wishes, it will be issued with a long-term registered head lease for the asset at a nominal rental, which will give the TEI similar benefits to ownership.
- As is currently the case, all external costs of transfers will be met by TEIs. External costs include the cost of contracting a Land Information New Zealand accredited agent, as well as any surveying costs (e.g. for obtaining a title or subdividing land).

- The policy only applies to Crown assets managed by TEIs since 1990.
- A prerequisite for any transfer or disposal of Crown assets is that the TEI obtains an independent verification and improvement plan related to its capital asset management systems. At minimum this verification and improvement plan will assess a TEI's CAM systems against the TEI CAM Standard.<sup>1</sup>

## Process

The process for a Crown title asset transfers is outlined below.



<sup>1</sup> TEI CAM Standard currently in draft awaiting further sector consultation as at November 2010.

## TEI details

Institution Name	Victoria University of Wellington
Contact Person	Stephanie Forrest, Associate Director, Facilities Management
Date of Assessment	10 November 2010 <a href="#">Updated July 2011</a>
Date of follow up assessment	TBA
Notes	<ul style="list-style-type: none"><li>○ The TEC will need to seek an affirmation from VUW that it is not aware of any other institution with claims over any of its assets (an affirmation was not present in its application and this is a Cabinet mandated requirement). <a href="#">Affirmation provided in letter dated 13 January 2011.</a></li></ul> <p><a href="#">This assessment write-up was updated by the panel in July 2011 to recognise the additional information provided by VUW and the additional analysis and due diligence undertaken as a result of discussions with the Treasury. The new information and results of the additional analysis are presented in blue in this report.</a></p>

1 - Assessment of Ownership Status and impact of potential Treaty claims	
Overview	The purpose of this test is to determine before an assessment begins whether any ownership or control issues exist (or could exist) that may invalidate or affect this application (i.e. contested ownership, Treaty claims etc)
Primary Assessor	Investment Manager (supported by Investment Team Advisor).
Primary Evidence	All documents determined as necessary by Investment Manager.
What an approval looks like	There is no known unresolved claim from a third party which contests ownership or rights to use assets in the future (note that all applications will subsequently be considered by the Office of Treaty Settlements). A review by individual title may need to be considered.
What a request for additional information looks like	Additional information will be sought if the TEC is aware that another TEI may contest ownership of assets or if some or all of the assets in question may not have been under a TEI's management since 1990
What a non-approval looks like	Non-approval only considered in very rare or extreme cases where additional information cannot be obtained or clearly shows that a TEI does not meet policy criteria for an asset transfer.
Guidance	The assessment panel should note any possible issues regarding the claim over assets by the TEI and the likelihood of another third party (including iwi) claiming an interest in the land (and the likely impact of this on the TEI's application).

## Ownership status

1. Have the assets to be transferred set out in the TEI's application and asset verification spreadsheet been managed by the TEI since 1990?

**Yes** / No / Unknown<sup>2</sup> (please circle one)

- VUW's application included an affirmation that it has managed all assets identified in its verification exercise as being managed by the institution since 1990.

2. Has the TEC declared, or is the TEC aware, that no other TEI has or is likely to claim ownership over any of the assets in question?<sup>3</sup>

**Agree** / Disagree / More Information Required (please circle one)

- VUW confirmed that it has no disagreements with any other tertiary institution over any assets where title transfer is requested. VUW letter of 13 January 2011 refers.

3. What is the status of Treaty of Waitangi claims in the area and is the TEI or the TEC aware of any likely implications of this application being considered further?

