

Hātepe Kaimahi

Poipoi – Kauawhi – Tāuteute – Pūnaha Auaha – Ārahi
 Nurture – Include – Engage – Innovate – Lead

What guides us

Living Te Tiriti o Waitangi
 Ensuring ākonga are at the centre of everything we do
 Delivering high-quality, future-focused teaching and learning

FIXED ASSETS

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Sponsor	: Deputy Chief Executive Systems and Support
Owner	: Manager Finance
Who are these procedures for	: All kaimahi

This hātepe supports the [Financial and Human Resources Delegations Governance Policy](#) approved by the Board of Trustees.

Purpose and scope

1. This hātepe provides guidance on how Te Aho o Te Kura Pounamu (Te Kura) manages and accounts for Property, Plant, and Equipment (PPE), and intangible assets (collectively referred to as Fixed Assets).
2. This hātepe applies to all Te Kura Kaimahi, as defined below.
3. Everyone covered by this hātepe, regardless of their role, must consistently adhere to all Te Kura policies and comply with New Zealand laws.

Delegated authorities

4. Decisions about the purchase, disposal, and management of Fixed Assets must comply with the [Financial and Human Resources Delegations Governance Policy](#).

Definitions

5. In this hātepe, unless the context requires otherwise:

Term	Definition
Capital Expenditure	Includes the: <ul style="list-style-type: none"> • acquisition of land; • acquisition, extension, modification, or refurbishment of a building; • acquisition of a piece of equipment; • acquisition or development of an IT system or application.
Capitalisation Threshold	The level at which Capital Expenditure is capitalised as a Fixed Asset.
Depreciation & Amortisation	The amount that the value of a Fixed Asset is reduced by, to reflect the decreasing value over its Useful Life.
Finance Lease	A lease that transfers substantially all risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Term	Definition
Fixed Assets	Defined as: <ul style="list-style-type: none"> assets with an expected Useful Life more than one year (i.e. a non-current asset); assets not intended for resale or to be used as a material in the construction of an asset intended for resale; items of property, plant, and equipment; software licences with and indefinite life; and items leased to Te Kura (Leased Assets).
Generally Accepted Accounting Practices (GAAP)	Primarily, accounting standards issued by the External Reporting Board (XRB) and the New Zealand Accounting Standards Board (NZASB) that set out recognition, measurement, presentation, and disclosure requirements for financial reporting.
Kaimahi	Staff member, including permanent, fixed-term, temporary, and seconded employees, as well as volunteers and contractors engaged by Te Kura, regardless of whether they work full-time, part-time, or casually.
Operating Lease	Any lease that is not a Finance Lease.
Useful Life	The period during which an asset is expected to be available for use by Te Kura; or the total number of production units or similar outputs Te Kura expects to obtain from the asset.
Work in Progress (WIP)	The cumulative costs in constructing or acquiring an asset that will be capitalised when that process is complete.
Frequently used terms, including Te Reo Māori, can be found here .	

Policy statements

- Te Kura, as a distance school under the Education and Training Act 2020, must comply with the Crown Entities Act, Public Finance Act 1989, and GAAP.
- This hātepe aligns with legislation, accounting standards, and the Board of Trustees' (Board) statement of significant accounting policies contained in the Te Kura Annual Report. PBE IPSAS 17 Property, Plant, & Equipment and PBE IPSAS 31 Intangible Assets prescribe the accounting treatment for Fixed Assets.

Considerations when making a purchasing decision

- Before making a purchase or financial commitment you must know:
 - any Government Procurement Rules that apply to your purchasing decision;
 - whether the intended purchase is Capital Expenditure, operating expenditure, or both;
 - whether the Board has approved the Capital Expenditure in the annual capital plan; and
 - who has the financial delegation to approve the decision.
- If you are unsure about any of these questions, you must not approve the purchase or financial commitment.
- For guidance on financial delegations, contact Accounts@tekura.school.nz.
- For support with Government Procurement Rules, contact Procurement@tekura.school.nz.

Accounting for Capital Expenditure

Types of expenditure

12. At Te Kura we use the words purchase, expenditure, and cost interchangeably. These words indicate that an authorised person has made a commitment to purchase goods or services on behalf of Te Kura.
13. There are two types of expenditure (purchases or costs), Capital Expenditure and operating expenditure.
 - a. Operating expenditure is expensed in the financial year it is incurred. Incurred means the goods or services have been received. Expensed means that the costs are coded (put against) a general ledger expense code
 - b. Capital Expenditure may be expensed in the financial year it is incurred or coded to the Balance Sheet and expensed (depreciated or amortised) over the financial year it was incurred and future financial years. The requirement to expense in the current financial year, depreciate or amortise Capital Expenditure over future financial years is explained in this hātepe.

