



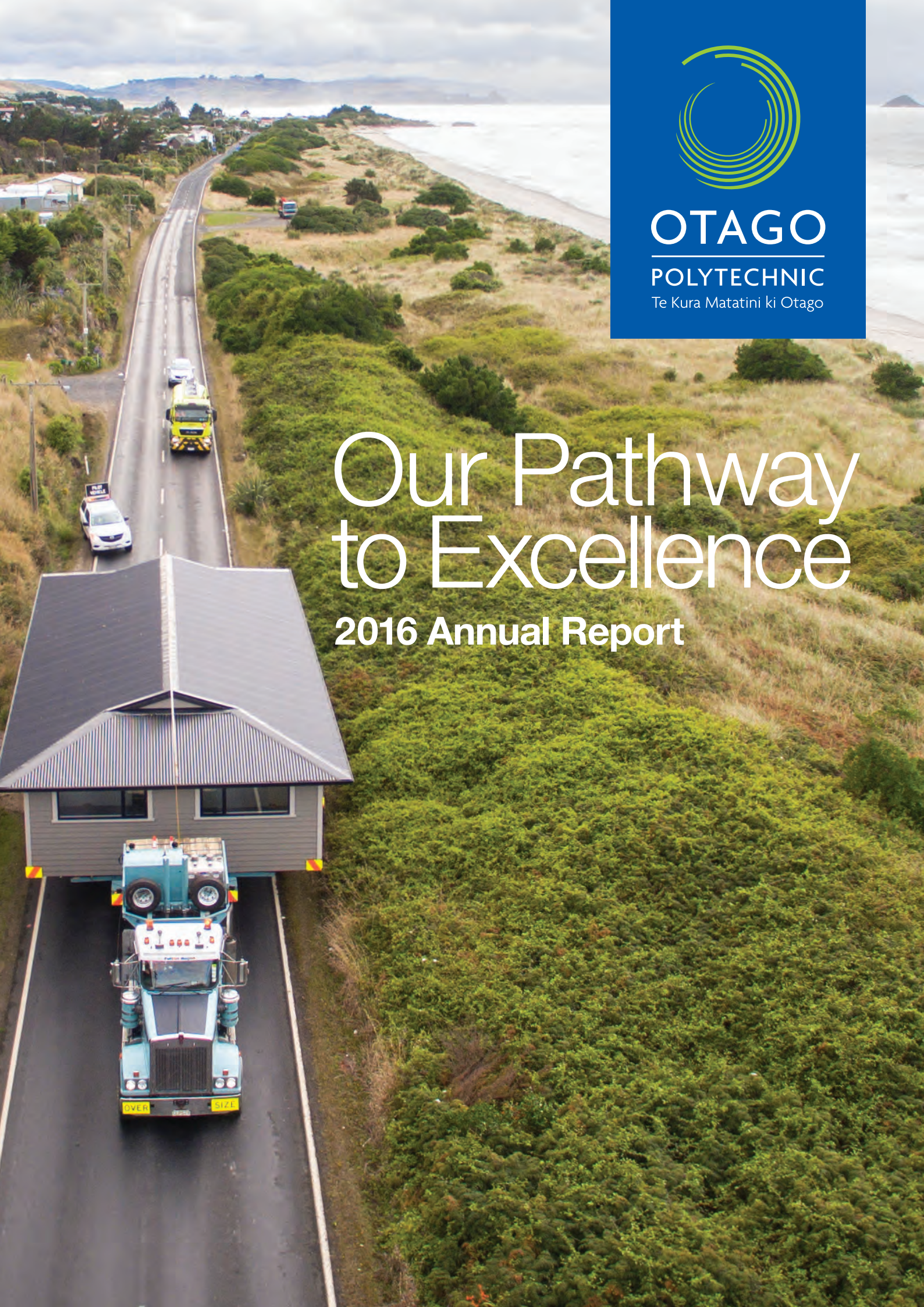
OTAGO

POLYTECHNIC

Te Kura Matatini ki Otago

Our Pathway to Excellence

2016 Annual Report



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Cover photo of the 2016 Charity House en route to its new location at Big Stone Road in Brighton, Dunedin.

Photograph taken by Hayden Parsons.

Our pathway to excellence



7,000+

FULL- AND PART-TIME STUDENTS

4,801

EQUIVALENT FULL-TIME STUDENTS

674

PERMANENT AND FIXED-TERM STAFF

100+

PROGRAMMES, CERTIFICATES TO POSTGRADUATE

3

CAMPUSES IN DUNEDIN, CENTRAL OTAGO AND AUCKLAND

\$78m

IN REVENUE

At Otago Polytechnic, our vision is to be recognised nationally and internationally as New Zealand's leading polytechnic.

In 2016, we proudly celebrated our 50th anniversary. With our roots in Dunedin, the city with New Zealand's richest educational history, we provide inspiring, career-focused education.

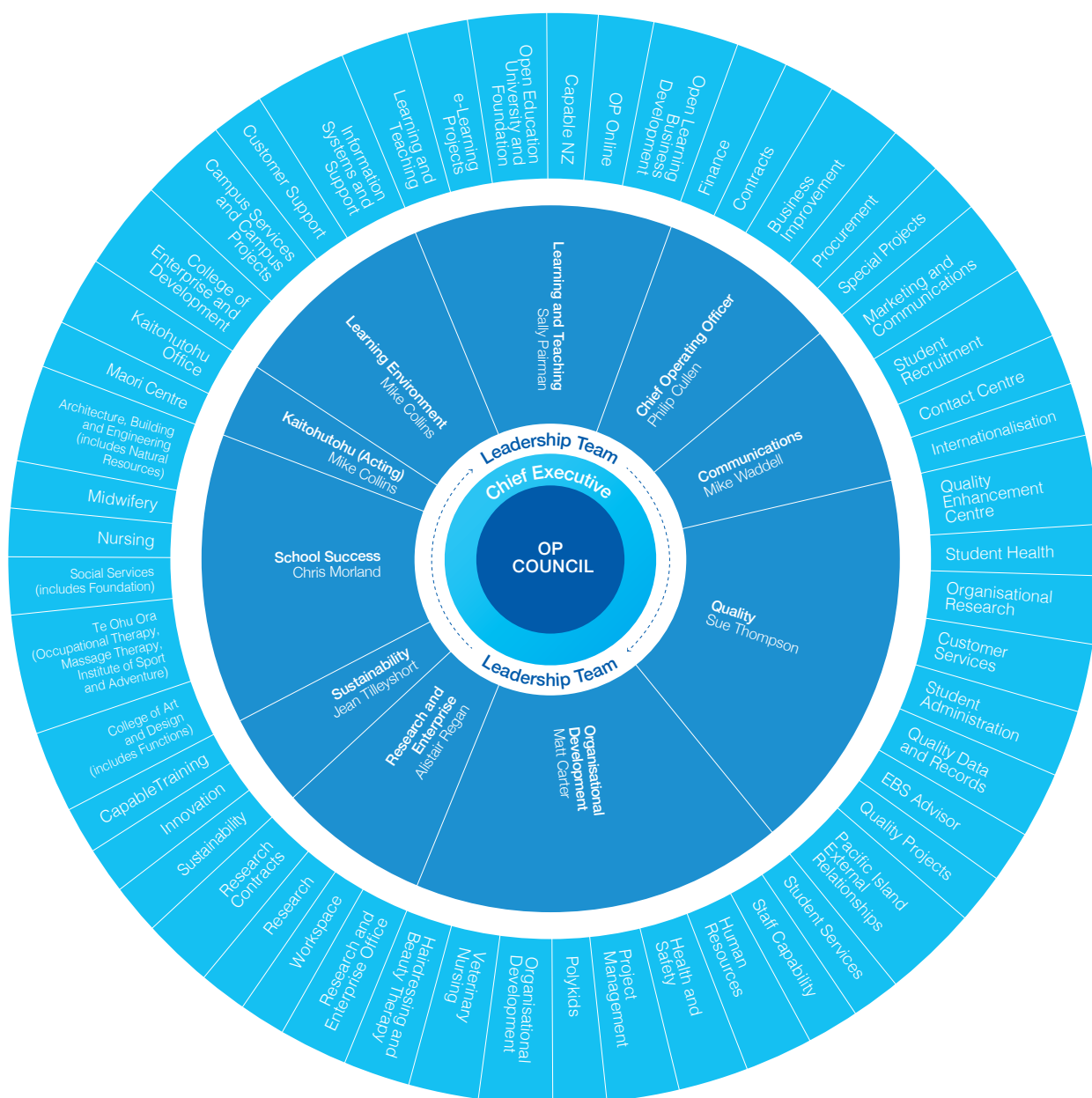
Our efforts make a dedicated contribution to the educational aims of all New Zealand, as expressed in the Tertiary Education Strategy. We have pathways to ensure all members of our community can participate in education and realise their aspirations. We support our learners to improve opportunities for themselves and their families, and contribute positively to our local and national economies.

Our focus is on preparing our graduates well for the sectors they serve – and those that New Zealand needs. We go beyond ensuring our graduates are capable practitioners in their chosen fields, also equipping them to make a real difference to their communities. Through our delivery of experiential education, our graduates become creative and resourceful; and our emphasis on sustainability ensures they understand the wider implications of their personal and professional decisions.

We share our skills and knowledge, undertaking research that matters and supporting and enriching the communities we are part of. Our dedication to sustainability continues to inform the ways in which we teach, how we behave as an organisation and how we extend our influence into the community.

We have received the highest possible endorsement from the New Zealand Qualifications Authority for our educational performance and our ability to assess our own performance. We lead the country's institutes of technology and polytechnics (ITP) sector in course and qualification completions. Our student and graduate satisfaction ratings are consistently high, and 94 per cent of our graduates have moved into work, further study or both.

This report reviews our progress in 2016, and signals the next steps on our pathway to excellence.



Chief Executive
Phil Ker

Council
Kathy Grant (Chair)
Gillian Bremner (Deputy Chair)
John Christie
Chris Staynes
Professor Tom Prebble
Paul Allison
David Higgins
Dr. Peter Coolbear
Mike Horne

Leadership Team
Mike Collins
Philip Cullen
Mike Waddell
Sue Thompson
Professor Sally Pairman
Alistair Regan
Chris Morland
Jean Tilleyshort
Matt Carter

Governance and leadership

Governance and management at Otago Polytechnic are complementary teams that support one another to promote excellence and accountability.

The Otago Polytechnic Council is advised by student and staff sub-committees, and delegates some of its work to standing committees. It has developed a business-wide risk management framework which considers all critical business issues and strategic and operational risks.

Kōmiti Kawanataka

This committee operates within the Memorandum of Understanding established by the Rūnaka of Moeraki, Kāti Huirapa ki Puketeraki, Ōtākou, Hokonui and Otago Polytechnic Council.

It provides a meaningful mechanism for Māori participation in governance and decision making in relation to the Polytechnic's responsiveness to the Treaty of Waitangi and Kai Tahu's education plan. In particular, attention is given to effective communication, developing and monitoring the Polytechnic's Māori Strategic Framework, and ensuring that Kai Tahu (the Kai Tahu perspective), as practised by Kā Rūnaka, is the basis for all Māori activities within the Polytechnic.

Finance and Audit Committee

This committee monitors financial performance and forecast outcomes and makes appropriate enquiries into internal control systems and mechanisms. It has direct involvement in key strategic decisions that affect the financial position of the Polytechnic and has a delegated responsibility to oversee the external and internal audit process.

Executive Committee

This committee is convened by the Council at its discretion and includes the Chair and Deputy Chair, Chairs of Kōmiti Kawanataka and the Finance and Audit Committee.

Leadership Team

The Leadership Team has guided the Polytechnic in pursuit of our strategic goals: however, in 2016 we embarked on a review of our executive and ultimately decided to restructure our highest levels of management to ensure continuing and improved success for Otago Polytechnic. We created and advertised five new Deputy Chief Executive positions which will oversee a total of 13 Directors. This new structure will be in place for 2017 and will ensure we develop and maintain a high performance culture, future-proofing Otago Polytechnic for the years ahead.



LEADERSHIP TEAM 2016

From left to right: Alistair Regan, Phil Ker, Mike Waddell, Sally Pairman, Jean Tilleyshort, Philip Cullen, Matt Carter, Chris Morland, Mike Collins, Sue Thompson.



OTAGO POLYTECHNIC COUNCIL 2016

Back row (left to right): Mike Horne, Dr Peter Coolbear, David Higgins, John Christie
Front row: Chris Staynes, Paul Allison, Kathy Grant, Gillian Bremner

Chair and Chief Executive

2016 was Otago Polytechnic's 50th birthday with much to celebrate both in terms of historical achievements and a very successful anniversary year. The year started with the opening of The Hub, a stunning space well used by both students and staff. We also celebrated the outstanding achievements of 19 former students with our newly instituted Distinguished Alumni awards. The Polytechnic has a proud history of educational achievement, which was maintained in 2016 with overall excellent learner achievement, learner satisfaction and graduate employment.

However, we still have room for improvement, and especially so for Māori and Pacific learners. To this end, we opened our new Māori Centre – Te Punaka Owheo – which is providing enhanced and more focused attention on supporting Māori learner success. We also made significant progress with our “Designing for Learner Success” initiative. This is a bold multi-year initiative focused on the further upskilling of our teaching staff and on redesigning all of our programmes to ensure the most effective learning and teaching strategies are deployed to maximise learner achievement and employability. Good progress was also made on our parallel initiative – Designing for Service Excellence – to ensure more effective service delivery for students and staff.

Otago Polytechnic has a strong reputation for quality and particularly in relation to our teaching. 2016 saw three more of our teachers join the Ako Aotearoa Academy, which is made up of those who receive national Tertiary Teaching Excellence Awards. A total of 18 of our teachers have now been recognised with these awards over the past decade.

2016 was a good year financially, with a surplus of 4.2 per cent which was within our expectations. We note that this includes a non cash movement related to revenue recognition (as part of our Capable NZ delivery) which under generally accepted accounting principles reduces the surplus by \$668k. Otago Polytechnic considers this a timing issue in terms of an annual budget surplus of five per cent. This surplus came on top of significant investment in our two major development initiatives: Designing for Learner Success and Designing for Service Excellence. The

underpinning financial health of the Polytechnic is sound, enabling us to proceed with much needed campus developments. On this front, we commenced our Student Village – a 231 bed facility which will open late in 2017 for the 2018 academic year. While the Polytechnic has been able to offer accommodation to a number of mainly first year students at City College, the new facility will provide a range of accommodation options for Polytechnic students and play a significant role in attracting and retaining students. Planning is also underway for further development at the Dunedin campus and addressing the immediate needs of the Central Otago campus.

Our strong financial position is in part attributable to our considerable success in growing international enrolments, which increased by 32 per cent, exceeding our target of 729 EFTS. Our Auckland International Campus continued to grow at a significant rate, achieving 521 EFTS against a target of 493. Even more significant, was the launch of our Engineering degree in China, in partnership with Dalian Ocean University.

At Otago Polytechnic we strive to be highly future focused and to this end reviewed in 2016 both our strategy and our leadership. This has resulted in new decision-making structures as well as new senior level expertise in business development and educational capability building. A new Executive Team is now in place, replacing a much larger team which served Otago Polytechnic well for 10 years. We are grateful to this team for its contributions and achievements. Our strategy is now more tightly focused on meeting the challenges of a constantly changing global context, on further improving learner achievement and on innovating to meet changing learner needs and societal expectations. One of these innovations is a new micro-credential service, which will be launched early in 2017. This service, a first in New Zealand, will provide for the smaller, just-in-time credentials which are increasingly in demand.

We also take pride in our contributions to our communities as a socially responsible organisation and good corporate citizen. We achieved this through the significant positive

Statement of Responsibility

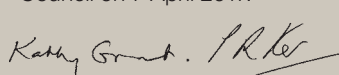
Annual financial report for the year ended 31 December 2016

We hereby certify that:

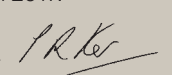
1. The Council and Management of Otago Polytechnic accept responsibility for the preparation of the financial statements and statement of service performance and the judgements used therein; and
2. The Council and Management of Otago Polytechnic accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurances as to the integrity and reliability of financial reporting; and

3. In the opinion of the Council and Management of Otago Polytechnic, the financial statements and the statement of service performance fairly reflect the financial position and operations of this institution for the year ended 31 December 2016.

The financial statements were authorised for issue by Council on 7 April 2017.



