



28 April 2021

New Zealand Accounting Standards Board
PO Box 11250
Manners Street Central
Wellington 6142
cc: angela.ryan@treasury.govt.nz

Tēnā koe

Request for Information – Concessionary leases and other arrangements similar to leases

Thank you for the opportunity to submit information relating to concessionary leases and other arrangement similar to leases.

In responding, we have provided an appendix to address the specific questions in the Request for Information

We are giving our consent to publish our submission as part of the NZASB consultation process. Should you have any queries or require clarification of any matter in this letter, please contact me.

Nāku noa nā

Shirley Long
Finance Manager
EIS Finance

T: +6444638343
E: shirley.long@education.govt.nz

Appendix – Seven questions included in RFI

Types of arrangement	Does MOE have any? Yes/No	(a) Describe the nature of these leases (or similar arrangements) and their concessionary characteristics;	(b) Describe the accounting treatment applied by both parties to the arrangement to these types of leases (or similar arrangements), including whether the value of the concession is reflected in the financial statements.
1. Concessionary Leases	Yes	<p>Notional Leases for School’s land and buildings MOE owns and provides the land and buildings to schools to be used for education purpose with no end term. The schools do not pay any rents for this arrangement.</p>	<p>MOE: no accounting entry has been made to the financial statements.</p> <p>Schools: recognise the grant income and rent expenses entries in the financial statements. Both entries are calculated at 8% of the annual land and building valuations.</p>
		<p>Lease of houses to teachers MOE owns houses and provides accommodation to schools/teachers in certain communities under a variety of terms and conditions, including discounted rents and in some cases no end term.</p> <p>Please refer to the website for further details: https://www.education.govt.nz/school/property-and-transport/school-facilities/teacher-caretaker-housing/</p>	<p>MOE: recognise rental income in the financial statements.</p> <p>Schools/teacher: recognise lease expense in the financial statements.</p>
		<p>Peppercorn Leases (MOE as “lessee”) These (26 approximately) are leases with a nil, nominal or a token payment.</p> <p>Various local governments or ‘not for profit’ organisations ‘lease’ their premises to MOE to support communities and education services with varied terms. MOE does not typically pay any rent for these arrangements or pays only a nominal or token amount.</p>	<p>MOE: no accounting entry has been made to the financial statements (other than the cash entry if a nominal amount is paid).</p> <p>Not for profit’ organisations: most likely no accounting entry has been made to the financial statements.</p>

		<p>Sale and lease back of land from Treaty settlements Under the Ministry's Treaty Settlements Property Redress programme, designated land is sold to an iwi and leased back with no specific lease term or termination date; the Ministry can keep leasing the land for as long as it is needed for education purposes (or any other public work) and only the Ministry can end the lease. Also, depending on values attributed to the sale, and the subsequent rental amount, it's possible some of those values and terms may be consider as "below the market".</p> <p>Please refer to the website for further details: https://www.education.govt.nz/school/property-and-transport/leasing-and-hiring/iwi-leased-school-sites/</p>	<p>MOE: Sells of land: de-recognises the land per the carrying value, recognises the cash received and the difference between the selling price and carry value as a gain. Lease: recognises the lease as an operating lease and a lease expense in the financial statements.</p> <p>Iwi: Purchases of land: most likely recognise the land per purchase price, and the cash paid. Lease: most likely recognises the lease as an operating lease and a lease revenue in the financial statements.</p>
2. Leases for Zero or Nominal Consideration	Yes	<p>MOE has the following leases for Zero or Nominal Consideration and the details are described in Question 1 above, Concessionary Leases.</p> <ul style="list-style-type: none"> - Notional Lease for School's land & buildings - Lease of houses to teachers - Peppercorn Leases 	Described above in Question 1, Concessionary Leases.
3. Rights of Access to Property	Yes	<p>MOE has a right of access licence for a strip of land owned by Auckland Council to complete the development/deliver relocatable buildings at/to Target Road School. There are no payments made for this access right.</p>	<p>MOE: no accounting entry has been made to the financial statements. Auckland Council: most likely no accounting entry has been made to the financial statements.</p>
4. Arrangements Allowing Right-of-Use	Yes	<p>MOE has the following leases arrangement which allow the right-of-use for education purpose and the details are described in Question 1 above, Concessionary Leases.</p> <ul style="list-style-type: none"> - Notional Lease for School's land and Buildings - Peppercorn Leases 	<p>The accounting treatments applied by both parties to the arrangements are explained in Question 1, Concessionary Leases. The value of the concession is not reflected in the financial statements.</p>

5. Social housing arrangements with no end term	Yes	MOE provides houses to the school teachers in some communities, as described in Question 1 (above), Concessionary Leases.	The accounting treatments applied by both parties to the arrangements are explained in Question 1, Concessionary Leases. The value of the concession is not reflected in the financial statements.
6. Shared properties with/without a Lease-Arrangement in Place	No	N/A	N/A
7. Other arrangements similar to leases	Yes	MOE leases described above are a mixture of formal and informal arrangements (26 approximately) with various entities and the terms vary widely – for example terms can be monthly, fixed terms like 21 years with perpetual renewal options, or perpetual leases as long as MOE determine they need the property (as is the case with Treaty sales and leasebacks)	MOE: recognise as an operating leases expense if paying the lease, otherwise, no accounting entry has been made to the financial statements. Other parties: most likely recognise as an operating leases income if receiving the lease, otherwise, no accounting entry has been made to the financial statements.