Note any issues

- Note that a number of Crown owned university administered properties on the Kelburn Campus are subject to a first right of refusal as part of the Taranaki Whānui Claim Settlement. The right of first refusal, which is effective for 100 years from 9 September 2009, can only be enacted upon sale of the assets and will still result in VUW achieving market value for assets disposed of. The TEC is not aware of any other claims from Iwi or Hapu over any VUW administered Crown properties. **OTS has confirmed this.**

## Notes

1. All assets (with the exception of some leased assets) have been managed by VUW since 1990. This will be subject to a detailed review by Land Information New Zealand and the assessment panel does not need to be assured of this point before an 'in-principle' discussion can be made.
2. There does not appear to be any TEI that has a claim to the use of the land and/or buildings in question although this will be confirmed during the transfer process

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<sup>2</sup> Ownership and management of assets will be determined at a later stage by Land Information New Zealand (LINZ). If the date of ownership is unknown, this should be indicated in the report to Ministers but will not necessarily compromise the application.

<sup>3</sup> This could include individual Crown title assets.

3. A number of Crown owned university administered properties on Kelburn Campus are subject to a first right of refusal as part of the Taranaki Whānui Claim Settlement, legalised by way of the Port Nicholson Block Claims Settlement Act 2009. The right of refusal is effective for 100 years from 2 September 2009. The implications of this will need to be assessed prior to the report going to joint Ministers. The likely outcome is that a caveat will be placed on title stating that if assets are disposed of the Iwi has first right to purchase at market rates.
4. It was noted that (as identified in VUW's application of 14 September 2010), Helen Lowry Hall properties at 321 and 325 Karori Road have been included in the application but to VUW's knowledge there is no title attached to these properties. These assets are managed by a private third party trust (Helen Lowry Hall Board Inc) but are Crown owned. VUW has indicated a willingness to work with all parties to clarify ongoing ownership and control issues. [VUW has confirmed that it is not seeking to transfer the properties at 321 and 325 Karori Road. Their letter of 13 January 2011 refers.](#)

Released under the Official Information Act 1982

2 - Assessment of Ongoing Educational Need	
Overview	The purpose of the educational need test is to ensure that the assets will continue to be used for an educational purpose and/or contribute towards the TEI achieving the objectives outlined in its investment plan.
Primary Assessor	Investment Manager (supported by Investment Team Advisor).
Primary Evidence	Investment Plan, Strategic Plan.
Secondary Evidence	Master Capital Plan and any other documents as determined by Investment Manager.
What an approval looks like	Institutions would receive an approval for this point if they have an agreed investment plan in place which utilises its Crown title assets to achieve Educational Performance Indicators agreed to with the TEC.
What a request for additional information looks like	Additional information will be sought if either (a) the TEC does not have a copy of a TEI's Investment Plan and/or Strategic Plan or (b) if the aims of these two documents do not align with the use of assets being requested.
What a non-approval looks like	Outstanding questions over TEI's continuation (i.e. merger or closure options being considered) or serious concerns about alignment of a TEI's Investment Plan and need for its asset base.
Guidance	<p>Assessors should assess whether the assets are needed for ongoing education provision. The test for this should be based on an investment manager's views as to whether the institution is an 'ongoing educational concern' (i.e. it will continue to function in its current form with no foreseeable 'material' change to its mix of assets). Evidence for this could be taken from Strategic Plans and a subjective assessment from an Investment Manager that the TEI would continue operating with no foreseeable change in provision (such as a merger).</p> <p>If the TEI is likely to sell or change its mix of assets, the second test is concerned with whether the existing land and/or buildings will contribute to the achievement of the objectives as currently articulated in its Strategic and Investment Plans. In this case an investment manager would need to be satisfied that a TEI plans to reinvest any proceeds from asset sales into strategic assets. Alternatively, if assets are to be demolished or substantially transformed, transfer of existing assets will need to be able to assist in the development of strategic assets (i.e. the demolition of a non-fit for purpose building and reconstruction of a new building on the site). An investment manager may need to visit a site or meet with TEI representatives to discuss.</p>

## Educational Need

1. The TEC agrees that the institution will continue to operate in the foreseeable future as a viable educational institution funded by government to implement the aims of the Tertiary Education Strategy through an agreed investment plan.