When is expenditure capital in nature

14. For expenditure to be capital in nature (Capital Expenditure):
 - a. it must provide benefits to Te Kura for more than one financial year;
 - b. Te Kura must have control over the item. Control means that Te Kura can determine who uses the item and benefits from the use of the item; and
 - c. the cost or fair value of the item must be known.

When Capital Expenditure becomes a Fixed Asset

15. The process of turning Capital Expenditure into a Fixed Asset is called capitalisation. Capital Expenditure will only be capitalised when:
 - a. the total cost (or fair value) is equal to or above the Capitalisation Threshold; and
 - b. the item is available for use.
16. The Capitalisation Thresholds are approved by the Board and reviewed annually:

PPE Asset class	Cost or fair value excluding GST
Art	\$0
Furniture & fittings	\$700
IT equipment	\$700
Leasehold improvements	\$5,000
Library materials	\$0
Motor vehicles	\$0
Plant & equipment	\$700

Intangible asset class	Cost or fair value excluding GST
Acquired software	\$5,000
Internally generated software	\$5,000

17. Where Capital Expenditure is below the Capitalisation Threshold it is expended in the same way as operating expenditure.
18. Where an item's cost meets the Capitalisation Threshold, the total cost cannot be divided—such as by splitting invoices, to classify it as an expense.

Categories of Fixed Assets

19. There are two Fixed Asset types:
 - a. physical items, referred to as Property, Plant, & Equipment, or PPE. PPE is split into the following classes:
 - i. art
 - ii. IT equipment
 - iii. furniture & fittings
 - iv. leasehold improvements
 - v. library materials
 - vi. motor vehicles
 - vii. plant and equipment; and
 - b. items that are not physical, referred to as intangible assets. There are two classes of intangible assets:
 - i. acquired software
 - ii. internally generated software.

Work in Progress (WIP)

20. WIP is Capital Expenditure that is yet to be capitalised as a Fixed Asset. All WIP meeting the Fixed Asset recognition criteria must be capitalised when the asset is available for use.
21. An intangible asset that is not available for use (for example, where there is a WIP balance for an intangible asset), must be impairment tested annually.

Depreciation and Amortisation

22. Fixed Assets are depreciated for PPE or amortised for intangible assets at rates that systematically allocate their cost (or valuation) over their Useful Life, down to their estimated residual value.
23. The Board has approved the following useful lives and corresponding straight-line depreciation or amortisation rates:

PPE asset class	Estimated life	Depreciation rate
Art	Indefinite	Not applicable
Furniture & fittings	5 years	20%
IT equipment	3 – 5 years	20% – 33%
Leasehold improvements	5 years	20%
Library materials	5 years	20%
Motor vehicles	5 years	20%
Plant & equipment	10 years	10%

Intangible asset class	Estimated life	Depreciation rate
Acquired software	3 – 10 years	10% – 33%
Internally generated software	3 – 10 years	10% – 33%

24. There is an exception to the Useful Life rule:

- a. Leasehold improvements, which are depreciated over the lesser of five years or the unexpired period of the lease.

25. Kāinga managers will need to consider any Depreciation and Amortisation charges in their business case.

26. Kāinga managers who have delegated authority to make capital purchases will need to consider any Depreciation and Amortisation charges in their purchasing decision.

Enhancements, repairs, maintenance, and minor Capital Expenditure

Enhancements

27. Where an enhancement is made (or subsequent costs incurred) to an existing Fixed Asset, the cost of the enhancement is known; and:

- a. results in a material improvement in functionality of the item and the benefits received by Te Kura; and/or
- b. it extends the Useful Life of the Fixed Asset

the enhancement will be regarded as Capital Expenditure. Where the enhancement does not meet these conditions, it will be regarded as operating expenditure.

Maintenance

28. Maintenance to an existing Fixed Asset is regarded as operating expenditure. Maintenance means scheduled and/or ad hoc work, that is reasonably foreseeable, to maintain the original functionality and/or the existing Useful Life of the Fixed Asset.