K Grant
COUNCIL CHAIR



P Ker
CHIEF EXECUTIVE



P Cullen
CHIEF OPERATING
OFFICER

economic impact (direct and indirect) we made in Otago of \$255m with a further \$32m in Auckland. Through our charity house auction we donated \$100,000 for local charities and in addition there were numerous student projects undertaken with strong community benefits. Our sustainability initiatives have also set strong examples in our region: for example a 15 per cent reduction in waste to landfill and embracing new sustainable timber technologies for our student village – a first for Otago.

We would like to acknowledge the contribution of Chris Staynes whose nine year term as a member of the Otago Polytechnic Council came to an end on 5 August 2016. The Council has benefitted significantly from Chris' contribution to the Council and his business and local government

networks. Darren Evans, the Chief Operating Officer at Calder Stewart, was appointed as a member of the Council following the expiration of Chris' term.

We know that there are many good reasons for our confidence in the future of Otago Polytechnic, as the institution moves in to its sixth decade. This confidence is underpinned by strong educational and financial results, but also by the expertise and dedication of our staff – thank you all for going the extra mile for our Polytechnic. We are also grateful for the confidence shown by, and support from our stakeholders: our communities, Kai Tahu and government agencies. We look forward to an equally successful year in 2017.



Phil Ker
CHIEF EXECUTIVE



Kathy Grant
COUNCIL CHAIR



Our strategy for success



Our aim is to achieve educational excellence, while making a difference to the environment, collaborating with our communities and building organisational resilience. This demands an aligned strategy, interweaving our organisation's **Directions, Needs** and **Actions**.

Be a resilient organisation

- > Further diversity of our revenue base
- > Further improve service effectiveness
- > Strengthen performance excellence processes
- > Improve learning and working environment

- > Establish business development directorate
- > Implement D4SE improvement objectives
- > Grow domestic EFTS
- > Implement next stage of Campus Master Plan

Attract and sustain excellent staff who make a difference

- > Strengthen our culture for improved staff engagement
- > Strengthen leadership
- > Recruit more Māori and Pacific staff

- > Improve communications, especially with off campus staff
- > Further develop Self Leading Teams
- > Address Priority 1 Work Environment Survey (WES) concerns
- > Develop emerging leaders

Achieving educational excellence

Kia tutuki te akoraka hiraka

This goal means: Our learners succeed in their studies; Our learners enjoy an outstanding experience; Our graduates are capable, future-focused and work-ready for self-employment and/or employment; Our graduates can practise sustainably and make a difference to society; Our graduates achieve employment and/or self-employment relevant to their studies.

Highlights

- Ranked first by TEC for qualification completions and first equal for course completions in ITP sector
- Our value to the Otago economy is \$255 million a year, according to our latest Economic Impact Report
- 94 per cent of our surveyed graduates are in work or further study
- 92 per cent of our students are satisfied with Otago Polytechnic
- Our Māori Centre, Te Punaka Owheo, opened providing service and support for Māori, by Māori
- Continued to implement our Designing for Learner Success and Designing for Service Excellence projects.

Pathway to excellence FOR 2017

- Maintain top NZQA rating
- Maintain top TEC ratings for course and qualification completions in ITP sector
- Further improve educational performance with a specific focus on Māori and Pasifika learners
- Further strengthen sustainable practice, experiential learning and learner capability in our curricula
- Support our lowest-performing programmes to improve through our Designing for Learner Success initiative
- Build academic staff capability in learning design
- Extend the Living Campus as a learning resource.

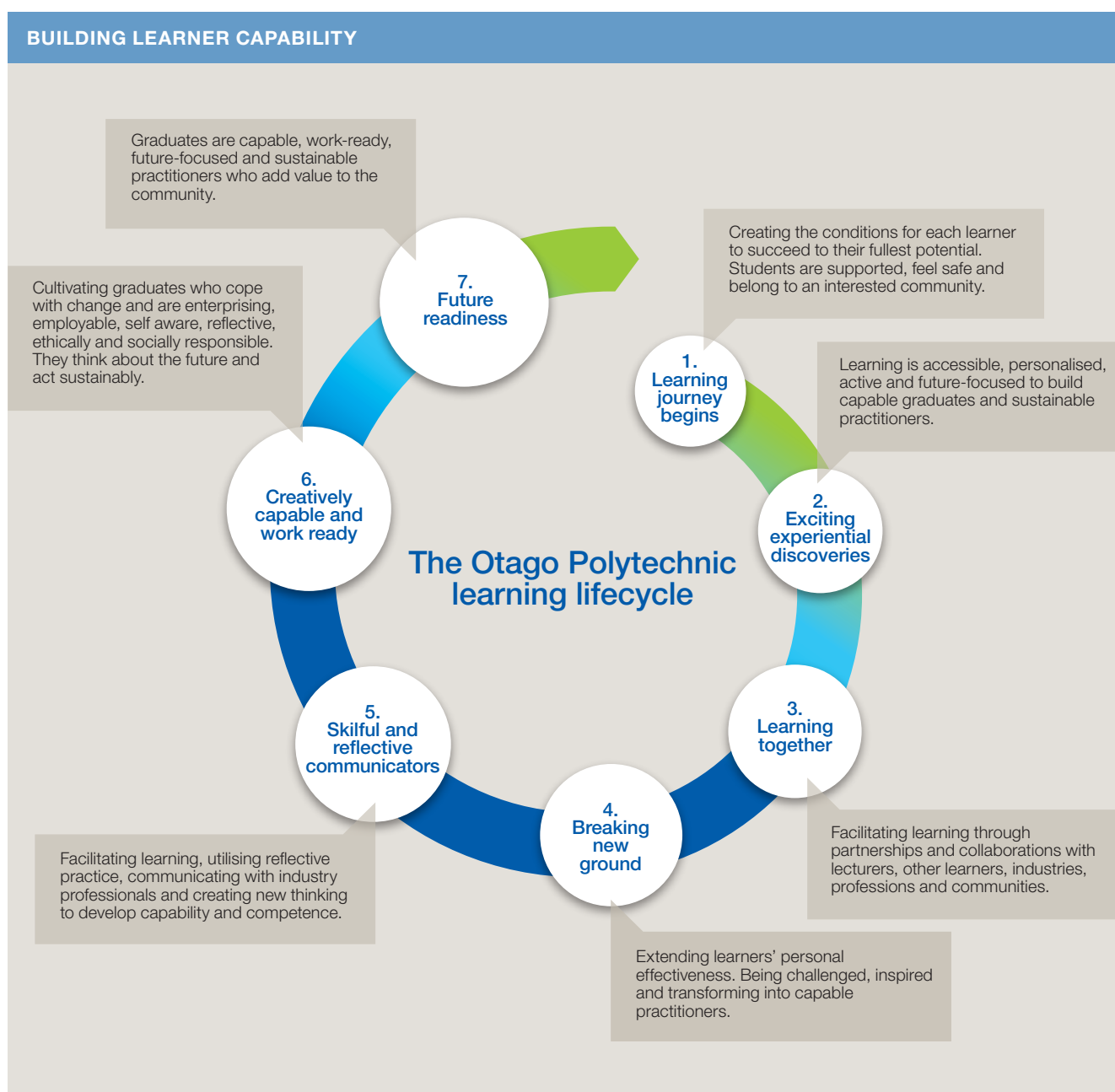
Aspirations

- Māori learner success at least equals non-Māori learner success
- Pasifika learner success at least equals non-Pasifika learner success
- All programmes reach Otago Polytechnic course and qualification completions targets by December 31, 2017
- Continue to implement Designing for Learner Success and Designing for Service Excellence projects to improve learner outcomes
- Further improve success rates for Māori and Pasifika learners
- Strengthen experiential learning in all programmes to enhance employability outcomes
- Grow online elements of blended learning for improved efficiency
- Continue the implementation of our Designing for Service Excellence project
- Streamline applications and enrolments processes
- Strengthen recruitment and retention figures.



Learning life cycles

Guiding our students through a formative time in their lifelong learning journeys is a special privilege. At Otago Polytechnic, they engage in an experiential learning process and emerge as capable, work-ready practitioners.





BUILDING LEARNER CAPABILITY

The learning life cycle of: Victoria Madison

Bachelor of Culinary Arts

After my degree, I've continued to develop Revival Food, holding fast to "great taste, no waste". My compost cookies (made with discarded by-products like vegetable peels and fruit-juice pulp), have been joined by ricotta made from the whey produced at the Evansdale Cheese Factory; flour from spent grains at Emerson's Brewery; and mousse using seconds spears from Palmerston Asparagus. I've started producing food essences, and this year I hope to make liqueurs using windfall fruit from Central Otago, seconds berries and foraged botanicals. I'd also love to collaborate with one of Dunedin's new Syrian residents. I'm hoping she can study at Otago Polytechnic, while we share our food ideas and ideals.

7.
Future
readiness

1.
Learning
journey
begins

Seven years ago, I had left my husband, had two small children, and was working a 70-hour week as a commis chef in Queenstown. Life was hard, but I had a vision. I wanted to study culinary arts and find employment afterwards. Otago Polytechnic appealed because the Bachelor of Culinary Arts offered more than just instruction on how to be a chef. It offered more options in its final outcomes which I found really appealing. I was really scared to leave Queenstown, but the lecturers made the application process easy. I was terrified for the first few weeks – everyone else seemed so clever... and young! But I soon found I had made the perfect choice.

6.
Creatively
capable and
work ready

My final year became about being the first Otago Polytechnic student to hold a stall at the Otago Farmers' Market. To get in, I had to have the best product and a sound business plan. I was determined to fulfil that promise to myself at the beginning of my studies – that I would be employable and work-ready by the time I finished my degree. Otago Polytechnic really helped me achieve that. My business 'Revival Food Company' was accepted, and I'm now up at 4am every Saturday to sell my wares at the market. I wouldn't change it for anything.



2.
Exciting
experiential
discoveries

One of the most powerful experiences I had at the Food Design Institute was a testing event at The Hub. We made products for sale, and it floored me that someone actually wanted to pay for my compost cookies! This gave me such confidence, and slowly I formed the idea of starting my own business. The Test Event was instrumental in my realisation that I didn't have to make fine-dining food – my rustic fare was appealing and desired.

5.
Skilful and
reflective
communicators

All chefs have to reflect on their work. In my degree, I learnt to prototype, make notes, refine, and then try again if it doesn't work. I was taught to constantly tweak my product until it's perfect. I believe cooking is grounded on instinct, but ideas always have to be refined. When I'm working on a prototype, I can be in the kitchen until three or four in the morning. Nowadays, I test my products on family, friends and customers. People are always happy to try something new. Although the kids weren't that impressed with my experiments with crickets and mealworms!

4.
Breaking
new
ground

Throughout my studies, I was encouraged to soul-search: What do I like to produce and why? Sustainability has always been important to me and I soon realised that my cooking focused on that as well. After this 'lightbulb' moment, I researched and experimented with waste minimisation and it soon became my mantra. My food is rustic, heartfelt and sustainable, and that really resonates with my customers. Under the campaign: 'Love food, hate waste', my compost cookies are now in 52 councils around New Zealand. When councils celebrate sustainability, they use my fare in their promotional work.

3.
Learning
together

Collaboration was a huge part of our learning at Otago Polytechnic, and still is. I maintain friendships with people I met on the programme, and I have an ongoing relationship with my lecturers. They're constantly sending me information to help me in my business – like new research, conferences, or introductions to like-minded companies. I realised early on in my studies that you can't succeed in this business on your own, it's all about relationships. Customers like my food partly because they like the story behind it so it's important that collaboration never ends.



BUILDING LEARNER CAPABILITY

The learning life cycle of:

Te Ani Rakete

Ngāpuhi; Ngāti Kahungunu; Ngāti Porou

Bachelor of Social Services

Inspired by my studies and desire to help people, my family and I set up "Whānau Whānui" which means 'Extended Family'. It started with just my immediate family – about 15 of us – and has now grown to about 80 people. Our aim is to change the mentality that we can't be healthy. We focus on the whole person – promoting sport and healthy living to everyone, from children to grandparents. The skills I'm learning through my Bachelor of Social Services are taking me closer to my dream: to establish a facility that caters for all aspects of life; counselling, mental health, physical health – addressing any issues someone might face in their life. This holistic approach is very much modelled on a Māori world viewpoint.

**6.
Creatively
capable and
work ready**

I've always been a practical person. I prefer hands-on learning to theory, but with plenty of support, I've actually learnt to like the academic aspects of the programme. I enjoy writing essays now! I'm only in my second year, but I can see already how the programme is preparing me for work. This year we go on placements. I can't wait to get in there and use the skills I'm learning.

Reflection is a great tool for self-awareness, so is a necessary tool in the social services industry. I found the reflective communication aspects of my programme relatively easy. I'd already learnt about reflection in various rehabilitation programmes I'd been in, so it was an excellent refresher. My studies have shown me that this skill is one of my strengths, and I can't wait to use it to help others.

**7.
Future
readiness**



**5.
Skilful and
reflective
communicators**

**4.
Breaking
new
ground**

Before I started studying at Otago Polytechnic, it was my way or the highway! The programme has shown me that there isn't just one way to do something. I work really hard at listening to people now, to really hear what they're saying. I always thought this industry was about a professional telling a client how to be. I now realise the professional isn't there to fix the client, but to help them heal themselves.

**1.
Learning
journey
begins**

I always wanted to help people and share the experiences of my troubled youth, so when my mother-in-law and sister enrolled at Otago Polytechnic, I decided to apply as well. I nearly didn't – when it came to the police vetting, I knew there'd be issues. I'd grown up in gang life, and I'd been in and out of prison. But the staff were really encouraging, and pointed out that my background might actually work in my favour for studying Social Services. I started with the Certificate in Human Services. The academic side was hard, I'd left school at 14 years old, but the teachers helped me heaps.

**2.
Exciting
experiential
discoveries**

The greatest experience for me was when I realised that the teachers and students were more empathetic than I'd expected. I thought the world was against me, that it was me against them and everyone was out to hinder my life. But it was the opposite. Otago Polytechnic has shown me that the staff were willing to help – they went above and beyond what I expected. They'd even stay into the evening helping me in their own time.

**3.
Learning
together**

Learning and working together is necessary, especially in Social Services. In this industry, you only get better if you're open minded and willing to listen to others. You have to be open to other ways because one shoe doesn't fit all. I definitely gravitate to the older students in the class, but we all get on well, and know that working together is the key.



Educational performance

TEC PRIORITY 3 Boosting achievement of Māori and Pasifika

Otago Polytechnic maintained its place in the top quartile of institutes of technology and polytechnics (ITPs) in 2015, according to the Tertiary Education Commission's educational performance indicators released in 2016. We were ranked first for successful course completions and for qualification completions, second for students retained in study and fourth for student progression to higher levels of study.

The interim figures for our Student Achievement Component (SAC) funded educational performance in 2016 provide a mixed picture at this time. All the participation rates are similar to 2015 although there is a slight decrease in the under-25 rate for Level 4 and above.

There was a three per cent increase in overall qualification completions and a two per cent decrease in the overall course completion rate in 2016. Both of these figures are expected to improve with the submission of the Single Data Return (SDR) in April 2017. Of note was a pleasing nine per cent rise in qualification completions among Māori students at Level 3 above. There was also an increase among Pasifika students, but the rate falls short of our target of 75 per cent for these learners.

Student retention rates improved in 2016 to 80.2 per cent, compared with 75.9 in 2015. There was a pleasing increase in the number of Levels 1-3 students progressing to higher-level study, up four per cent from 2015 to sit at 38.6 per cent. However, progression rates for Māori and Pasifika students declined to sit well below our target of 50 per cent. There are two likely causes for this – our programmes at Levels 2-3 have lower course completion rates; and many successful students are likely to go directly into employment from Level 3, particularly in areas such as engineering, automotive and cookery. There was a pleasing reduction of 3.57 per cent in the attrition rate for programmes Levels 2 and 3, however we still did not meet the target of under 30 per cent. We did not have any enrolments at Level 1.

Māori and Pasifika students' educational performance remains a key focus for 2017, and we are strengthening strategies and initiatives to better support these learners to achieve their aspirations.

Educational participation and achievement outcomes (% of total EFTS)

Student Achievement Component (SAC) funded students only; Provisional results

1. ACHIEVE PARTICIPATION RATES

Māori %	2016	2015	2014	Target
Level 3 and above	13.7	13.7	14.4*	11
Level 4 and above	12.6	12.6	13	11
Pasifika %				
Level 3 and above	4.0	4.2	3.8*	2.5
Level 4 and above	3.7	3.8	3.4	2.5
Under 25 %				
Level 3 and above	62.3	62.9	64.4*	60
Level 4 and above	56.9	58.3	58.5	60

*These figures include Level 1 and 2 activity which is excluded from later results.