**Agree** / Disagree / More Information Required (*please circle one*)

- o Assessment panel members noted the difficulty in assessing this aspect of the application due to challenges in aligning the specific use of assets with objectives identified in VUW's strategic and investment plans. The wording and level of assessment has therefore been altered to test VUW as an 'ongoing educational concern'.
- o VUW has provided further information outlining the current and planned future educational use of the assets for which transfer is sought. The information was provided by way of an updated asset verification spreadsheet (received on 17 March 2011) which allocated each land and building asset to an educational purpose. The educational purpose categories were developed by the TEC in liaison with the tertiary education sector. The following table illustrates the educational purposes for which the assets are currently used and for which VUW states they will be used in the future.

Table 1: Crown Assets to be Transferred

Educational Purpose- Current and Future	Area (ha)	Land Book Value 31/12/09 \$000	Building Net Book Value 31/12/09 \$000	Total Values 31/12/09 \$000	Proportion	Notes
Academic space (including dedicated teaching and research space, academic and general support offices)	6.2851	14,682	68,224	82,906	54.50%	Includes total land value of main Kelburn and Karori campuses as is predominant purpose at both sites. Value of individual buildings on each site is attributed to the
Centrally timetabled teaching space (lecture theatres, seminar and tutorial rooms)			6,232	6,232	4.10%	
Student and staff services space, including counselling and sports and recreation, student accommodation etc Of which: Student accommodation	3.9842  3.5348	24,826  23,198	32,565  27,094	57,392  50,292	37.70%  33.05%	Purpose built student accommodation - Weir Hse and Helen Lowry flats - makes \$21,495,000 (43%) of the value of student accommodation properties
Commercial space, including space leased or rented to others, bookshops, cafeteria etc	0.1875	930	359	1,289	0.90%	Future use for this space is identified as academic
Central administrative support	0.0456	137	1,975	2,112	1.30%	



Other considered on a case by case basis (anything not included elsewhere including transition, decanting and vacant space)	0.6524	1,489	752	2,241	1.50%	With the exception of the workshops which remain as other, all other assets identified in this category are identified as having future uses as academic space or student and staff services space.
<b>TOTALS</b>	<b>11.1548</b>	<b>42,064</b>	<b>110,108</b>	<b>152,172</b>	<b>100.00%</b>	

- Over half of the assets (in area and value) requested for transfer are identified both now and in the future as academic space. This is consistent with VUW's strategic goals of improving overall research performance and strengthening its high quality research-led learning and teaching environment. A further significant proportion of the assets by value is devoted to student and staff services. These include general student support facilities with the bulk being made up of student accommodation. In addition to purpose built fully catered accommodation for first year students, the portfolio includes a number of residential properties on individual titles. Student accommodation is seen as a key component of the student experience and as a tool for the recruitment, retention and performance of students and researchers. VUW's supply of beds, as a proportion of EFTS compares favourably with other universities.
- In 2010 VUW developed a student accommodation strategy which indicated that accommodation demand from domestic first year students and new international students would continue to grow in the foreseeable future. In each of the last five years there has been a shortfall against demand, averaging 535 beds. It is noted that VUW research shows that academic performance is better from students from outside the Wellington region, and that the provision of student accommodation is a key factor in out of town students enrolling at the institution. The strategy recognises that the portfolio of houses currently operated as University Hall is a large value asset with significant deferred maintenance and unrealised potential for beds. Many houses are poorly configured and have structural constraints which make normal refurbishment expensive and ineffective.
- VUW considers that the transfer of those residential assets in Crown ownership, together with a pool of university owned residential sites, will enable it to consider a longer term higher impact strategy to optimise bed potential while minimising capital requirements. The strategy recommends reviewing the status of assets previously identified as non strategic/inefficient to determine whether they can be redeveloped or sold, investigating in detail options to intensify site development and running an EOI campaign to determine whether property market participants can devise an innovative option for consideration to address longer term bed demand.
- The TEC agrees that, on the basis of VUW's strategic planning, the assets will support on-going educational purposes. An independent Land Information New Zealand (LINZ) accredited supplier has verified the current use of a sample of the assets representing each educational purpose as submitted on the asset verification spreadsheet. Their report notes that the assets inspected are fully utilised and appropriate for the future uses identified.