Repairs

29. Repairs resulting from intentional or unintentional damage, may be regarded as either capital or operating expenditure. Where the cost of repair is known and it:

- a. results in the replacement of the existing Fixed Asset; or
- b. results in a material improvement in functionality of the item and the benefits received by Te Kura; and/or
- c. it extends the Useful Life of the Fixed Asset

then the repair will be regarded as Capital Expenditure. Where the enhancement does not meet these conditions, it will be regarded as operating expenditure.

Minor Capital Expenditure

30. Minor Capital Expenditure means the total costs of the Capital Expenditure is less than the Capitalisation Threshold. Minor capital Expenditure is expensed in the same way as operating expenditure. An enhancement or repair may be regarded as minor Capital Expenditure.

Impairing Fixed Assets and Work in Progress

31. PPE held at cost with a finite useful life are reviewed for impairment at each balance date or whenever events indicate that the carrying value may not be recoverable.

32. Artwork is recorded at fair value based on current market conditions. A formal valuation is conducted every five years, with an annual impairment review.
33. Intangible assets with an indefinite Useful Life are not amortised but are tested annually for impairment.

When to impair

34. A Fixed Asset may be fully or partially expensed (impaired) if:
 - a. it is no longer in use, or its usage has significantly decreased;
 - b. it has been lost or stolen;
 - c. it has been sold, or there is an intention to sell; or
 - d. its Useful Life is expected to be significantly reduced.
35. WIP may be fully or partially expensed if:
 - a. a decision is made to discontinue the project before it becomes operational; or
 - b. the expected benefits of the expenditure are significantly reduced.
36. For disposals or write-offs of Fixed Assets or WIP, the Asset Disposal Form must be completed and submitted to the Manager Finance, for review.
37. Disposal of computer equipment must follow the process outlined in the [Disposal of Computer Equipment Hātepe Kaimahi](#).

Guidance for individual Fixed Asset classes

38. General rule for capitalisation:
 - a. Apply the 'but for test' – but for this activity this cost would or would not have been incurred. For example, the Manager Finance's salary cannot be capitalised as a part of a new accounting system project as there is no relationship between the project and this cost.
 - b. Overheads are not generally capitalised.
 - c. Preparatory costs, including scoping work, feasibility studies, tenders, etc cannot be capitalised.
 - d. Ancillary costs, including training, publicity, relocation costs, koha, opening events, morning teas, celebrations, etc cannot be capitalised.

Land and buildings

39. The Board may not acquire an interest in land, or any licence to occupy any land or premises, without the consent of the Minister¹.
40. Te Kura recognises the cost of a notional lease for land and buildings provided by the Crown as a non-cash expense, with the same number recognised as revenue.
41. The Ministry of Education's 5-year and 10-year property plans require Te Kura to carry out capital works projects at Portland Crescent, Wellington. As the buildings and surrounding property belong to the Ministry, these capital works are not considered Te Kura assets. All costs incurred in implementing these projects will be reimbursed by the Ministry. No expenses related to the capital works projects will be capitalised.

¹ Section 160 Education & Training Act 2020 – the Minister has delegated this power to the Secretary of Education.

Intangible assets

Curriculum resources

42. The Ministry of Education may from time to time refresh the New Zealand Curriculum. This incurs costs related to employees and contractors who review, update, or develop new curriculum resources. These costs are capitalised when they meet the criteria outlined in PBE IPSAS 31 Intangible Assets.
43. For new curriculum resources, all backfilled employee costs and any other directly attributable costs are capitalised as intangible assets.
44. As part of the curriculum refresh, existing resources are reviewed to determine the extent of their reuse:
 - a. If more than 50% of an existing resource is retained, the associated writing costs are treated as an operating expense.
 - b. If less than 50% of an existing resource is retained, backfilled employee costs and contractor costs are capitalised as an Intangible Asset, provided the time spent is directly attributable to developing new curriculum resources.

Software acquisitions and development

45. Acquired computer software and licences are capitalised based on the costs incurred to acquire and bring into use the specific software.
46. Costs that are directly associated with the development of the software for internal use are recognised as an intangible asset. Direct costs include the cost of services, software development employee costs, and an appropriate portion of relevant overheads.
47. Costs associated with maintaining computer software and staff training costs are recognised as an expense when incurred.
48. Costs of software upgrades or updates are only capitalised when they increase the usefulness or value of the software.
49. Costs associated with the development and maintenance of the website are recognised as an expense when incurred.