2. ACHIEVE SUCCESSFUL COURSE COMPLETION RATES

Overall %	2016	2015	2014	Target
Level 3 and above	81.7	84	82*	82
Level 4 and above	82.5	84.6	84	85
Māori %				
Level 3 and above	74.9	77.7	76*	75
Level 4 and above	76	78.2	77	80
Pasifika %				
Level 3 and above	67.3	72	65*	75
Level 4 and above	67.7	72.7	68	80
Under 25 %				
Level 3 and above	82.6	83.5	82*	82
Level 4 and above	83.3	84	83	85

*These figures include Level 1 and 2 activity which is excluded from later results.



3. ACHIEVE QUALIFICATION COMPLETION RATES

All students %	2016	2015	2014	Target
Level 3 and above	82.7	79.4	79*	82
Level 4 and above	84.4	80.5	81	85
Māori %				
Level 3 and above	81.4	72.5	77*	65
Level 4 and above	83.7	73.6	79	75
Pasifika %				
Level 3 and above	62	58.6	51*	75
Level 4 and above	62.4	59.7	52	75
Under 25 %				
Level 3 and above	67.9	73.7	64*	70
Level 4 and above	68	74.3	65	75

*These figures include Level 1 and 2 activity which is excluded from later results.

4. ACHIEVE STUDENT RETENTION RATE

Overall %	2016	2015	2014	Target
Level 3 and above	80.2	75.9	76*	70
Māori %				
Levels 3 and above*	75.4	72.8	74*	65
Pasifika %				
Level 3 and above*	74.3	66.3	72*	70

*These figures include Level 1 and 2 activity which is excluded from later results.

5. ACHIEVE STUDENT PROGRESSION RATE

Overall %	2016	2015	2014	Target
Levels 1-3, to a higher level	38.6	34.6	39	50
Māori %				
Levels 1-3, to a higher level	32.1	41.7	33	50
Pasifika %				
Levels 1-3, to a higher level	34.8	40	33	50

For definitions and formulas for each of these measures, please refer to the Appendix.





Student satisfaction

We employed varied methods to effectively gather feedback from our student body in 2016. Research shows that email is not the preferred vehicle for communication for the Gen-Y demographic, so we use multiple platforms for students to engage including pop-ups and apps. The response rate exceeds the minimum requirement to be representative of the total population.

Overall, we exceeded our target of a 90 per cent satisfaction rate in all reported categories in 2016. The highest ranked areas were our services and our learning environment, both coming in at 93 per cent.

Satisfaction with Otago Polytechnic

Student satisfaction				
	Target	2016	2015	2014
Overall	90%	92%	93%	94%
With services	90%	93%	94%	94%
With teaching	90%	92%	91%	92%
With programmes	90%	91%	91%	91%
With learning environment	90%	93%	96%	97%

Graduate satisfaction			
	2016	2015	2014
Graduate satisfaction with programme	94%	94%	92%
Target: 90% reported satisfaction with programme			



Graduate destinations

TEC PRIORITY 1 Delivering skills to industry

	2016*	2015	2014
Graduates are satisfied with the quality of their programmes (Target: 90%)	94%	94%	92%
Graduates are working and/or self-employed (Target: 70%)	74%	83%	81%
Graduates are either working and/or studying	94%	98%	97%
Māori graduates are working and/or studying	92%	100%	98%
Pacific graduates are working and/or studying	95%	100%	100%
Graduates are working in an area relevant to their qualifications	82%	85%	91%
Graduates are in full-time work	62%	68%	63%
Graduates whose post-graduation job is their first full-time job	32%	34%	31%

*Results refer to the 2016 Graduate Destination Survey of graduates from the class of 2015.

The Graduate Destination Survey was distributed in July 2016, approximately eight months after students completed their 2015 qualifications. It explored graduates' satisfaction with their experiences at Otago Polytechnic and how well they thought their qualifications prepared them for their careers. The survey reports on their activities as at 1 June 2016.

The number of graduates satisfied with the quality of their programme of study remained steady at a very positive 94 per cent, exceeding our target of 90 per cent. In addition, 93 per cent would recommend their programme to others, and 89 per cent considered their programme represented good value for money.

Results show that almost three-quarters of graduates were either working or self-employed. The median gross salary for these graduates was \$41,200, a slight drop from the \$42,000 reported in 2015. Graduates with a postgraduate degree had the highest median salary at \$61,300.



Female graduates earned an average of \$7,900 less per annum than their male counterparts, a small improvement on the 2015 figure of \$8,440. The biggest disparity was at postgraduate-level with a \$125,000 median salary for men, more than twice the \$60,000 median for women. The gap was noticeable at degree-level too, with males earning a median of \$66,500 – more than \$19,000 higher than the median for women.

More than half of the employed graduates – 55 per cent – were working in Otago, with nine per cent in Auckland and the same percentage in Wellington. A further seven per cent were employed in Canterbury.

In 2016, 94 per cent of graduates were in work or further study compared to 98 per cent in 2015.

Further study intentions of graduates

Results show 39 per cent of graduates were studying or had enrolled in further study at the time of this survey, a significant increase on the 26 per cent recorded a year earlier. An additional seven per cent intended to study in the second semester of 2016 or in 2017. Pasifika graduates were more likely than other graduates to be enrolled for further study, consistent with 2014 and 2015 findings. Overall, 35 per cent of graduates were undecided about their future study intentions.

Of those students who had enrolled in study, 75 per cent were studying within the ITP sector compared with 21 per cent studying at a university. The vast majority – 69 per cent – were studying at Otago Polytechnic.

GRADUATE OUTCOME SURVEY							
	Employed earning wages or a salary		Self-employed		Not working or self-employed		TOTAL
	n	%	n	%	n	%	n %
Do not intend to do more study	109	15%	7	1%	27	4%	143 20%
Currently studying full-time or part-time	129	18%	14	2%	111	15%	254 35%
Currently enrolled to commence study	19	3%	0	0%	7	1%	26 4%
Intend to enrol in 2016 or 2017	36	5%	3	0.4%	14	2%	53 7%
Undecided at this stage	193	26%	28	4%	37	5%	258 35%
TOTAL	486	66%	52	7%	196	27%	734 100%



Designing for Learner Success (D4LS) initiative

D4LS is an organisation-wide initiative to improve the overall success and satisfaction rates for our learners by redesigning our programmes to better integrate learner capability development.

The four-year initiative began in 2015, providing centralised leadership, support and resourcing to implement our Learning and Teaching Strategic Framework. While addressing the requirements of NZQA's targeted review of qualifications, D4LS also embeds a blended delivery model into programme redesign to ensure our delivery is sustainable long-term.

In 2016, there were 40 programmes in the project – 30 in the process of redevelopment, and 10 already-revised programmes that were supported through implementation and a review by students and staff. The responses showed the renewed programmes were well-designed and met learners' needs, and staff felt they had strengthened their teaching and assessment practice while building their skills in programme and course design.

The D4LS team also aligned programme development processes with partners, TANZ e-Campus and Open Education Resource universities (OERu), and developed workshops and online learning courses to improve staff capability.

A further 30 programmes will be redeveloped in 2017.

Student Support

TEC PRIORITY 2
Getting at-risk young people into a career

TEC PRIORITY 3
Boosting achievement of Māori and Pasifika

TEC PRIORITY 4
Boosting adult literacy and numeracy

Student contacts (appointments)	2016
Careers	1353
Māori/Kaitautoko	1437
Pasifika	1902
International	1441
Disabilities and Well-being	1322
Learning Advisors	1637
Total	10,995

Learning support

Most students chose to access face-to-face support during regular opening hours, although Learning Advisors provided a range of options including evening appointments, online support, small groups, in-class sessions and pre-programme study skills workshops.

While the overall number of student contacts increased slightly on previous years, support for international students rose significantly in 2016. We saw 84 international students through the year compared with 63 in 2015 – an increase of 33 per cent. This is in addition to international students who attended special pre-programme groups and tutorials.

Careers guidance

In addition to the one-on-one appointments detailed above, we facilitated 92 employability workshops attended by 2239 students in 2016, which covered topics including CV and cover-letter development, interview skills and career development.

For the second year, we delivered our Xcellerate programme in partnership with the Otago Chamber of Commerce, targeted at our graduates who are job-seeker beneficiaries. This programme is designed to help participants gain additional skills to enhance their work-readiness. There were nine participants in 2016 and upon completion of the programme, five were in employment, two returned to study at Otago Polytechnic and another two were actively looking for work – one of whom gained employment four months later.

We also provided 28 work-ready seminars in 2016, delivered within students' first three weeks of commencing study in Certificate programmes. This saw an increase in the number of students accessing support earlier on for a range of issues including learning challenges, challenging personal circumstances and career planning.

In addition to working with students and graduates, the Careers Team delivered 1091 contact hours with a total of 902 prospective students. Staff worked in partnership with both internal and external stakeholders to present at or support a range of open days and events for current and prospective students, including Tertiary Open Day, Transition Expo, Summer Sexy Jobs and a Pasifika Careers Evening.

Māori and Pasifika students

Our new Māori Centre, Te Punaka Owheo was launched at our Dunedin campus in 2016 as a space for Māori students and staff to feel better able to live, work and learn as Māori. Te Punaka Owheo includes Poho, our Māori student common room, which continued to be well-utilised in 2016 for breakfasts and lunches with more than 1100 visits. A lunch with the Chief Executive was well attended by 50 students, and will be replicated several times in 2017. A purpose-built facility will eventually house Te Punaka Owheo under our Campus Redevelopment Plan.



Māori student contacts remained fairly steady in 2016 with 1437 appointments with 567 students. This reflects continued efforts by our Kaiarahi, Kaitautoko and Te Punaka Owheo staff to make themselves and their services known to new and existing students.

Pasifika student contacts increased in 2016. Our confident and capable Pasifika Student Representative contributed to this success, coordinating student events and activities in the Pasifika Room and elsewhere on and off campus. These included cultural performances at our 50th celebrations, Cyclone Winston fundraising for the Fijian community and our well-attended Pasifika Careers Evening. This work allowed our Student Advisor: Pasifika to focus on providing pastoral and academic support, and facilitating study groups and homework evenings.

In 2016, we interviewed first-year Pasifika students and formed Learning Success Plans (LSPs) for each learner, which will guide and foster students' achievement during their time at Otago Polytechnic.

A series of professional development sessions were held with staff to help them understand the diversity of Pasifika students, and these were well-attended and well-received, with many staff requesting further training.

Disability support and well-being support

We broadened the role of our Disability Advisor in June 2016, in response to an increase in presentations of students experiencing mental health challenges.

Of the 365 students who accessed this service, approximately 70 per cent sought support for well-being; five per cent for disability; and 25 per cent for both. High users of the service were also referred into the community for extra support – through Artsenta, Work Opportunities Trust, Workbridge, Community Mental Health, and PACT – with excellent outcomes.

The new focus of this role allows our Advisor to put strong support plans in place for each individual, integrating community support and liaising with mental health teams and emergency psychiatric services. It also helps to develop a trusting relationship with students that identify with a disability, that they can communicate other emotional challenges they face.

There were approximately 15 referrals to the Counselling team, 10 to EPS, and in many cases links were made to the Learning Advisors and Careers.

Counselling

Our counsellors had a combined total of 943 appointments in 2016 with 289 individual students. In addition to these individual sessions, we ran a safe relationships educational group at the request of Foundation of Learning Staff. We also facilitated a monthly supervision group for these staff to support them in their daily teaching and pastoral care roles.

We have noticed a steady increase in the complexity of mental health presentations especially among younger aged students, and this has prompted us to proactively run groups to meet the needs of these at-risk students.

The counsellors have been more visible on campus in advertising our services to new students through School visits and an informative presentation to Heads of Schools. We explained how, when and where to refer in acute crisis situations, as well as the scope and practice of our counselling services on campus.

International support

An increase in international students in 2016 led to a 61 per cent jump in contacts with these students.

The growing trend is increased enrolments in the Graduate Diplomas in Applied Management, Design and Art. There is also an increase in Study Abroad and Exchange Students from Europe and Asia. We had four Competency Assessment Nursing intakes during the year with a total of 101 students, predominantly from the Philippines.

We organised a ski trip for a group of 12 students from Kanazawa Technical College in August, and hosted four social gatherings throughout the year which were attended by 88 students.

A number of improvements to the Orientation programme assist new international students, including campus tours and student panels with our new team of Student Ambassadors. This will be advanced in 2017 with the introduction of a new student mentor scheme.

Our International Pre-Graduation was attended by 24 students who were supported by family members and staff.



Research and Enterprise

TEC PRIORITY 5 Strengthening research-based organisations

It was a productive year for Research and Enterprise activity as we sought to extend our influence into our local communities; support our learners in degree programmes with research-informed content; connect students and staff with local and regional business; and earn income from commercial enterprise, research grants and the Government's Performance Based Research Fund (PBRF).

Significant research was undertaken in all schools, backed by targeted research funds. We supported many individual researchers to gain important outputs as we approach the next important PBRF evaluation round in 2018.

We are very pleased to report a significant 71 per cent increase in Master's degree completions and have reached a milestone for Otago Polytechnic with the approval of our first PhD programme, in Professional Practice.

The latter part of 2016 was a period of refocusing and change for Research and Enterprise at Otago Polytechnic. This included the repurposing of our commercial enterprise studio, workSpace, with a renewed focus on education and academic research. This process of change has led to a reduction in total quality assured outputs and a drop in our external research income.

For 2016, we achieved our internal objective that at least 50 per cent of staff teaching degree programmes are research-active, as defined in Otago Polytechnic policy.

Key Performance Indicators

Performance Indicator(s)	2016	2015	2014
Number of research-active staff	150	160	161
Total number of quality assured outputs	361	355	355
Total number of master's degree completions	29	17	19
Total number of research outputs including quality assured outputs	479	434	480

**provisional, unaudited*

Research outputs

Our key performance indicators illustrate that Otago Polytechnic is consolidating its capability and capacity in research and enterprise.

The statistics above show a continued plateauing in the numbers of research active staff and research outputs. Reasons for this are complex as many researchers report that they are taking time to focus on developing quality-assured outputs as they prepare for the PBRF Quality Evaluation in 2018. Therefore, these may take longer to reach publication. In addition, some of our regular researchers have not had the output of previous years as they work on developing research that has a depth of impact, both academically and within their professions.

Research income

Due to the refocusing of our commercial enterprise studio, workSpace, there was a reduction in the amount of external income we earned in 2016. However, the existing facilities will be re-utilised from 2017 as a dedicated staff and student education and research resource.

Māori research (staff)

The work of individual researchers continues to contribute to the growth of Māori knowledge at Otago Polytechnic.

There has been a disappointing decline in the number of research-active Māori researchers, however it is pleasing to report modest growth in the number of outputs from these researchers. It is hoped that with the implementation of a Māori Research Plan in 2017, more Māori staff will embark on research activities.

Some significant achievements included the development of a Māori health research stream in our Institute of Sport and Adventure's Sport, Exercise and Health Symposium; contributions to the Polytechnic's Owheo Rising Symposium, a site-specific investigation of the Owheo (Leith) Stream through creative practice; and keynote and other addresses at the Food Design Institute's International Food Design Conference and Studio.

	2016	2015	2014
Research-active Māori researchers	7	9	12
Research outputs by Māori researchers	17	15	21
Research outputs on Māori topics by Pākehā researchers	4	5	3



Research degrees completed

	Outcome 2016	2015	2014
The number of research degrees completed meets target of 30 for 2015-2017	27	17	19
The amount of external research income earned (\$000) meets target	\$368,093 Not achieved	\$892,111 Not achieved	\$1,052,726 Not achieved
Target			
2015 – \$1,500			
2016 – \$1,650			
2017 – \$1,800			

In response to the under-representation of women in the IT and Engineering industries – both of which are experiencing long-term skills shortages in New Zealand – Otago Polytechnic announced two new scholarships in 2016: Women in IT and Women in Engineering. The recipients will be announced in early 2017 and will receive \$1000 towards their fees for each year of study.

Capable Training continued to build on its initial successes in 2016 – its second year – delivering 32 workshops reaching a total of 310 participants. We refined the range of learning and development options based on feedback and demand, resulting in a comprehensive range of 18 programmes delivering leadership, business excellence and emotional intelligence development.



Delivering skills to industry

TEC PRIORITY 1 Delivering skills to industry

In response to continuing demand for engineering technicians throughout New Zealand and the world, the Polytechnic offers a pre-engineering option for those interested in a career in this field. As well as engineering skills, this open entry Certificate in Foundation Studies (Level 3) focuses on core writing, numeracy, personal development and computing knowledge, all of which are taught within an engineering context and overseen by people with a professional engineering background. The programme is well-pitched to people who may have been out of school for a couple of years and are re-entering an academic environment. Successful completion of the Certificate ensures direct entry into our New Zealand Diploma in Engineering. So far, six cohorts have been through the Certificate, with most staircasing into the New Zealand Diploma in Engineering (NZDE).