- The TEC considers that there are no matters of national educational interest that would be served by retaining any assets under VUW's management in Crown title.
- It was noted that VUW has its own strategic disposal and development plan identified in its Strategic Capital Asset Management plan which was reviewed during this assessment.
- The TEC will include specific evidence for this point from the content's of VUW's strategic and investment plans. [See above.](#)

## Notes

1. There do not appear to be any ongoing questions about VUW's continuation. A key consideration for the investment team (and the wider assessment panel) is whether the strategic objectives outlined by VUW in various planning documents are aligned with the use of its Crown title assets. [See above.](#)
2. The investment manager may seek a meeting with individuals at VUW to discuss, possibly combined with a visit and walk around the campus (recommended). This could occur following an in-principle decision to approve an application. [Following further discussion with The Treasury it was agreed that a sight inspection to confirm the educational use of the assets to be transferred be undertaken by a third party prior to the recommendation to Ministers.](#)
3. Darroch, the LINZ accredited supplier that will undertake the PWA transfer processes for the Ministry of Education was asked to undertake this inspection. The TEC selected the sample to cover all educational uses identified by VUW as follows:

Land/building	Educational Purpose	Value \$000	Proportion of total value of land and buildings for that purpose
Murphy	Academic space	22,495 (Bld)	27%
6 Kelburn Parade	Academic space	624	0.75%
Karori Theatre	Centrally Timetabled teaching	1470 (Bld)	24%
Te Herenga Waka Marae	Student and staff services	351 (Bld)	0.6%
Alan Ward Hall	Student and staff services	2526 (Bld)	4.5%
71 Fairlie Tce (Childcare centre)	Student and staff services	329	0.6%
4 houses/sites in either Fairlie Tce, Landcross St or Adams Tce which are representative of houses that have been refurbished, houses that have been designated as opportunity for higher intensity development, sites that are adjacent to university titled property	Student and staff services (Accommodation)	2100 (4 x 525 (av))	3.7%
29 Campbell St	Commercial space	660	50%
14,16or 18 Kelburn Pde	Central Admin Support	500 (Bld av)	24%
Grassed area to the North of School; of Music	Other	507 (Land)	23%

[In the event only three houses used as student accommodation were fully inspected. A number of others were viewed from the outside.](#)

## General Notes

1. It was noted that the educational assessment in some (particularly ITP) applications may be influenced by concerns of national interest where an ITP administers Crown title assets used as hubs for regional educational delivery. The assessment panel will work together on future applications to ensure that matters of national interest are sufficiently assessed as part of any educational need test.

Released under the Official Information Act 1982

3 - Assessment of Capital Asset Management Integration	
Overview	The purpose of the CAM test is to ensure that the TEI's wider portfolio of assets is being managed according to relevant industry and government standards to ensure service level requirements are being met and the asset base is sustainable in the long-term.
Primary Assessor	TEIFM Analyst/Investment Manager/Advisers with CAM knowledge.
Primary Evidence	Asset Verification Document, CAM Asset Purchasing Intentions Report, CAM Improvement Plan based on independent assessment
Secondary Evidence	TEI's Strategic Plan, Investment Plan and any other documents as determined by TEIFM Analyst/Investment Manager/Adviser.
What an approval looks like	<p>Institutions would receive an approval if they have:</p> <ul style="list-style-type: none"> <li>○ Provided asset purchasing intentions information to the TEC.</li> <li>○ Verified the Crown Assets under their management to a level which allows the TEC to identify assets at an individual level (i.e. certificate of title information, address, valuation etc).</li> <li>○ Submitted a copy of a CAM Improvement Plan to the TEC which outlines current and planned CAM performance against an agreed standard and possibly developed an asset management plan.</li> </ul>
What a request for additional information looks like	If any of the information above has not been submitted or it is not of a standard normally expected of a TEI.
What a non-approval looks like	If a TEI is unable or unwilling to provide any of the required CAM information to support its application.
Guidance	A prerequisite for any transfer or disposal of Crown assets is that the TEI obtains an independent assessment of its capital asset management systems and improvement plan related to its capital asset management systems. At minimum this independent assessment will look at a TEI's CAM systems against the TEI CAM Standard. The TEC can approve a TEI's Crown asset transfer in principle and subject to the development of an improvement plan if one has not been prepared.