Software as a Service (SaaS)

50. Where a contract only provides the right to receive access to use the supplier's application, software should be accounted for as a service contract.
51. An intangible asset for a software licence in a cloud-computing arrangement should only be recognised if there is control of the application software. The majority of the following control criteria must be met for software when it is not hosted on a Te Kura cloud environment:
 - a. Does Te Kura have a contractual right to possession during the hosting period without significant penalty? Does Te Kura have intellectual property rights to the software code?
 - b. Is it feasible for Te Kura to run the software on our own hardware or contract another party unrelated to the supplier to host the software?
 - c. Will Te Kura obtain economic benefits or service potential (for example, aid Te Kura to meet its objectives) from the use of the software and can Te Kura control this? Note software that has been customised is likely to provide service potential, however it is our ability to control this that is key. Will the application only be used by us meaning Te Kura has control, as we can restrict use of the software.
 - d. Is Te Kura responsible for updating the software? Does Te Kura have the rights to make decisions about whether to update the software.

52. It is not necessary to answer 'yes' to all control questions but for Te Kura to be able to demonstrate control over the software code itself and recognise a software asset, most control questions should be met.
53. For further guidance see The Treasury's [Guidance on Accounting for Software as a Service \(SaaS\)](#).
54. SaaS is a complex area, contact Finance before entering a contract to establish the correct accounting treatment.

Leased assets

55. Acquisitions of leased assets must adhere to the same procedures as the outright purchase of assets even though leased assets are not capitalised.
56. The manager responsible for the relevant business unit (facilities, IRG, etc.) is responsible for monitoring/tracking all leased assets in their respective areas.

Finance Lease

57. Entering a Finance Lease is included in the definition of borrowing money under the Education & Training Act 2020². A kāinga manager must not enter a Finance Lease (borrow money) under any circumstance, irrespective of the value of the lease arrangement, without written Board approval.
58. A Finance Lease exists when Te Kura owns the asset or has the use of the asset for most of its Useful Life. The following may indicate a Finance Lease:
- a. the lease transfers ownership of the asset to Te Kura by the end of the lease term
 - b. Te Kura has an option to purchase, at a discount, the leased asset
 - c. the lease term is for most of the leased asset's life
 - d. the present values of the lease payments are the same or similar to the fair value of the leased asset
 - e. the leased asset is of such a specialised nature that only Te Kura can use it without major modifications
 - f. Te Kura can extend the lease at a cost that is substantially lower than the market rate.

Operating Lease

59. An Operating Lease is any lease that is not a Finance Lease. An Operating Lease is not Capital Expenditure and is expensed in the financial year it is incurred.

Lease incentive

60. A lease incentive may be provided to encourage Te Kura to take up the lease. These incentives could include a rent or payment free period, cash payment, or fit out.
61. Where Te Kura is provided with a lease incentive, it is not treated as a Fixed Asset but is recognised as a rebate to offset the rental expense over the period of the lease.

Seek advice before entering a lease

62. Given the Education & Training Act requirements, and the complexity of this area, kāinga managers should request assurance from Finance before entering a lease.

² Section 155 & 156 Education & Training Act 2020.

Fixed Asset verification and management

63. All assets must be:

- a. properly maintained and kept in good working condition;
- b. physically secure to prevent loss or damage; and
- c. appropriately insured.

64. Records must be maintained for each fixed asset, including sufficient information to identify and locate them. Upon acquisition by Te Kura, all fixed assets are assigned an asset number, and, where possible, a location is recorded.

65. All Fixed Assets must be verified to ensure they are properly accounted for. The frequency of the verification and responsibility to complete the work is as follows:

Asset class	Verification period	Responsibility
Art	2 years	Finance Manager
Furniture & fittings	2 years	Senior Facilities Management Advisor
IT equipment	2 years	Chief Information Officer
Leasehold improvements	2 years	Senior Facilities Management Advisor
Library materials	2 years	Manager, Creative Services
Motor vehicles	2 years	Procurement Manager
Plant & equipment	2 years	Senior Facilities Management Advisor

66. The verification process helps determine whether assets require refurbishment, replacement, revaluation, impairment, or disposal. In addition, asset reviews are conducted as follows:

- a. **Quarterly:** Assets nearing the end of their useful lives are assessed.
- b. **Annually:** The residual value and Useful Life of all assets are reviewed at each annual reporting date.

Fraud

67. If you suspect that a fraudulent act may be occurring or may have occurred, you must report this immediately in accordance with the [Fraud Reporting & Investigation Hātepe Kaimahi](#).

Compliance

68. Breaches of this hātepe may be treated as a performance issue, misconduct, or serious misconduct and will be managed in accordance with the Te Kura [Kaimahi Code of Conduct](#) and the relevant employment agreement.