In 2016, we established a Summer School Mathematics programme, recognising that the main entry requirement for the NZDE is sufficient NCEA units in mathematics. Significant numbers of students meet all other entry criteria but have not taken enough – or relevant – mathematics units at school. Admitting such students directly to our programmes has historically resulted in low success rates, requiring students to complete a full bridging programme despite being well-versed in some of the content material. Summer School Mathematics is a four week undertaking to bring students up to the mark in mathematics alone. The first cohort will begin the programme in January 2017.



Pathways to higher learning

TEC PRIORITY 2 Getting at-risk young people into a career

It is a continuing priority for Otago Polytechnic to provide opportunities for at-risk youth and second-chance learners, and we offer a range of pathways into tertiary education and a brighter future.

Farmhand

Farmhand is a free 13-week programme for young people aged 18-24 which aims to help bridge the gap between at-risk city youth and job opportunities in the rural sector, and connect young people to community and nature.

Delivered in partnership with the Malcam Charitable Trust, Farmhand enables youth to improve their skills in reading, writing and maths, and gain a Certificate in Foundation Studies.

Otago Secondary-Tertiary College

The Otago Secondary-Tertiary College is an active partnership between Otago Polytechnic and all Otago secondary schools. It provides a range of learning experiences that enable senior secondary students to have a taste of learning at Otago Polytechnic and working in a trade environment.

Enrolments are split between our Dunedin and Central campuses, ensuring that all schools in Otago have the opportunity to offer this transition experience to their students. All students can gain NCEA credits, with courses designed to provide pathways to higher-level qualifications.

In 2016 – its sixth year – we offered programmes in Hospitality, Cookery, Health and Well-being, Carpentry, Automotive Engineering, Agriculture, and Hair and Beauty. These were funded by TEC's Trades Academy channel. We recorded a pleasing 89 per cent attendance rate overall.



			2016	2015	2014*
Number of enrolled students:	Central		66	67	62
	Dunedin		54	29	
Results:	Successful completion	Central	61	56	42
		Dunedin	42	27	
	Did not complete	Central	5	11	20
		Dunedin	12	2	
Destinations: Further study	Central		12	13	31
	Dunedin		19	13	
	Employment/ Apprenticeship	Central	23	26	26
		Dunedin	17	3	
	Returned to school	Central	27	23	**
		Dunedin	11	11	**
	Unknown/ Other	Central	4	5	4
		Dunedin	7	2	

*Central Otago only

**Not reported



Academic Leader wins Fulbright Award

Otago Polytechnic's Caroline McCaw won a prestigious Fulbright Scholar-in-Residence Award to teach and undertake research at the State University of New York (SUNY).

SUNY submitted the Fulbright application to secure the 10-month residency for Caroline, after setting their sights on attracting her to their Canton campus in upstate New York. There, she is implementing an Arts of Oceania course within their Graphic and Multimedia Design degree programme, and teaching other courses on interaction design and design principles.

She is also keen to initiate a collaborative project between SUNY Canton's design staff and students and those at Otago Polytechnic's School of Design.

Team of Student Ambassadors established

Otago Polytechnic employed 20 of its students as Student Ambassadors as part of a pilot programme in 2016 to engage with and support new and prospective students.

Selected from 40 applicants, the Student Ambassadors met, greeted and shared their experiences of Otago Polytechnic at events like orientations, open days, campus tours and high school visits.

The Ambassadors received full training and ongoing support, while developing communication and leadership skills and gaining valuable, paid work experience.

The pilot proved so successful it is being adopted permanently.





Otago Polytechnic teachers win three Tertiary Teaching Awards

Three Otago Polytechnic teachers were awarded prestigious national Tertiary Teaching Excellence Awards for “absolutely world-class” teaching – representing a quarter of the field of 12 educators honoured this year.

Otago Institute of Sport and Adventure Head, Dr Megan Gibbons; Principal Engineering Lecturer, Richard Nyhof; and Senior Carpentry Lecturer, Matthew Thompson, received their \$20,000 awards at Parliament.

A total of 18 Otago Polytechnic educators have been recognised with these Awards over the past decade.

Scholarships to Shanghai

Three Otago Polytechnic business students spent 14 weeks in China, after receiving prestigious Prime Minister’s Scholarships for Asia.

Suhail Toubat (23), Lee Ralph (26) and Fredrika Robertson (21) attended the Shanghai University of International Business and Economics (SUIBE) to study business, economics, finance, business law, management and Chinese language and culture.

“This was a wonderful opportunity to study business in China, and to develop the skills required for undertaking business there in the future,” says Otago Polytechnic’s International Study Abroad and Exchange Coordinator, Elizabeth White.





Fashion degree ranked among world's best

Our undergraduate fashion degree received major international recognition in 2016, being named as one of the world's top 50 bachelor's degrees in fashion.

Coming in at number 47 in the latest Global Fashion School Rankings, the Polytechnic's Bachelor of Design (Fashion) is the only New Zealand degree included on the list, and one of just four from Australasia.

The Rankings are established by London-based The Business of Fashion, a digital resource for fashion creatives, executives and entrepreneurs that provides news, analysis and business intelligence. Each academic programme was evaluated on three key dimensions: global influence, learning experience and long-term value.

"We are the world's southern-most design school and this ranking is an acknowledgement of the wonderful, world-class team we have here – staff, students, graduates and industry – working, learning and achieving together," says Margo Barton, Academic Leader: Fashion.



Graduate wins Australasian Culinary Challenge

Bachelor of Culinary Arts graduate, Fifi Leong, and her team won the prestigious Australian Culinary Challenge in Melbourne in September – and she was also named the Best Commis Chef of the competition.

Fifi and her teammates, Ken O'Connell of Bracken, and her Vault 21 colleague Greg Piner, beat 11 other teams to take home the gold medal and \$5,000.

"It felt incredible winning this award, and I definitely think the Bachelor of Culinary Arts played a part in my success," says Fifi. "It taught me to think differently about food and to think outside the box."



Building capability

Real Journeys is one of New Zealand's leading tourism operators, dedicated to the conservation of our unique environment, and sharing that with visitors from around the world. Its commitment to staff development was the starting point for the partnership with Otago Polytechnic's Capable Training team.

"The learning options were relevant to employees in our business and offering learning outcomes that were going to make a difference to the operation," says Kevin Sharpe, Director of People and Performance.

The company worked with Capable Training to develop a series of workshops with topics such as Communication in Leadership & Management, Resilience & Conflict Management, and Business Transformation & Change.

"It's been great," says Kevin. "Participants want to return and it's become an aspirational programme. They enjoy that external partner who comes in with enough knowledge to know your business but can ask the questions that we wouldn't ask of ourselves. And that's when some of the best discussion gets going."

Student success in international design competition

A pod designed to offer sanctuary from the stresses of the outside world has earned Otago Polytechnic Bachelor of Design (Interiors) students Kat Jackson and Victoria Hoskin an Honourable Mention in the international Innovative Minds 2016 Design Competition.

This international annual competition focuses on the blending of physical and virtual architecture and attracted entries from all over the world.

Kat and Victoria's entry, *Haven*, is an individual wellness pod providing refuge from busy, demanding lives. It offers stress relief in two ways – either as a relaxation space playing personalised imagery and music, or through a session with a therapist via virtual link to guide the user through relaxation and stress-management techniques.



Being a resilient organisation

Kia manahau te whakanōhaka

This goal means: We are future-focused and highly adaptable; Our operational processes are sustainable; Our organisation and management is world class; We invest in appropriate innovation and development; We make a consistent annual operating surplus to fund future investment; We have an outstanding work environment; We collaborate effectively to achieve our objectives.

Highlights

- Financial surplus of \$3.27 million
- Marked our 50th anniversary with our inaugural Distinguished Alumni Awards
- Responded to all Priority One actions from 2015 Work Environment Survey
- Completed Health and Safety Risk Assessment and Mitigation Programme
- Further developed our self-leading teams
- Increased international student numbers by 32 per cent, exceeding our target of 700 EFTS
- Grew our Auckland International Campus to 521 EFTS, exceeding our target of 400 EFTS
- Launched an Engineering degree in China in partnership with Dalian Ocean University
- 96 per cent of staff say Otago Polytechnic is a great place to work.

Pathway to excellence FOR 2017

- Embed new formal leadership positions and structures
- Implement the review of our vision, mission and strategic goals
- Grow fee-for-service training and introduce a micro-credentials system
- Officially launch Open Education Resource university (OERu)
- Grow innovation, with emphasis on new products and services
- Further increase international student numbers and develop internationalisation initiatives
- Support research-active staff to maximise PBRF outcomes
- Respond to all Priority One actions from 2016 Work Environment Survey
- Implement a staff well-being framework
- Recruit more Māori and Pasifika staff
- Implement next stage of our Campus Redevelopment Plans.

Aspirations

- Consistently achieve an annual budget surplus of 5 per cent or better
- Diversify revenue base by growing profitable open learning, fee-for-service, knowledge transfer and international revenues
- Structure the academic year to provide time for staff development opportunities
- Implement institute-wide processes to reduce operating costs while improving learner experience
- Continue to grow the Otago Polytechnic Education Foundation Trust to raise funds for development
- Ensure major projects are completed on time and within budget.



BEING A RESILIENT ORGANISATION



Financial Sustainability

Monthly reporting of all financial metrics which contribute to the TEC risk analysis

	Target: Budgeted surplus \$3,891k for 2016 is achieved		
—	2016 Not achieved: \$3,269k	2015 Not achieved: \$3,051k	2014 Not achieved: \$2,752k
	Target: Low risk status is achieved for 2016		
✓	2016 Achieved	2015 Achieved	2014 Achieved

Otago Polytechnic achieved a sound financial result within the context of a challenging tertiary background of increasing competition for a shrinking learner catchment. Our EFTS enrolments grew strongly on the prior year by 10.8 per cent and were slightly ahead of our budgeted increase.

Our GAAP reported net operating surplus of \$3.27m was short of our goal of \$3.9m, however our internal measure of surplus excludes the movement in revenue between periods caused by the PBE non-exchange revenue recognition rules. Our internal measure of surplus meets goal at \$3.9m (5% of revenue). Student fee revenue exceeded budget targets in both domestic and international sectors, and other income also exceeded expectations. Expenses overall were unfavourable to budget in all areas, in order to meet the demand from increased EFTS and some restructuring costs.

Capital expenditure at \$8.4m was lower than budget by \$5.3m reflecting the purchase of land for a student residential facility a year earlier than anticipated and the subsequent later start on construction. Course development was also lower due to slower progress and a re-categorisation from work in progress to an investment.

Our financial sustainability remains resilient, and we are confident of future surpluses which will provide sufficient returns for long-term investment. Cash flow is strong going forward.

For 2016 we continued to focus on our metrics, both financial and non-financial, and used these to help drive further improvements.

Objectives

- > The volume and mix of provision per Investment Plan and budget is achieved
- > Budgeted surplus is achieved
- > Reduced dependence on TEC EFTS funding
- > Collaborative relationships benefit us financially as well as strategically and educationally
- > Performance excellence framework is embedded
- > A culture of innovation and continuous improvement
- > Strategic assets are managed and planned for
- > Our supply chain is managed more sustainability
- > Building project decisions are based on “whole of life” criteria; evidenced need and future flexibility are major considerations.

Financial Performance Summary

	Actual 2016	Budget 2016	Actual 2015
Net Surplus / (Deficit) (000s)	\$3,269	\$3,891	\$3,051
Proportion of Government Grants to Total Income (%)	48.4%	48.5%	50.5%
Total Cost per EFTS (excluding redundancies)	\$15,539	\$15,350	\$15,810
Total Cost per EFTS (including redundancies)	\$15,699	\$15,444	\$15,882
Average Government Grant per EFTS	\$7,914	\$7,868	\$8,361
Debt (as a percentage of Total Assets)	0.0%	1.6%	0.0%
Debt per EFTS	\$0	\$398	\$0
Working Capital Ratio	0.5	0.2	0.5
Student Staff Ratio	19.4	19.3	18.8
Total Assets (000s)	\$119,103	\$116,478	\$116,513
EFTS	4,801	4,779	4,333
Academic FTE	247.7	247.4	229.9
Total FTE	519.3	521.2	504.0

SSP – Financial Sustainability

(measures improve over prior year)

—	Surplus as % of income Actual 2016 4.2% Actual 2015 4.3%	—	Teaching costs : Teaching revenue Actual 2016 55.2% Actual 2015 54.4%
—	Working capital Actual 2016 50.2% Actual 2015 50.8%	—	Research costs : Research revenue Actual 2016 140.8% Actual 2015 103.4%
✓	Debt equity ratio Actual 2016 0.0% Actual 2015 0.0%	✓	Total revenue : Total FTEs Actual 2016 \$151,437 Actual 2015 \$142,597
✓	Cash in/Cash out Actual 2016 115.9% Actual 2015 115.1%	✓	Teaching revenue : Teaching FTEs Actual 2016 \$223,461 Actual 2015 \$209,089
—	Total costs : Total revenue Actual 2016 95.8% Actual 2015 95.8%	—	Research revenue : Research FTEs Actual 2016 \$85,038 Actual 2015 \$93,664
✓	Personnel costs : Total revenue Actual 2016 55.7% Actual 2015 56.6%		



BEING A RESILIENT ORGANISATION

Internationalisation

TEC PRIORITY 6 Growing international linkages

Otago Polytechnic is committed to advancing its global presence, and 2016 was a year of diverse activity as we continued to position ourselves internationally.

Internationalisation is a key tool for diversifying our campuses, increasing research collaborations and developing overseas partnerships. Engagement with overseas institutions helps us develop our knowledge and skills, and show our unique brand of learning. This connectedness allows for the exchange of ideas and expertise, and presents our staff and students with opportunities to learn and become culturally more competent.

We aspire to an organisational culture that produces graduates who can work effectively in other countries and cultural settings, and are fully committed to addressing the needs of our international community.

INTERNATIONAL STUDENT NUMBERS BY EFTS						
Campus	2016	Target	2015	Target	2014	Target
Dunedin	227	196	196	222	219	213
Central	47	40	31	7	14	16
Auckland International Campus	521	493	376	393	270	277
Total	795	729	603	622	503	506

We enjoyed further growth in international student numbers in 2016, up 32 per cent to 795 EFTS compared with the 2015 total of 603 EFTS. Once again, our Auckland International Campus played the leading role in this gain contributing 521 EFTS – more than 60 per cent of the total number – and experiencing 39 per cent growth on 2015.

We continue to attract a diverse variety of nationalities at Otago Polytechnic, with our international students hailing from more than 40 different countries.

International exchanges

Both staff and students availed themselves of increasing numbers of opportunities to share ideas and experiences with overseas partners. In 2016, 44 students and staff (compared to 36 in 2015) travelled overseas for short courses, work placements or internships. In addition, 65 international students attended Otago Polytechnic on Study Abroad or exchange programmes, the bulk of these to study Business or Design.

Relationships in China

A group of engineering staff and students from Nanjing Institute of Technology (NJIT) were hosted by our Engineering department, and this was reciprocated when Engineering staff and students were made welcome in NJIT. This is a very satisfactory outcome from the Memorandum of Understanding both institutes signed in 2015. Otago Polytechnic staff and students gained insights into the profession of engineering in China and an introduction to the language and culture.

We were fortunate to secure Prime Minister's Scholarships for Asia for three students to attend a semester at the Shanghai University of International Business and Economics (SUIBE). This gave the students valuable knowledge and experience of international business practices, and afforded them another context to reflect on what they are learning in their business qualification.

They were able to establish relationships that will assist them in their future careers and developed some fluency in Chinese.

A relationship with Dalian Ocean University came to fruition with the agreement to teach a joint Engineering degree, and the first intake began in September. This initiative, sanctioned by the governments of New Zealand and China, will result in a flow of students into Otago Polytechnic's Bachelor of Engineering Technology.

Otago Polytechnic participated in the 20th anniversary celebrations of the sister-city relationship between Dunedin and Shanghai and we are a signatory on the cities' renewed Memorandum of Understanding.

We also signed an agreement with the education agency JIL, paving the way for increased numbers of Chinese students.

Japanese connections strengthening

We saw increasing numbers of Japanese students on short courses of study as their institutions responded to the Japanese government's prompts to develop their global outreach. A valuable relationship with the national network of Japanese engineering colleges was established, offering us significant opportunity to engage more deeply with this sector of industry.