## CAM Integration

1. The TEC agrees that the TEI has, or is about to have, an identified and appropriate level of capital asset management practice to enable it to effectively and efficiently manage its portfolio of assets.

**Agree** (in principle subject to a review of capital asset management practices at VUW) / Disagree / More Information Required (*please circle one*)

The assessment panel noted the existing asset management practices at VUW are of a high standard. This was evidenced through the contents of an existing strategic asset management plan. The assessment panel also noted that VUW has complied with the aspects of this assessment related to submitting capital intentions reporting to the TEC and verification of Crown title assets managed by the institution.

However the assessment panel noted that the existing application required an independent and expert review and assessment of its capital asset management systems. This review could occur alongside the processing of any asset transfer and could be made a prerequisite of any approval. Therefore the assessment panel agreed to an 'in-principle' approval related to this aspect of the assessment subject to the TEC working with VUW to develop a fit for purpose external review of capital asset management systems and practices along with the development of an improvement plan to be shared with the TEC.

## Notes

1. VUW's CAM systems are currently of a high standard relative to other universities. However it is recommended that a prerequisite of any transfer be an independent review of CAM systems and practices.
2. Note that Facilities managers at VUW and other TEIs have previously suggested that an external CAM review be undertaken in each university. There is still support from Universities for this to be completed.
3. Working with VUW will allow us to obtain an objective and independent fit for purpose scope for reviewing CAM systems and processes in the university sector. This fit for purpose scope could then potentially be endorsed by Universities NZ and rolled out to other universities. CAM reviews in universities would serve the dual purpose of fulfilling CAM requirements for Crown asset transfers plus likely Treasury requirements for CAM assurance for all capital intensive Crown agencies.

4 – Assessment of Financial Risk	
Primary Assessor	TEIFM Analyst/Investment Manager.
Primary Evidence	3-Year Forecast Financial Information, FMF Rating.
Secondary Evidence	TEI's Investment Plan and any other documents as determined by TEIFM Analyst/Investment Manager.
What an approval looks like	<p>Institutions would receive an approval if they have:</p> <ul style="list-style-type: none"> <li>○ A low or moderate FMF risk rating.</li> <li>○ A high FMF risk rating which is improving, the TEC has confidence in financial projections and the Investment Manager is confident the TEI's financial position is improving.</li> </ul>
What a request for additional information looks like	If the TEI has not submitted its most recent financial report to the TEC (refer to annual reporting calendar) and/or the TEIFM Analyst requests updated financial information.
What a non-approval looks like	If the financial performance of the institution is of sufficiently high risk that it presents a significant risk to the Crown's assets following transfer. If a TEI is in this position a transfer <u>could</u> be considered as part of a recovery plan that includes a statutory intervention.
Guidance	<p>Does the TEI meet the expected levels of performance for financial viability and sustainability? A current FMF High Risk rating is generally considered to be a significant risk. However, TEC judgements may be made on a case-by-case basis that may differ from this principle. It will be necessary for a more detailed assessment of the nature of the risk to be undertaken by TEIFM.</p> <p>Other considerations where a transfer may not be recommended include:</p> <p>Does the TEI have a statutory intervention in place/or had one recently?</p> <p>Is a merger being considered for this TEI?</p> <p>Is a closure being considered for this TEI?</p>

## Financial Risk

1. The TEC agrees that the financial performance of the institution is of a sufficient level that it will not present a significant risk to the Crown following the transfer of the assets.

**Agree** / Disagree / More Information Required (*please circle one*)

- o The assessment panel noted that the TEC had no concerns about the financial viability or sustainability of VUW as evidenced through historical financial accounts plus VUW's low/moderate risk rating as evidenced through the TEC's Financial Monitoring Framework.