Key accountabilities and responsibilities

Role	Description of responsibility
Chief Executive	Responsible for: <ul style="list-style-type: none"> approval of this hātepe. Te Kura meeting its obligations under this hātepe. ensuring any breaches of this hātepe have been addressed.
Chief Advisor, Strategy	Responsible for: <ul style="list-style-type: none"> ensuring the owners of this hātepe regularly review and meet Te Kura's current standards.
Deputy Chief Executives (DCEs)	Responsible for: <ul style="list-style-type: none"> embedding this hātepe in their wāhanga. ensuring their wāhanga are compliant with this hātepe.
Hātepe Kaimahi Owner	Responsible for: <ul style="list-style-type: none"> ensuring the hātepe is working effectively through regular monitoring and reporting of compliance with the hātepe. ensuring Kaimahi have had the opportunity to receive training on this hātepe, where required. ensuring any breaches of this hātepe have been addressed.
Kāinga Managers	Responsible for supporting Kaimahi and ensuring that any proposed expenditure, decision, or activity within their area of responsibility: <ul style="list-style-type: none"> includes a rigorous approach to the management of operational, financial and human resources. is reasonable, appropriate, justified, and can withstand public scrutiny. complies with the Code of Conduct, all relevant Te Kura policies, and the Financial and Human Resources Delegations Governance Policy. stays within the available budget, whenever financial approval is necessary. is documented correctly, with relevant supporting materials provided.
All Kaimahi	Responsible for: <ul style="list-style-type: none"> complying with the Code of Conduct and all relevant Te Kura policies. reporting any non-compliance with this hātepe to their manager.

Monitoring and assurance

69. The Hātepe Kaimahi Owner has the overall responsibility for monitoring the hātepe for effectiveness and compliance.

Measures of success

70. The hātepe will be considered effective if:

- Hātepe users' feedback on appropriateness and ease of application is positive.
- Reporting is complete and accurate.
- There are no breaches of the hātepe, or if there are breaches, they are dealt with in a timely and appropriate manner.

Compliance management

71. Compliance management tools and processes will be used to ensure compliance with this hātepe. The tools and processes may include:

- a. Monitoring of compliance with required processes, procedures or guidelines as set out in this hātepe and related procedures.
- b. Spot checks conducted by the Hātepe Kaimahi Owner on a regular basis to ensure compliance.
- c. Key messages will be provided to the business where spot checks have identified non-compliance.
- d. Tools such as checklists or online modules to help inform Kaimahi of their relevant obligations.

Reporting and information

72. The Hātepe Kaimahi Owner will report to the Risk Assurance Committee in accordance with the annual assurance plan.

Further support and guidance

73. Additional information that supports this hātepe can be found in:

Policy documents

- a. [Financial and Human Resources Delegations Governance Policy](#)
- b. [Fraud Prevention and Detection Governance Policy](#)
- c. [Fraud Reporting and Investigation Hātepe Kaimahi](#)
- d. [Kaimahi Code of Conduct](#)
- e. [Policy Framework Governance Policy](#)
- f. [Procurement Hātepe Kaimahi](#)
- g. [Protected Disclosure Hātepe Kaimahi](#)
- h. [Te Tiriti o Waitangi Governance Policy](#)

Guidance

- i. [Financial information for schools handbook](#) (Ministry of Education Te Tāhuhu o Mātauranga)

Legislation

- j. [Crown Entities Act 2004](#)
- k. [Crown Entities \(Financial Powers\) Regulations 2005](#)
- l. [Education and Training Act 2020](#)
- m. [Education \(School Boards\) Regulations 2020](#)
- n. [Public Finance Act 1989](#)
- o. [Public Benefit Entity International Public Sector Accounting Standard 12 Inventories \(PBE IPSAS 12\)](#)
- p. [Public Benefit Entity International Public Sector Accounting Standard 13 Leases \(PBE IPSAS 13\)](#)
- q. [Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant, & Equipment \(PBE IPSAS 17\)](#)
- r. [Public Benefit Entity International Public Sector Accounting Standard 21 Impairment of Non-Cash-Generating Assets \(PBE IPSAS 21\)](#)

- s. [Public Benefit Entity International Public Sector Accounting Standard 31 Intangible Assets \(PBE IPSAS 31\)](#)
- t. [Protected Disclosures \(Protection of Whistleblowers\) Act 2022](#)
- u. [Public Records Act 2005.](#)

Approved by Te Rina Leonard, Chief Executive, Te Aho o Te Kura Pounamu