Design focus

There was significant international activity in our School of Design. Fashion students again participated in Shanghai Fashion Week, hosted a visit from Italian student studying textiles, and sent their first student on exchange to Estonia. Established exchange relationships with German universities of applied science extended to our Design programmes, resulting in an excellent synergy of German and New Zealand design principles in the Product Design degree programme.



Open Education Resource universitas (OERu)

Otago Polytechnic is proud to be a leader in the development of the Open Education Resource universitas (OERu), an online education platform that enables anyone anywhere in the world with an internet connection to access tertiary courses and programmes for free.

Learners only pay if they wish to be tutored, assessed or accredited for their learning. There are no prerequisites or entry criteria and the entire enterprise is not-for-profit.

As a key partner and provider of OERu, Otago Polytechnic has been an early proponent of this accessible, affordable and sustainable form of education. Our Open Education Resource (OER) Director, Wayne Mackintosh, has held the UNESCO Chair in OER for the past five years.

In 2016, OERu went live online with Otago Polytechnic contributing a series of courses and micro-courses in areas such as sustainable practice, education, digital learning and project management. The official public launch of the platform is set to take place in 2017.

New developments at Central campus

Central Otago is a region experiencing considerable growth, and all of our programmes are tailored to reflect the local area and meet the needs of its main industries.

We announced plans to consolidate our three Cromwell sites into one centralised hub of learning at our Bannockburn Road block, which we have purchased from Contact Energy. This will include the construction of a new, purpose-built facility where we can continue our focus on experiential learning and expand our sustainable practices. It is expected to be open in time for the start of the 2018 academic year.

There was a major increase in the number of international students at Central in 2016, up 51 per cent on the previous year. This group also constituted our most diverse range of international students yet, and included a large increase in applications through contracted groups as opposed to individuals. One of the year's highlights was our delivery of snow and avalanche safety training to a group of US Army personnel.

We began teaching two new programmes in 2016 – the New Zealand Certificate in Cookery (Level 4) and the New Zealand Diploma in Cookery (Level 5).

Our 2016 revenue from our plant nursery, fruit production and wine sales was \$148,000, exclusive of GST – \$18,000 more than in 2015. In addition, we took on the lease of McElligott's Fruit Stall in Kawarau Gorge, giving us a bigger potential market for our produce and products in future.

Striving for improved business excellence

Having adopted the Baldrige framework in 2011, we continued our commitment to the pursuit of business excellence throughout 2016.

Once again, three staff members participated in the Baldrige Study Tour, bringing back leading practices from four flagship Baldrige Award-winning organisations in the United States. These were San Diego Charter School, Southcentral Foundation, Lockheed Martin and Park Place Lexus, with the group also attending the Baldrige Regional Conference in Dallas. Key observations were an unrelenting focus on the customer, performance and process.

In May, Otago Polytechnic hosted an inbound Baldrige expert – Peter Reicks, Senior Vice President of Enterprise Performance at Elevations Credit Union (ECU) in Boulder, Colorado.

This, together with the intelligence gathered from the Baldrige Study Tours, fed purposefully into our improvement initiatives around service excellence, performance and our vision, mission and values.

Educational and employment equity

Otago Polytechnic strives to ensure provision of equal opportunities for both in employment for staff and learning for students.

This commitment is demonstrated by our practices, employment policies, staff development opportunities and monitoring of our workforce profile and outcomes. We are committed to good practice and the requirements of the Education Act. Our equity performance is evidenced in this Report.



Distributed leadership philosophy and implementation

Our self-leading-teams culture was firmly embedded during the year. The team-based performance review process was completed and successfully piloted in four teams, and many others moved to transparent processes around goal setting and monitoring throughout the year. All teams will engage in this performance review process in 2017 which is a significant milestone in becoming teams that are truly self-leading.

Our unique team rewards model came into effect in 2016. Based on achievement of their 2015 team performance plans, 47 out of a possible 61 teams received discretionary funding to spend during the year. The majority of this spend occurred in minor equipment, team building and professional development. This process was designed and implemented to acknowledge and reward teams for their hard work and accomplishments, providing them with discretionary funds to use in their highest priority areas. It is currently being further developed prior to the 2017 round.

We continued to prioritise the support of our teams and individuals, offering various training and development opportunities to staff. These included our courageous conversations workshop, many bespoke team workshops, use of the Belbin team types tool and a new resilience session for all staff hosted by Dr Lesley Gill. In partnership with Catapult Ltd, we developed a highly innovative team 360 model that reviews key aspects of team design and functionality through the customer's eyes, allowing teams to further improve their work and the service they provide.

Staff capability and performance

Our Investment Plan for 2015-2017 features some aspirational internal objectives in relation to staff capability and performance, including that all permanent staff take part in an annual performance review, a current development plan and an individual performance plan. We are also working towards developing a performance plan for every team, ensuring all academic staff obtain annual feedback on their teaching and all permanent general staff obtain feedback biannually on service provision. In addition, our target is that 100 per cent of our departments gather annual customer and/or student feedback on their programmes or services, and respond to this feedback. We also have an aspirational goal of 90 per cent of our permanent academic staff holding or being actively engaged in achieving an approved tertiary teaching qualification.

During 2016, we made progress towards achieving these aspirational internal objectives and are pleased to report that we met our goal of having 100 per cent of departments obtaining and responding to customer and/or student feedback. A total of 85 per cent of permanent staff now hold or are actively engaged in achieving an approved tertiary teaching qualification – just 5 per cent short of our target.

While we have made progress towards the other objectives, not all of the achievements were centrally or formally measured in 2016. Our centrally held figures show 62 per cent of permanent academic staff obtained feedback on their teaching; 58 per cent of permanent service staff gathered feedback on service provision; 33 per cent of permanent staff had an annual performance review; 46 per cent of permanent staff had current





development plans; and 42 per cent of permanent staff had an individual performance plan. These figures do not include those staff who completed reviews and plans but did not record these in the central system. We did not measure the number of teams with team performance plans in 2016. During 2017, we will focus on improved recording and reporting of achievements in these areas.

Another target we were pleased to achieve in 2016 was that all Schools and Service Areas were rated as 'confident' or higher in both performance and self-assessment.

Our work environment

The 2016 Work Environment Survey was the twelfth annual survey of staff satisfaction and engagement at Otago Polytechnic, designed to provide insights into the perceptions of all staff working at the institution.

The 605 Otago Polytechnic staff who were available during the survey period were invited to participate in the survey. A total of 526 responses were received resulting in a response rate of 87 per cent. Although down on the participation rate of 2015, for surveys of this nature in similar-sized organisations this response rate is considered excellent.

Otago Polytechnic continued to enjoy very high levels of agreement to key drivers with the six-point rating scale adopted in 2015, which provides more detailed results including levels of agreement and disagreement with each statement.

There was a significant drop in overall satisfaction, down from 96 per cent in 2015 to 89 per cent in 2016. However, 96 per cent of staff responded that they found Otago Polytechnic a great place to work. All other reported measures remained the same or increased, including a very positive 100 per cent of staff stating that they care about the Polytechnic's success.

The results show we continue to have a positive and engaged workforce with 61 per cent of staff engaged, 36 per cent neutral and just 3 per cent disengaged.

Our Investment Plan for 2015-2017 included aspirational internal objectives in relation to our work environment: that 85 per cent of staff feel supported in their professional development; that 85 per cent of staff feel that Otago Polytechnic is a safe and healthy place to work; and that 80 per cent of staff feel they are paid fairly given their skill and experience. In 2016, these results were 74 per cent, 71 per cent and 58 per cent respectively for these areas. We will continue to focus on improving these figures in 2017.

Work Environment Survey	2016	2015	2014
Participation rates	87%	87%	90%
Staff are satisfied at Otago Polytechnic, overall	89%	96%	94%
Staff really care about the success of Otago Polytechnic	100%	99%	99%
Staff are proud to tell others they are part of Otago Polytechnic	97%	97%	96%
Staff say Otago Polytechnic is a great organisation to work in	96%	96%	96%



BEING A RESILIENT ORGANISATION



Diversity of staff

TEC PRIORITY 3 Boosting achievement of Māori and Pasifika

Total workforce (headcount)	2016
Total permanent staff	537
Permanent new starters	43
Total permanent staff who ended employment (we call this Staff turnover)	40

Ethnicity

Our overall staff ethnic diversity was consistent with previous years, however there was a notable and pleasing nine per cent growth in Māori staff numbers which reflected both academic and general appointments. Regrettably, our Pasifika staff numbers declined by close to a third, returning to 2014 levels. Moving forward, it will be a high priority to restore these numbers.

Staff Ethnicity	2016	2015	2014
Asian	3.26%	2.94%	2.5%
Māori	5.65%	5.18%	5.2%
Middle East/Latin/ America/Africa	0.41%	0.65%	0.4%
Not Stated	0.00%	0.00%	6.9%
NZ European	68.70%	69.50%	71.1%
Other European	11.34%	11.12%	9.6%
Other	9.60%	9.08%	3.3%
Pasifika	1.04%	1.52%	1.0%



Roles by gender

The gender mix among our staff is largely consistent year on year and continues to closely match that of our student population, which is two-thirds female and one-third male.

Role Type	Female (n)	Female (%)	Male (n)	Male (%)
Leadership Team	2	20%	6	80%
Academic	180	60%	122	40%
General Staff	152	73%	55	27%
Managers	14	70%	6	30%
TOTAL	348	65%	189	35%

Recruitment

A total of 80 roles – both permanent and fixed term – were advertised during the 2016 year and 70 people were employed. This included 43 permanent staff members. Four positions were advertised twice due to the specialist experience required or the location of the role.

We continued to enjoy strong interest from applicants with an average of 42 applications per position.

	Academic	General	Executive	Total
Total number of jobs advertised	38	34	8	80
Total applicants	430	681	92	1203
Total number of people hired	33	30	7	70
Average number of applicants per job	11	20	11	42

Permanent staff turnover

The turnover rate among permanent staff was less than eight per cent in 2016, almost half of the corresponding national education figure of 14.5 per cent. It was also lower than our 2015 and 2014.

	Voluntary (%)	Involuntary (%)	Total (%)
2014	7.2%	0.8%	8.1%
2015	6.6%	1.5%	8.1%
2016	6.1%	1.5%	7.6%

Salary and promotion review

We welcome the continuing growth in the numbers of staff applying for promotion.

During 2016, eight staff were promoted to Principal Lecturer roles and 24 to Senior Lecturer positions, compared with seven and 16 respectively in 2015.

There were 20 general staff promoted, consistent with 2015 figures. The gender split among applicants remains two-thirds female, which correlates with our overall staff gender balance.

	2016	2015	2014
General staff	20	20	15
Academic staff	53	36	33
Total applications	73	56	48

Employment issue resolution

Employment problems continue to be largely resolved in house, with the overall numbers of externally resolved issues continuing to decrease as we focus on early intervention and informal problem solving.

Year	2016	2015	2014	2013
Internal formal resolution	21	16	21	27
External resolution	1	2	3	1



BEING A RESILIENT ORGANISATION

Health and Safety

The focus for Otago Polytechnic in 2016 was to further build on our strong health and safety culture and ensure that all staff followed good health and safety practices. For the third year in a row, we saw a 27 per cent increase in incident reporting compared with the previous year, with 254 notifications. This is likely due to the continued focus on health and safety reporting coupled with the full implementation of our new Vault Health and Safety Management System.

In response to the Health and Safety at Work Act 2015, we created an online training package for staff that outlined the changes and their effects, including increased staff responsibilities. We also took the opportunity to refresh all staff in core Otago Polytechnic health and safety practice. A total of 90 per cent of staff completed this online module which was a very pleasing result.

Our biannual ACC WSMP audit occurred during the year and once again we were awarded with the highest possible tertiary-level outcome.

Reported incidents in 2016

There were 254 reported incidents in 2016 with 5 per cent of those resulting in injury or harm.

Of the reported incidents, 122 were sustained by staff, 107 by students and 25 by visitors or third parties.

Wrist/hand injuries were most prevalent with 67 affected, followed by arm and leg injuries.

It is pleasing to note we had no serious or notifiable events during 2016.

	Number of harm-related incidents		Percentage of harm-related incidents	
	2016	2015	2016	2015
Notifiable events (serious harm)	0	4	0	3
Incident requiring medical treatment	65	57	45	48
Incident requiring First Aid	65	52	45	44
Non-injury incident	14	9	10	5
Total	144 (254)	118 (200)	57	59

Risk management

We continued our review of risks at programme and service level with a particular focus on chemical and hazardous substance management, manual handling, ladder management and physical machinery assessments. This gives us a deeper understanding of the ways in which staff and students interact with hazards and risks, to ensure we have appropriate elimination and mitigation strategies consistently in place.

Health and Well-being Strategy

At Otago Polytechnic, we place great importance on preventive action to avoid safety issues and increase staff and student health and well-being. Our new Staff Well-being Framework was consulted on and implemented during the year, and is based around the principles of Te Tare Tapa Whā – the four cornerstones of Māori health.

In 2016, as in previous years, a number of events were held to encourage healthy lifestyles including our annual 10-week Springin2it staff wellness and fitness programme.

We devised and actively supported initiatives to foster well-being in the local and wider community. These included a blood drive on campus for the New Zealand Blood Service and participation in the Cancer Society's Relay for Life. The Polytechnic also collected and donated Christmas gifts to the children of Kaikoura in the wake of November's earthquakes, a project we called Arohanui from Otago.



Honouring accomplished alumni



Our 50th anniversary seemed the ideal opportunity to reflect on and recognise the notable achievements of our alumni, so we launched our inaugural Distinguished Alumni Awards. These honoured 19 former students for excellence in business, arts and sport, and for outstanding contributions to their communities.

More than 150 alumni attended the Awards and enjoyed an address on the night by New Zealand Black Cap Grant Elliott, who graduated from the Polytechnic last year with a Bachelor of Applied Management.

2016 Otago Polytechnic Distinguished Alumni Award recipients:

Ron Anderson: Arrow International; Nigel Bamford: Escea Gas Fires; Graham Batts: Scott Technology; Ryan Keogh: Naylor Love; Andrea McLeod: Royal District Nursing Service, Melbourne; Lynn Taylor: printmaker/multimedia artist; Lisa Walker: jewellery artist; Richard Emerson: Emerson's; Alexa Forbes: Centre for Sustainable Practice; Elaine Gray: New Zealand College of Midwives; Lindsay Laing: educator; Kat McDonald: sustainability advocate; John Marsh: Cooke Howlison; Michael Parker: Presbyterian Support South Canterbury; Anna Ross: Kester Black; Anjali Burnett and Rachel Easting: Twenty-seven names; Dave Watson: GreenShoot Pacific.

New hostel on horizon

Construction has begun on our \$22 million Student Village hostel, a 231-bed complex for domestic and international students. During holiday periods, the facility will be available for conferences and external events.

Leading architecture firm Mason & Wales has designed the building, which will be the largest cross-laminated timber construction in the South Island. As part of Otago Polytechnic's commitment to sustainability, the design and operations will incorporate the living building challenge principles.

The development should be complete by the end of 2017 for occupancy at the beginning of 2018.





Campus revamp revitalises

Our Dunedin campus gained a new heart with the official opening of The Hub, a new communal social and study space that bustles with activity and vitality.

The Hub is part of our new Mason Centre complex on Forth Street which provides a welcoming reception point for visitors and connects our redeveloped F, G and H Blocks. Overlooking our courtyard and Living Campus gardens, The Hub is a popular gathering point for students and staff alike.

Many notable features of the building were conceived in partnership with Kai Tahu tangata whenua, including a pounamu touchstone at the entrance, striking overhead lighting representing albatross wings, and a multi-coloured carpet patchwork that signifies hiko (travel) amongst the lands and waterways of our local area.

Otago Polytechnic takes degree to China

Otago Polytechnic launched an engineering degree in China, in a move that will eventually bring up to 120 Chinese students to Dunedin each year.

Our Bachelor of Engineering Technology (Mechanical Engineering) is delivered in partnership with China's Dalian Ocean University. Three years of the four-year degree are completed in China, with Otago Polytechnic lecturers traveling there to deliver parts of the programme. Students then complete their final year on campus at Otago Polytechnic in Dunedin.

Mayor of Dunedin, Dave Cull, says the initiative will bring economic and cultural benefits to the city. "The Otago Polytechnic partnership with Dalian Ocean University is yet another exciting development in Dunedin's strong and mutually beneficial educational links with China," he says.





New adventure tourism degree

Our Central campus has announced it will launch a new Adventure Tourism Management major for its Bachelor of Applied Management degree – the only major of its kind in the southern hemisphere.