## Notes

1. VUW current risk rating is low/medium according to the TEC's financial monitoring framework. The TEC has no material concerns regarding VUW's financial viability or ongoing financial sustainability.

Released under the Official Information Act 1982

5 - Assessment of Ongoing Educational Risk	
Overview	The purpose of the educational test is to ensure that the institution is of a sufficient level that it is not likely to be subject to intervention or closure that could present a significant risk to ongoing Crown ownership of the assets.
Primary Assessor	Investment Manager (supported by Investment Team Advisor).
Primary Evidence	Investment Plan, Strategic Plan, Most recent EPIs and SDR return.
Secondary Evidence	Any other documents as determined by Investment Manager.
What an approval looks like	Institutions would receive an approval against these criteria if they have an agreed investment plan in place which utilises its Crown title assets to achieve educational KPIs agreed to with the TEC.
What a request for additional information looks like	Additional information will be sought if either (a) the TEC does not have a copy of a TEI's Investment Plan and/or Strategic Plan or (b) if the aims of these two documents do not align with the use of assets being requested.
What a non-approval looks like	<ul style="list-style-type: none"> <li>○ Outstanding questions over TEI's continuation (i.e. merger or closure options being considered) or serious concerns about alignment of a TEI's Investment Plan and need for its asset base.</li> <li>○ Serious concerns about a TEI's educational performance as evidenced by its EPIs and SDR returns.</li> </ul>
Guidance	<p>The assets should contribute towards the TEI achieving objectives outlined in its investment plan and, where applicable, its strategic plan.</p> <p>Use the educational performance indicators set by TEC &amp; commitments as agreed in the TEI Investment Plan as your guide in this section.</p> <p>Investment Plan commitments (related to educational performance) and alignment with the TES need to be reviewed.</p>



## Educational Risk

1. The TEC agrees that the educational performance of the institution is of a sufficient level that it is not likely to be subject to intervention or closure that could present a significant risk to ongoing Crown ownership of the assets.

**Agree** / Disagree / More Information Required (*please circle one*)

- It was noted that the TEC has no concerns related to educational concerns at VUW impacting on its viability and hence the ongoing Crown interest in land and buildings administered by the institution. The assessment panel noted that it would evidence this point by reference to performance linked funding models plus reference to educational performance indicators.

## Notes

1. There do not appear to be any questions about educational risk factors for VUW. A key consideration for the investment team (and the wider assessment panel) is whether VUW's EPIs are in-line with TEC's expectations.

## Assessment documents

The TEC has referred to the following documents in its assessment

Supporting documents	New document supplied with this application (please tick)	Existing document supplied to TEC (please tick)	Date received or version number (please complete)
Application from TEI	✓		14/09/10
CAM reporting to TEC		✓	30/06/10
3 year financial statement forecast		✓	May 2010 May 2011
Asset verification spreadsheet including certificate of title information	✓		14/09/10 17/03/11
Strategic Capital Asset Plan	✓		14/09/10
TEI Strategic Plan		✓	On file
TEI Investment Plan		✓	On file
Other <sup>4</sup>	✓		08/06/11

## Overall recommendation from assessment team

The TEC recommends in principle that the application to transfer Crown title assets be (tick one) subject to a detailed review of title by Land Information New Zealand and any other additional information being obtained as identified in this form:

- Approved
- Declined
- Further information required

<sup>4</sup> Student Accommodation Strategy, May 2010 – Executive Summary  
Student Accommodation Strategy Update, 2 August 2010

#### Guidance

If all sections of the application satisfy the criteria, then the application should be recommended for approval in principle (subject to detailed assessments undertaken by MOE etc).

If areas of the application have not been completed to a satisfactory standard or are unclear, then the TEI may be asked to provide additional information or an investment manager may need to visit an institution.

Any areas of concern the TEC has with the application should be included with the justification. Where there is an intervention, merger or closure being considered, additional comments may need to be made.

Released under the Official Information Act 1982