As the adventure tourism industry matures, Otago Polytechnic has identified a greater need for graduates who understand the unique requirements of the sector.

“It makes sense to launch this programme in the heart of New Zealand’s adventure tourism region,” says Chief Executive, Phil Ker. “Our strong connection to this industry means we can call on some highly experienced tutors and instructors to help deliver the programme.”

The programme will be delivered via a blended learning model to provide flexibility in learning for people of all experience levels, and will launch in 2017.



Reunions for Nursing and OT

Our School of Nursing celebrated its 30th anniversary in November with a reunion of its very first graduates.

Of the 45 nurses that graduated in 1986, 35 attended the reunion. Also in attendance were eight staff from the era, including three past Heads of School, Leonie Clent, Dr Alison Dixon and Linda Kinniburgh.

“This reunion was driven by the graduates themselves,” says Ms Kinniburgh. “It was absolutely amazing to meet these graduates again and listen to their stories.”

And our School of Occupational Therapy celebrated its 25th anniversary with a reunion at the start of December.

In honour of the milestone, the OT staff used the money they had earned in our Staff Rewards Scheme to buy resources for six local groups: Moana House, Artsenta, Otago Youth Wellness, Presbyterian Support Otago, Naphtali Centre and Puketeraki Marae.

Says Senior Lecturer, James Sunderland: “We felt this was the perfect way to celebrate.”



TANZ e-Campus launches

The new online learning platform, **TANZ e-Campus**, offers students the freedom and flexibility to study when and where they choose – providing they have an internet connection.

Launched in 2016, it is a joint project between Otago Polytechnic, Ara Institute of Canterbury, Universal College of Learning, Nelson and Marlborough Institute of Technology, Eastern Institute of Technology and North Tec.

Students will gain a nationally-recognised qualification from one of these providers, depending on the programme they sign up to. At the moment, TANZ offers programmes in Business and Design, but this repertoire is set to expand in 2017.



TANZ
E | CAMPUS
STUDY ONLINE NEW ZEALAND



South Island ICT Grad School opens

Otago Polytechnic is proud to be a partner in SIGNAL – the new South Island ICT Grad School.

Comprised of Otago Polytechnic, University of Otago, Ara Institute of Canterbury, Lincoln University, and the University of Canterbury, SIGNAL was created in response to the rapid growth in IT across all sectors, where thousands of new jobs will be created in the next decade.

Driven by industry, SIGNAL's four programmes offer a suite of new model teaching: studio-based projects, seminars, industry placements and projects, mentoring and work-based learning.

The school will open two new purpose-built sites in February 2017, one in Dunedin and another in Christchurch.

Collaborating with our communities

to make a difference, prioritising Kai Tahu

**Kia mahi tahi ki kā iwi whānui, ki a Kai Tahu
ake hei whakanui i a rātou**

This goal means: We engage effectively with industry, community, professions, government, Kai Tahu; We understand the needs of our communities; Our communities tell us they have confidence in us; Our communities are more capable as a consequence of our actions; Our communities benefit from our actions.

Highlights

- Opening of Te Punaka Owheo, our dedicated Māori centre providing for Māori, by Māori services
- Supported 2,454 FTE jobs nationally as a result of direct Otago Polytechnic expenditure
- Worked with the Red Cross to support Dunedin's new residents from Syria with resources and education
- Gained the Rainbow Tick, recognising Otago Polytechnic as a safe place to work regardless of someone's gender identity or sexuality
- Marked the tenth year of our Charity House project with a record sale price.

Pathway to excellence FOR 2017

- Recruit more Māori and Pasifika staff, with a view to doubling 2016 numbers by the end of 2019
- Continue to establish new and robust partnerships with industry and communities
- Develop a stakeholder engagement strategy
- Develop a community engagement strategy
- Prioritise the promotion of our mission, values, vision and successes
- Strengthen our secondary-tertiary partnerships and programmes.

Aspirations

- Strengthen Otago Polytechnic as a place where Māori can work and learn as Māori
- Strengthen Otago Polytechnic as a place that fosters Pasifika success
- Introduce more bridging programmes to help secondary-school pupils move into tertiary study
- Establish more pathways for workers and workplaces to upskill and develop
- Develop and strengthen our relationships with business and industry
- Continue to develop international relationships to provide opportunities for student and staff exchanges and collaborative research.



COLLABORATING WITH OUR COMMUNITIES

(I) Community Collaboration

Annual feedback from Kai Tahu – combined Rūnaka



Target Arai te Uru Rūnaka are satisfied overall with consultation and decision-making processes, and progress towards implementing our Māori Strategic Framework (MSF)

2016	2015	2014
Achieved	Achieved	Achieved

Otago Polytechnic economic impact is reported



2016	2015	2014
Achieved	Achieved	Achieved

Economic Impact Report

Otago Polytechnic's latest Economic Impact Report released in 2016 revealed total expenditure of \$254,950,000 in the Otago region in 2015, a slight drop of less than one per cent on the previous year. In Dunedin, the \$135,000,000 of total value added constituted 2.3 per cent of the city's gross domestic product.

The Report found Otago Polytechnic had 4,333 EFTS (more than 7,200 students by headcount) in 2015 – an increase of 1.5 per cent on 2014 – and noted strong domestic demand for programmes in health and wellness, community, trades, creative industries and information technology.

Approximately 57 per cent of 2015 students came from outside Otago: 32 per cent from the North Island; 14 per cent from overseas; and the remaining 11 per cent from elsewhere in the South Island.

In the same year, we employed 674 staff or 504 FTE. In addition, 2,454 FTE jobs were supported throughout the national economy as a result of direct Otago Polytechnic expenditure, 2,129 of them in Dunedin.

Investment Plan 2015-2017 internal objectives

The internal objectives for community collaboration detailed in our Investment Plan were to maintain a register of community projects; to increase the number of collaborations with industry and other providers; and to obtain PEAC feedback annually on training education needs and priorities.

During 2016, records of the number of projects and value of benefits were maintained where possible, however we did not keep a complete database of all projects. This will be rectified for 2017. Likewise, collaborations with industry and other providers continued throughout 2016 but these were not quantity-measured. We are therefore unable to provide a comparison to prior years in these two areas. PEAC feedback was obtained for all programme areas, meeting our target.

Kowhai Centre and Palmerston Counselling Outreach

TEC PRIORITY 1 Delivering skills to industry

The School of Social Services delivered 1,162 hours of free face-to-face counselling to the community in 2016 through its Kowhai Centre initiative, provided by Bachelor of Social Services students in their second and third years. This represents a steadying of hours after significant growth in 2015, which was partly due to increased opening hours.

The Kowhai Centre meets an identified need for counselling in the community. Students are provided with the opportunity to develop a sense of social responsibility through giving back to the community, and to put theory into practice through experiential learning.

The Centre also provides mentoring and supervision programmes within the School of Social Services and the English Language Centre, and in 2016 experienced the largest uptake of these services since its inception.

The community of Palmerston in East Otago recognised the demand for counselling in its community in 2014, and since then the Kowhai Centre has provided service there one day a week. In addition to providing one-on-one sessions, there are two therapeutic counselling groups for children aged between five and seven years old, and for those aged eight to 12.

A new development in 2016 was the introduction of a triage system to help categorise complex client situations to better support students in their work. This was partly in response to a high number of client referrals coming directly from GPs in the public health service.

Golf tournament supports Education Foundation

TEC PRIORITY 5 Strengthening research-based organisations

TEC PRIORITY 6 Growing international linkages

Otago Polytechnic's Education Foundation enlisted the support of some of New Zealand's leading golf professionals to hold its third Education Open at Chisholm Park Golf Club in Dunedin to raise funds.

The Foundation finances initiatives to ensure students have a world-class study experience at Otago Polytechnic. In 2016, the \$25,000 proceeds of the Education Open supported four students as they prepared to make the transition from tertiary education to employment. Three of the students were able to undertake internships in Italy and Argentina, while another received a grant to set up a business website.



In previous years, the funds have facilitated the purchase of new equipment and facilities for the Polytechnic, and to support student exchange opportunities overseas

Rainbow Tick awarded

Otago Polytechnic became the first ITP and the second tertiary institution in New Zealand to be awarded the Rainbow Tick – recognition we are an inclusive and supportive employer, regardless of a staff member's gender identity or sexuality.

To gain certification, Otago Polytechnic had to demonstrate the ways we are diverse, open and inclusive as an employer, including strategies and policies that specifically mention inclusion; reporting on inclusion at all levels, including governance; and appropriate training offered to staff.

The accreditation was two years in the making and the Polytechnic will be re-evaluated annually to ensure we continue to meet the standards required of the Tick.

To celebrate, the rainbow flag is now permanently flying alongside the New Zealand flag at our Dunedin campus.

Charity House fundraising total builds

Otago Polytechnic's much-lauded Charity House project marked its tenth anniversary in 2016, with a record sale price of \$209,000 – the first time the house has fetched more than \$200,000.

The sale of the four bedroom home, constructed on campus by carpentry students under the guidance of our carpentry tutors, generated \$100,000 for donation to Otago charities through distributor, United Way. This brings the amount donated over the past decade to \$920,000

As in other years, more than 20 companies donated time, materials, craftsmanship and advertising to the initiative. Their support is critical to the project's ongoing success – without the input of these businesses, the amount of funding available for distribution would be reduced by about 50 per cent.



Increasing Māori educational opportunities

The official opening of Te Punaka Owheo was a significant milestone in 2016, realising our goal for a dedicated Māori centre where Māori students and staff can feel better able to live, work and learn as Māori. It was opened with a whakamahana led by Matt Ellison from Kati Huirapa ki Puketeraki.

As well as providing a base for our existing students, the centre has been warmly received by community groups too. In 2016, the mentoring group WhaiAIO used the space to support local year 12 students to achieve their NCEA Level 2.

Ultimately, a purpose-built facility will house Te Punaka Owheo, which will be actioned as part of our Campus Redevelopment Plan.

Following on from the success of the 2014 and 2015 cohorts of Kai Tahu iwi and hapu leaders who undertook the Bachelor of Applied Management through Capable NZ, a new cohort of 20 Kai Tahu students started in 2016. At the end of the year, 19 of these students graduated, seven of them with a major in Māori Organisational Leadership.

Capable NZ enables people with significant career experience to undertake qualifications through independent learning pathways incorporating the assessment of prior learning from experience, which then counts towards the chosen qualification. A lifetime of relevant learning can significantly shorten the timeframe and cost for qualifications.

The Māori Pre-graduation was held at Te Punaka Owheo, with a record 36 graduands attending, including 12 from the Capable NZ cohort. A record 97 Māori students graduated in December, a number of whom did so with more than one qualification.





Student walks country for Arthritis New Zealand

Second-year Nursing student, Kaz Noiri, walked 2,244 kilometres from Bluff to Cape Reinga, raising more than \$10,000 for Arthritis New Zealand. The 29-year old completed the truly epic journey in 66 days.

"I volunteer for an aged care organisation and I understand how hard everyday life can be with arthritis," Kaz explains. "I decided to put some time and effort into this challenge to spread the awareness of arthritis and support Arthritis New Zealand. The more people that know about Arthritis New Zealand, the greater their impact."

Otago Polytechnic is proud to have supported Kaz's amazing feat with financial and promotional assistance.



Supporting our new residents

When Dunedin was confirmed as a resettlement centre for dozens of former refugees from Syria, Otago Polytechnic staff were keen to help the city's newest residents adjust to their new home.

In June, a group of about 15 people visited our Dunedin campus gardens to learn more about local plants and growing conditions. They enjoyed demonstrations of practical horticulture techniques for southern conditions and received information about herbs and culinary plants, composting and beekeeping. They were also able to take some plants home to their own gardens.

In addition, our College of Enterprise and Development refurbished 23 ex-classroom computers and gifted them to local Syrian families through the Red Cross.

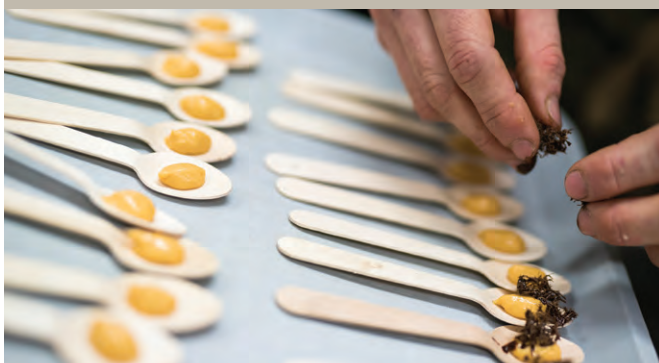


Food design delights

The opportunity to learn from some of the world's most celebrated and innovative food experts proved a major drawcard for 2016's sell-out International Food Design Conference and Studio.

Held at our Dunedin campus, and conceived and hosted by our Food Design Institute, the event was a resounding success, attracting 150 delegates.

Keynote speakers were New Zealand celebrity chef Al Brown; food design artist Marije Vogelzang of The Netherlands; and Nigerian chef and food designer Michael Ade Elegbede.



Helping older people with low vision

Low vision affects a significant number of people, with those aged over 65 requiring three times as much light to see well as those in their 20s.

A project to assist older Dunedin residents with this visual impairment got underway at Otago Polytechnic, thanks to a funding grant awarded to Principal Lecturer in Occupational Therapy, Dr Mary Butler.

She and a team of student interns are developing individual "lighting prescriptions" for up to 50 local people with low vision, to assist them in their day-to-day tasks.

"Most people are sent home from their ophthalmologist with the message that there is nothing that can be done," says Dr Butler. "But there are many small things that can make a real difference to how people live."





Kaikoura kids' Christmas

The 650 children of Kaikoura were facing a bleak Christmas last year, after earthquakes isolated their town and cut off their physical link to the outside world.

Our School of Social Services initiated Arohanui from Otago, inviting the public to donate wrapped Christmas gifts to be delivered to the children.

More than five hundred gifts were collected and were delivered to Kaikoura in a shipping container, where Santa handed them out at a community Christmas party.



Teen receives 3D printed bionic arm

A Dunedin teenager born without a lower right arm was gifted a new, bespoke 3D printed bionic limb by American not-for-profit organisation, Limbitless Solutions, with sponsorship and practical assistance from Otago Polytechnic.

Corey Symon, a 14-year-old King's High School student, became the 16th young person to be gifted an arm by the organisation in just two years.

Corey worked with Otago Polytechnic's Principal Engineering Lecturer, Matthew King, and design contractor, Andrew Wallace, to come up with a design concept for the limb. Those details were then sent to the Limbitless team in Florida who created the arm and brought it to New Zealand.



Making a difference to the environment

Kia whakanekeneke te taiao

This goal means: Our environmental footprint is minimised; Our leadership encourages others to embrace sustainable practices.

Highlights

- Developed sustainability resources for staff inductions
- Published a sustainability guide for staff
- Improved visibility and communication of sustainability initiatives through signage
- Stopped using disposable cups and bowls at our Eden Café, offering only reusable ones
- Began construction of our new Student Village accommodation complex using sustainable building principles
- Our Art and Future Symposium examined matters of climate, energy and culture
- Challenged staff to use public transport, bikes or car-pool throughout our inaugural Transport Yourself Month
- Contributed \$5,000 to the 2017 Big Green Challenge, which funds initiatives to foster sustainability and community resilience
- Expanded our Polybikes scheme, a fleet of bicycles for staff and students to use free of charge.

Pathway to excellence FOR 2016

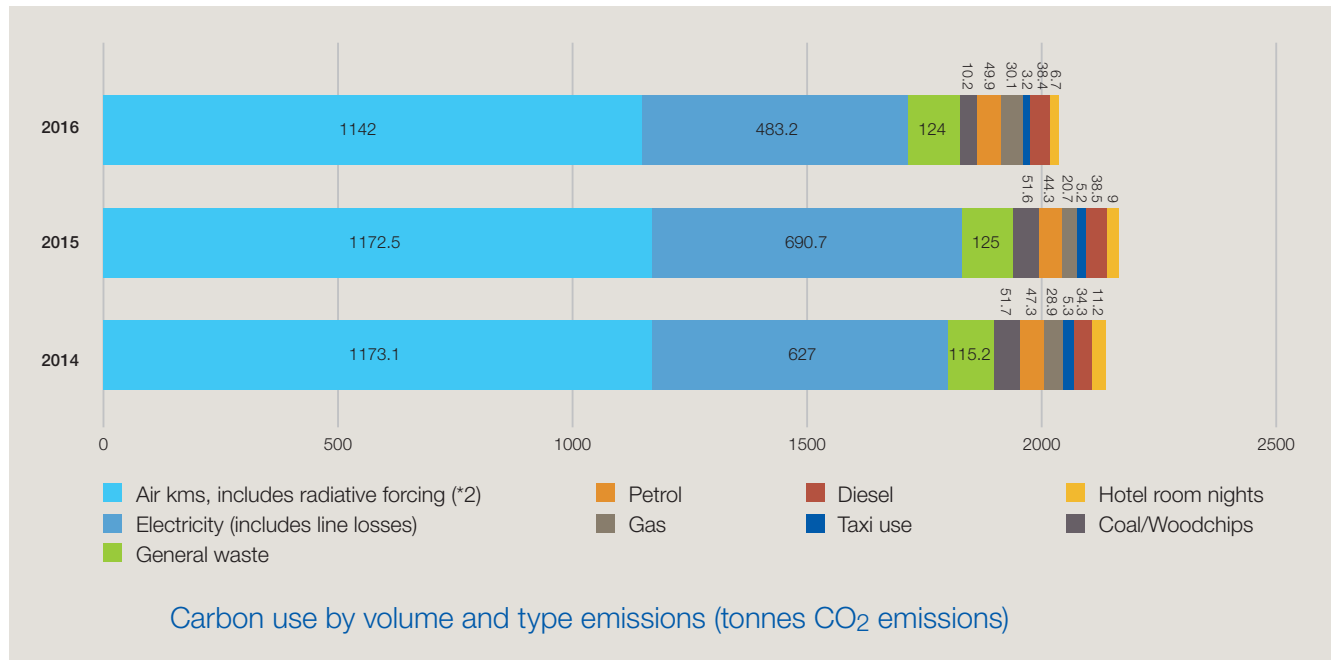
- Improve on all 2016 sustainability metrics
- Make progress towards our cafes and cookery facilities contributing zero waste to landfill
- Implement the next stage of our campus development plan ensuring all new projects demonstrate the best in sustainable practice
- Enhance the ecosystem and native biodiversity of the Dunedin campus
- Run more sustainability-focused events on campus
- Encourage and support students to get involved with sustainable initiatives on campus.
- Continue to improve signage and communication of sustainability initiatives.

Aspirations

- Improve on our sustainability metrics annually
- Actively manage and reduce our carbon and ecological footprints
- Embed sustainable practice into all of our programmes so all graduates can become sustainable practitioners
- Provide leadership for sustainability with our suppliers and learners
- Encourage and assist communities and businesses to embed sustainable practices
- Support and encourage staff and students to contribute to the knowledge of sustainable practice, through research, innovation and consultancy.



Sustainability monitoring



Our overall carbon footprint decreased by 270 tonnes – or 14 per cent – in 2016, largely due to a decrease in our general waste and our electricity usage. We saved 3,700kw hours of energy by reducing boiler operation times and implementing an automatic switch off for Polytechnic PCs when they are not in use. As a consequence of fewer boiler hours, our wood chip use also decreased.

We did note an increase in air travel. This rise was driven by an increase in the number of staff producing academic research of international standard, and travelling to present at conferences around the world.

Cardboard recycling remained consistent with 2015 levels, which reflects the use of multi-use packaging by suppliers. Paper usage has increased, but not by as much as it appears. Our 2015 figure looks much lower because we changed our preferred paper supplier in that year and it was not set up to report on our use. However, they implemented a monitoring system in 2016 which means all paper use is accounted for.

Resource	2014	2015	2016
Electricity (kW hours)	3,477,532	3,830,691	3,754,464
Paper (A4 reams)	6,950	4,861*	7,883
Water (m3)	73,889	69,937	78,485

*Does not include paper usage from new supplier.

Waste management

Otago Polytechnic produced 112 landfill tonnes of waste in 2016, a pleasing drop compared with 130 tonnes in 2015. This overall decline was largely due to our decision to stop using disposable cups at our Eden Café, and also because we implemented better signage and bin systems around campus. In addition, we installed food waste collection bins in prominent, high-traffic areas following a waste audit that identified this as an area to improve. The food waste is added to our existing on site composting bins.

As in 2015, there was a significant reduction in the amount of ash to landfill in 2016 due to ongoing reductions in boiler operation hours.

Water and gas usage

There was a 45 per cent increase in our gas use in 2016, sitting at 18,785 litres compared with 12,935 litres in 2015. This is due to our acquisition of several new off-campus buildings as well as programmes from Aoraki Polytechnic, including hairdressing which used 4,919 litres of gas throughout the year.

Our water use rose by 12 per cent overall, partly as a result of our new buildings and programmes. In addition, our Central campus increased cherry production and reduced apple production in 2016, and cherry trees require considerably more water to grow. In addition, a hotter-than-average Otago summer contributed to higher water usage at our southern campuses.

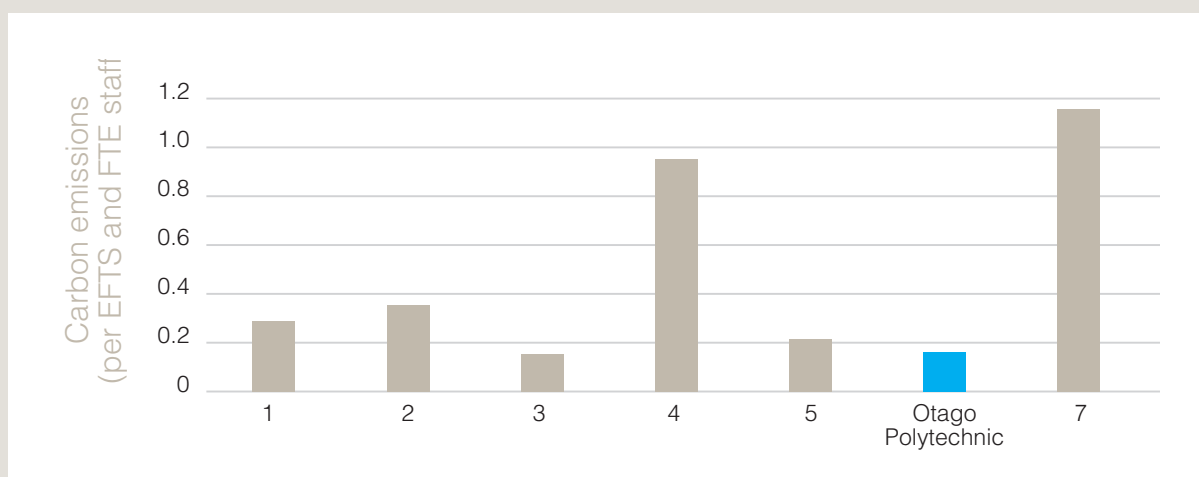


TEFMA benchmarking

In order to develop benchmarks for environmental monitoring, Otago Polytechnic once again took part in the Tertiary Education Facilities Management (TEFMA) survey, enabling comparison with participating Australasian tertiary institutions. The survey measures the tonnes of carbon per EFTS and FTE staff.

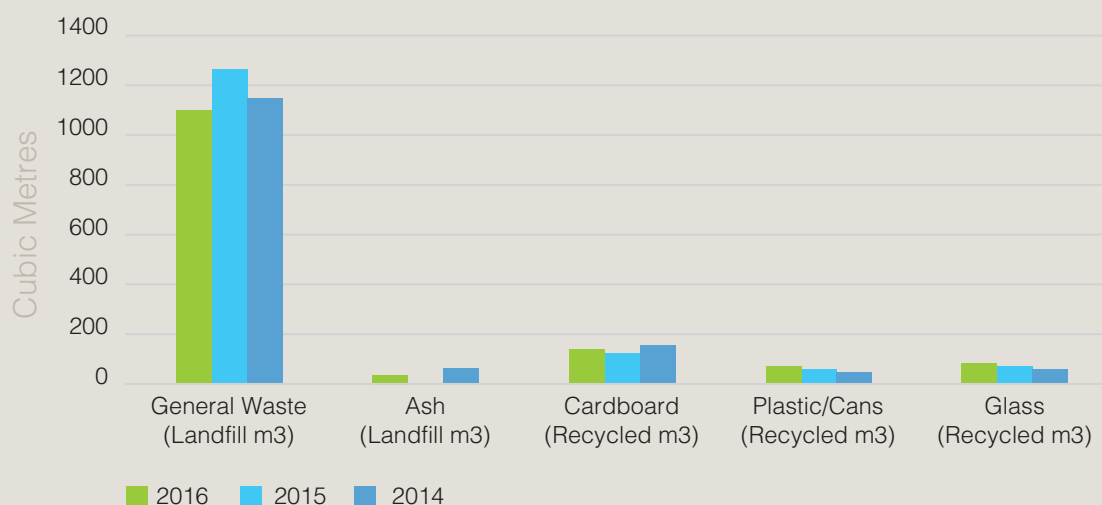
The latest results position Otago Polytechnic as having the lowest footprint of the seven New Zealand institutions that took part when comparing energy use from all sources – fuel, gas and electricity.

Total carbon emissions from Otago Polytechnic were 0.15 compared to the New Zealand average of 0.47 and the Australian average of 1.24.



2016 TEFMA carbon footprint comparison of seven New Zealand tertiary institutions

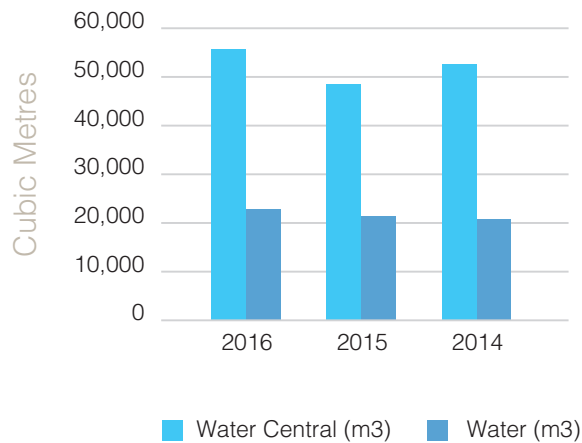
Waste – comparison over three years



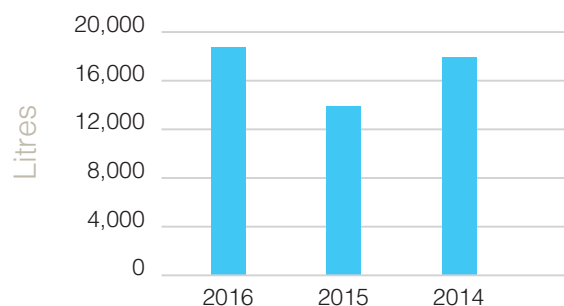


MAKING A DIFFERENCE TO THE ENVIRONMENT

Water Usage in Cubic Metres



Gas Usage in Litres



Staff engagement

We made a concerted push to communicate a culture of sustainable practice in 2016, implementing a series of events and challenges to engage staff. We also made modifications to our infrastructure to better support sustainability principles and installed signing to better highlight sustainable features around campus.

Our Sustainable Practice Communications Plan was written with three key messages: your behaviour makes a difference; we provide systems to support mindful actions; and we facilitate connections to increase successful actions.

Two major challenges that staff took part in were Plastic Free July and Transport Yourself month which had a focus on low-carbon travel and physical activity. Feedback from staff was positive and indicated that the experiences helped them recognise ways to reduce their personal carbon footprints.

We will continue to hold and promote challenges and events in 2017, informed by staff feedback. We also plan to engage students through the establishment of a Sustainability Action Group.

Sustainable graduates

We are pleased to report that graduate understanding of sustainability has improved to 92 per cent in the latest available data (2015 figures), compared with 85 per cent in the previous year.

Education for Sustainable Development

There are 17 UNESCO sustainable development goals that provide a framework for addressing the key issues humanity faces in order to achieve a sustainable outlook for future generations.

At Otago Polytechnic, we have identified 13 of these goals that relate directly to our strategic plan and have integrated these into our **directions, needs and actions (DNA)** both short-term and long-term. We will report on our achievements in these areas in our future Annual Reports to demonstrate our commitment and track our performance.

The applicable sustainable development goals are:

- > Good health and well-being
- > Quality education
- > Gender equity
- > Decent work and economic growth
- > Industry innovation and infrastructure
- > Reduced inequalities
- > Sustainable cities and communities
- > Responsible consumption and production
- > Climate change
- > Life below water
- > Life on land
- > Peace, justice and strong institutions
- > Partnerships for the goals.



Reusable cups applauded

Our Eden Café made national headlines for its bold move to stop serving hot drinks in throwaway cups – even making it onto the panel show 7 Days.

The Café opted instead to sell keep-cups, or serve drinks in mugs sourced at op-shops or made by our talented Ceramics students – preventing 1,000 cups a week heading to landfill.

The decision was received so well, takeaway bowls and salad containers were also scrapped later in the year.

Fair Trade Breakfast popular

Our annual Fair Trade Breakfast was held in The Hub in 2016, and was so popular it once again sold out.

51 people attended to enjoy some fair trade food and hear from Trade Aid volunteer, Eleanor Moore.

She spoke about her experiences visiting producers in Bangladesh and Vietnam, and shared her knowledge of the supply chain and the work that goes into making a handcraft.



Plan Bee

Our on-campus hives were put to productive use when our Horticulture students extracted honey and gifted it to our Food Design students.

The culinary artists then transformed the honey into a variety of delicacies sold to staff, students and the public in The Hub.



Polybikes

Our fleet of Polybikes expanded in 2016, from four to nine, thanks to support from the Dunedin City Council, Crooked Spoke and Valley Community Workspace.

The Polybikes are for staff and students to use free of charge to get around the campus.

Conveniently located at central, high-traffic areas of our Dunedin campus, the bikes have proved to be a popular fixture of campus life.

Transport Yourself Month

Staff were challenged to use public transport, car-pool, bike or walk throughout October, and could try out electric bikes, cars and even a rickshaw on campus.

There was free bike maintenance, with a couple of people finding out that they had been riding with their brakes 50 per cent on!

A series of group rides to local cafés were popular, and encouraged those newer to cycling to try out some new routes and get in a bit of exercise at lunchtime.



Photo: Andy Thompson



Symposium on climate, energy and culture

From an artist's collaboration with NIWA on the effects of sea level rises, to an examination of the role art can play in plans to protect the future of South Dunedin, the Art and Future Symposium offered a riveting programme.

Examining themes of energy, climate and culture, the symposium was organised by Otago Polytechnic's Dunedin School of Art in conjunction with the University of Otago's Centre for Sustainability, Centre for Science Communication and Department of Sociology.

The keynote address was delivered by Frances Whitehead, a world-renowned public artist and Professor at the School of the Art Institute of Chicago, who outlined the benefits of involving artists in city planning.

Image: Marzena Wasikowska, detail from #02 Earth's Self Correcting Systems, exhibited Art and Future Exhibition 2016



All Images: The Hub, Otago Polytechnic (Dunedin Campus) student space for study, socialising and events

Financial Statements

For the year ended 31 December 2016

Independent Auditor's Report

To the readers of Otago Polytechnic and group's financial statements and statement of service performance for the year ended 31 December 2016

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

The Auditor General is the auditor of Otago Polytechnic (the Polytechnic) and group. The Auditor General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Polytechnic and group on his behalf.

Opinion

We have audited:

- > the financial statements of the Polytechnic and group on pages 55 to 78, that comprise the statement of financial position as at 31 December 2016, the statement of financial performance, the statement of financial performance, the statement of other comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- > the statement of service performance information of the Polytechnic and group on pages 8 to 51.

In our opinion:

- > The financial statements of the Polytechnic and group on pages 55 to 78:
 - > present fairly, in all material respects:
 - > the financial position as at 31 December 2016; and
 - > the financial performance and cash flows for the year then ended;
 - > comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards.
- > The statement of service performance information of the Polytechnic and group on pages 8 to 51 presents fairly, in all material respects, the Polytechnic and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2016.

Our audit was completed on 26 April 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Council for the financial statements and the statement of service performance

The Council is responsible on behalf of the Polytechnic and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Council is also responsible on behalf of the Polytechnic and group for preparing a statement of service performance that is fairly presented.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Council is responsible on behalf of the Polytechnic and group for assessing the Polytechnic and group's ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Council intends to liquidate the Polytechnic and group or to cease operations, or has no realistic alternative but to do so.

The Council's responsibilities arise from the Crown Entities Act 2004 and the Education Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of service performance.

For the budget information reported in the financial statements and statement of service performance, our procedures were limited to checking that the information agreed to:

- > the Polytechnic and group's Council approved budget for the financial statements; and
- > the investment plan for the statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- > We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Polytechnic and group's internal control.
- > We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- > We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Polytechnic and group to cease to continue as a going concern.
- > We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

- > We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of service performance of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Council is responsible for the other information. The other information comprises the information included on pages 1 to 7, and pages 79 to 80, but does not include the financial statements and the statement of service performance information, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Polytechnic and group in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Polytechnic or any of its subsidiaries.



John Mackey
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

Financial Statements

Statement of Financial Performance for the year ended 31 December 2016

POLYTECHNIC				GROUP			
	Notes	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue							
Government Grants	4 (a)	37,997	37,601	36,228	37,997	37,601	36,228
Student Tuition Fees		31,762	31,528	26,897	31,762	31,528	26,897
Other Revenue	4 (b)	7,957	7,633	7,726	8,456	8,158	8,293
Interest Received	4 (c)	226	290	366	227	290	367
Total Revenue		77,942	77,052	71,217	78,442	77,577	71,785
Expenditure							
Employment Expenses	4 (d)	43,339	42,943	40,336	43,796	43,378	40,692
Consumable Expenses	4 (e)	11,833	11,503	9,945	11,852	11,511	9,957
Operating Expenses	4 (e)	9,363	8,794	7,909	9,447	8,858	7,998
Occupancy Expenses	4 (e)	4,207	4,137	4,151	4,212	4,146	4,159
Interest Expense	4 (c)	0	0	0	0	0	0
Depreciation & Amortisation Expense	9 & 10	6,028	5,878	5,808	6,028	5,878	5,808
Loss on Disposal/Impairment of assets		37	35	204	37	35	204
Total Expenditure		74,807	73,290	68,353	75,372	73,806	68,818
Surplus/(Deficit) from Operations		3,135	3,762	2,864	3,070	3,771	2,967
Share of Associate's surplus/deficit	8	0	120	0	199	120	84
Net Surplus/(Deficit)		3,135	3,882	2,864	3,269	3,891	3,051
Surplus %		4.0%	5.0%	4.0%	4.2%	5.0%	4.3%

Explanations of non GAAP underlying surplus are detailed in note 3.

Explanations of significant variances against budget are detailed in note 22.

The Notes to the Financial Statements and Summary of Significant Accounting Policies form part of and are to be read in conjunction with these Statements.

Financial Statements

Statement of Other Comprehensive Revenue and Expense for the year ended 31 December 2016

POLYTECHNIC				GROUP			
	Notes	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Net Surplus/(Deficit) for the year		3,135	3,882	2,864	3,269	3,891	3,051
Other Comprehensive Revenue							
Increase/(Decrease) in Asset Revaluation Reserves		2	0	46	2	0	46
Total Other Comprehensive Revenue		2	0	46	2	0	46
Total Comprehensive Revenue and Expense		3,137	3,882	2,910	3,271	3,891	3,097

Statement of Changes in Equity for the year ended 31 December 2015

POLYTECHNIC				GROUP			
	Notes	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Public Equity at the start of the year		98,046	96,920	95,136	99,841	97,042	96,744
Total Comprehensive Revenue and Expense		3,137	3,882	2,910	3,271	3,891	3,097
Public Equity at the end of the year		101,183	100,802	98,046	103,112	100,933	99,841

The Notes to the Financial Statements and Summary of Significant Accounting Policies form part of and are to be read in conjunction with these Statements.

Financial Statements

Statement of Financial Position for the year ended 31 December 2016

POLYTECHNIC				GROUP			
	Notes	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
ASSETS							
Current Assets							
Cash and Cash Equivalents	5	2,894	90	3,229	2,952	102	3,241
Trade and Other Receivables	6	4,245	1,680	4,029	4,352	2,000	4,349
Prepayments		399	500	627	398	500	627
Inventories	7	207	200	162	207	200	162
Total Current Assets		7,745	2,470	8,047	7,909	2,802	8,379
Non Current Assets							
Other Financial Assets	8	4,565	6,007	3,988	6,417	6,007	5,590
Property, Plant and Equipment	9	98,533	100,926	96,857	98,533	100,926	96,857
Intangible Assets	10	6,245	6,743	5,687	6,245	6,743	5,687
Total Non Current Assets		109,343	113,676	106,532	111,195	113,676	108,134
Total Assets		117,088	116,146	114,579	119,104	116,478	116,513
LIABILITIES							
Current Liabilities							
Trade and Other Payables	11	12,348	10,099	13,722	12,434	10,300	13,861
Employee Entitlements	12	3,328	3,159	2,625	3,328	3,159	2,625
Loans and Borrowings	13	0	1,900	0	0	1,900	0
Total Current Liabilities		15,675	15,158	16,347	15,762	15,359	16,486
Non Current Liabilities							
Employee Entitlements	12	230	186	186	230	186	186
Loans and Borrowings	13	0	0	0	0	0	0
Total Non Current Liabilities		230	186	186	230	186	186
Total Liabilities		15,905	15,344	16,533	15,992	15,545	16,672
NET ASSETS		101,183	100,802	98,046	103,112	100,933	99,841
EQUITY							
Retained Earnings	14	69,103	68,751	65,996	71,032	68,882	67,791
Asset Revaluation Reserves	14	31,599	31,551	31,597	31,599	31,551	31,597
Other Reserves	14	481	500	453	481	500	453
Total Equity		101,183	100,802	98,046	103,112	100,933	99,841

The Notes to the Financial Statements and Summary of Significant Accounting Policies form part of and are to be read in conjunction with these Statements.

Financial Statements

Statement of Cash Flows

for the year ended 31 December 2016

		POLYTECHNIC			GROUP		
	Notes	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash was provided from:							
Receipts from Government Grants		37,933	37,601	35,892	37,933	37,601	35,892
Receipts from Student Tuition Fees		33,323	31,928	27,903	33,323	31,928	28,036
Receipts from Other Revenue		8,190	7,151	7,619	8,829	7,477	7,882
Interest Received		226	290	366	227	290	367
		79,672	76,970	71,780	80,312	77,296	72,177
Cash was applied to:							
Payments to Employees		42,592	42,853	40,329	43,050	43,193	40,685
Payments for Consumables		12,283	12,036	9,916	12,321	12,040	9,917
Payments for Operating Expenses		9,688	8,921	8,362	9,792	8,957	8,445
Payments for Occupancy		4,351	4,335	4,151	4,363	4,337	4,153
Interest expense		0	0	0	0	0	0
Goods & Services Tax (net)		(223)	(227)	(506)	(241)	(229)	(498)
		68,691	67,918	62,252	69,285	68,298	62,702
Net Cash Flow from Operating Activities	5	10,981	9,052	9,528	11,027	8,998	9,475

The Notes to the Financial Statements and Summary of Significant Accounting Policies form part of and are to be read in conjunction with these Statements.

Financial Statements

Statement of Cash Flows (continued) for the year ended 31 December 2016

	POLYTECHNIC			GROUP		
Notes	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from Sale of Property, Plant & Equipment	17	0	0	17	0	0
Repayment of advance by Associate	150	150	150	150	150	150
	167	150	150	167	150	150
Cash was applied to:						
Purchase of Property, Plant & Equipment	9,683	10,700	11,911	9,683	10,700	11,911
Purchase of Intangible Assets	1,800	2,060	1,797	1,800	2,060	1,797
	11,483	12,760	13,708	11,483	12,760	13,708
Net Cash Flow from Investing Activities	(11,316)	(12,610)	(13,558)	(11,316)	(12,610)	(13,558)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
Loan Finance Received	0	1,900	0	0	1,900	0
	0	1,900	0	0	1,900	0
Cash was applied to:						
Loan Finance Repaid	0	0	0	0	0	0
	0	0	0	0	0	0
Net Cash Flow from Financing Activities	0	1,900	0	0	1,900	0
Cash Increase/(Decrease)	(335)	(1,658)	(4,030)	(289)	(1,712)	(4,083)
Opening Cash Balance	3,229	1,748	7,259	3,241	1,814	7,324
Closing Balance	2,894	90	3,229	2,952	102	3,241
Represented by:						
Bank deposits and current account	2,894	90	3,229	2,952	102	3,241
	2,894	90	3,229	2,952	102	3,241

The Notes to the Financial Statements and Summary of Significant Accounting Policies form part of and are to be read in conjunction with these Statements.

Notes to the Financial Statements

For the year ended 31 December 2016

Notes to the Financial Statements

for the year ended 31 December 2016

1. REPORTING ENTITY

Otago Polytechnic is a Crown Entity and was established in 1966 as a Polytechnic under the Education Act 1955. It provides full-time and part-time tertiary education in New Zealand.

The Polytechnic and group consists of Otago Polytechnic and its subsidiaries, Open Education Resource Foundation Limited (100% owned) and Otago Polytechnic Education Foundation Trust (100% interest). The 33% equity share of its associate Dunedin City Tertiary Accommodation Trust is equity accounted. The Polytechnic controls the Otago Polytechnic Education Foundation Trust for financial reporting purposes because, in substance, the Polytechnic predetermined the objectives of the Trust at establishment and benefits from the Trust's complementary activities.

The primary objective of the Polytechnic and group is to provide education services for community or social benefit, rather than making a financial return. Accordingly the Polytechnic has designated itself and the group as public benefit entities for financial reporting purposes.

The financial statements of the Polytechnic and group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of council on 7 April 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Crown Entities Act 2004 and the Education Act 1989 which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional and presentation currency of the Polytechnic and its subsidiaries is New Zealand dollars (\$).

(b) Statement of compliance

The financial statements have been prepared in accordance and comply with Tier 1 PBE accounting standards.

(c) Basis of consolidation

The purchase method is used to prepare the group financial statements, which involves adding together like items of assets, liabilities, equity, revenue, expenditure and cash flows on a line-by-line basis. All significant intra-group balances and transactions are eliminated on consolidation.

Associate entities are consolidated on an equity accounting basis, which shows the share of the surpluses/deficits in the group's statement of financial performance and the share of post-acquisition increases/decreases in net assets in the group's statement of financial position.

(d) Changes in accounting policy

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

There are no standards issued and not yet effective that are relevant to the Polytechnic and group.

(e) Revenue

Revenue is measured at fair value. Specific accounting policies for significant revenue items follow:

Government grants

SAC funding is the Polytechnic's main source of operational funding from the Tertiary Education Commission (TEC). The Polytechnic considers SAC funding to be non-exchange and recognises SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course.

The Polytechnic considers the TEC's Performance Based Research Funding to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The Polytechnic recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as the Polytechnic's financial year. PBRF revenue is measured based on the Polytechnic's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Student tuition fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course.

International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance when received and recognised as revenue when the conditions of the grant are satisfied.

Other revenue

Other revenue is recognised when earned. For the sale of materials this is when the significant risk and rewards of ownership have passed to the buyer and can be measured reliably.

Interest

Interest revenue is recognised using the effective interest method.

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for the year ended 31 December 2016

(f) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred, except that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset until substantially all activities necessary to prepare the qualifying asset for its intended use are complete.

An asset that takes a substantial period of time to get ready for its intended use is considered as a qualifying asset.

(g) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for trade receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

(h) Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the spot exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits or highly liquid assets with an original maturity of three months or less.

For the purposes of the statement of cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(j) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted where applicable, for any loss of service potential. Where inventories are acquired at no cost or for minimal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

(l) Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Polytechnic and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Polytechnic and group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purposes of measurement:

- > fair value through surplus or deficit
- > loans and receivables
- > fair value through other comprehensive revenue and expenses.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Loans and receivables (including cash and cash equivalents and other receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated as fair value through other comprehensive revenue and expense or are not classified in any of the other categories above. They are included in non-current assets unless the Polytechnic intends to realise the investment within 12 months of balance date. The Polytechnic and group designates in this category:

- > investments that it intends to hold long-term but which may be realised before maturity; and
- > shareholdings that it holds for strategic purposes.

After initial recognition, these investments are measured at their fair value, with gains and losses recognised in other

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for the year ended 31 December 2016

comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

(m) Impairment of financial assets

At each balance date, the Polytechnic and group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Loans and receivables (including cash and cash equivalents and other receivables)

Impairment of a loan or a receivable is established when there is objective evidence that the Polytechnic and group will not be able to collect amounts due according to the original terms of the loan or receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, insolvency, receivership, or liquidation, and default in payments are considered to be indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into receivership or liquidation and default in payments are considered to be objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

(n) Property, plant and equipment

Property, plant and equipment consists of land, buildings, plant and equipment, motor vehicles, computer hardware, artworks and library collections.

The measurement bases used for determining the gross carrying amount for each class of assets is as follows:

- > Land and buildings are measured at fair value less subsequent accumulated depreciation and impairment losses
- > Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the group and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are disposed, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the group and the cost of the item can be measured reliably.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Class of assets	Useful lives	Rate
Buildings	20-80 years	1.23% - 33.33% per annum
Plant and equipment	2-30 years	3.33% - 50% per annum
Motor vehicles	5 years	20% per annum
Computer hardware	2-9 years	11% - 50% per annum
Library collection	10 years	10% per annum

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for the year ended 31 December 2016

Revaluations

Land and Buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every three years on the basis described below. All other asset classes are carried at depreciated historical cost. Additions between revaluations are recorded at cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The fair values of Land and Buildings are derived from market based evidence or depreciated replacement cost as determined by an independent valuer. For example where buildings have been designed specifically for educational purposes they are valued at depreciated replacement cost which is considered to reflect fair value for such assets.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue.

(o) Intangible assets

Computer software

Computer software is separately acquired and capitalised at its cost as at the date of acquisition. After initial recognition, separately acquired computer software is carried at cost less accumulated amortisation and impairment losses.

Course development costs

Course Development costs relate to development of educational programmes and courses and are capitalised when it is probable that future economic benefits arising from use of the intangible asset will flow to the group.

Following the initial recognition of the course development expenditure, the asset is carried at cost less accumulated amortisation and impairment losses.

Amortisation

A summary of the amortisation policies applied to the group's intangible assets is as follows:

	Course Development Costs	Computer Software
Useful lives	3-5 years	5-7 years
Amortisation method used	Straight-line method from the commencement of the course	Straight-line method
Internally generated/ acquired	Internally generated	Separately acquired

The amortisation period and amortisation method for each class of intangible asset having a finite life is reviewed at each financial year-end. If the expected useful life or expected pattern of consumption is different from the previous assessment, changes are made accordingly.

The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit when the asset is derecognised.

(p) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

(q) Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Notes to the Financial Statements

for the year ended 31 December 2016

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on the following basis:

- > likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- > the present value of the estimated future cash flows. A discount rate of 3.36% (2015: 3.58%) and a salary inflation factor of 1.01% (2015: 1.0%) were used. The discount rate is based on government bonds with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the current CPI rate.

(r) Superannuation schemes

Defined contribution schemes

Employer contributions to Kiwisaver and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Polytechnic and group belong to two Defined Benefit Plan Contributors Schemes (the schemes). The schemes are multi-employer defined benefit schemes.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the schemes the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on these schemes are disclosed in Note 16.

(s) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing. After initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of financial performance when the liabilities are derecognised.

(t) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

(u) Budget figures

The budget figures are those approved by the Polytechnic Council and have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Otago Polytechnic for the preparation of the financial statements.

(v) Critical accounting estimates and assumptions

In preparing these financial statements the Polytechnic and group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

(w) Critical judgements in applying accounting policies

The Polytechnic and group has exercised the following critical judgements in applying accounting policies for the year ended 31 December 2016:

Crown-owned land and buildings

As detailed in Note 9, property occupied by the Polytechnic and group but in the legal name of the Crown was transferred to the Polytechnic during 2016. Previously this was recognised as an asset in the statement of financial position as the Polytechnic and group considered it had assumed all the normal risks and rewards of ownership of the property, despite legal ownership not being transferred. Accordingly it would be misleading to exclude such assets from comparative figures in the financial statements.

Distinction between revenue and capital contributions

Most Crown funding received is operational in nature and is provided by the Crown under the authority of an expense appropriation and is recognised as revenue. Where funding is received from the Crown under the authority of a capital appropriation, the Polytechnic and group accounts for the funding as a capital contribution directly in equity. Information about capital contributions recognised in equity is disclosed in note 14.

(x) Changes in accounting estimates

There have been no changes in accounting estimates during the year.

(y) Taxation

The Polytechnic and group is exempt from the payment of income tax as it is classified by the Inland Revenue Department as a charitable organisation. Accordingly, no charge for income tax applies or has been provided for.

Notes to the Financial Statements

for the year ended 31 December 2016

3. NON-GAAP UNDERLYING NET SURPLUS (DEFICIT)

Underlying net surplus (deficit) is a non-GAAP financial performance measure that represents net surplus stated in compliance with NZ PBE accounting standards excluding the net movement in PBE non-exchange revenue. It is presented to enable to readers to make an assessment and comparison of the Polytechnic's underlying performance across different accounting periods.

The revenue for domestic students is classified as non-exchange. Due to this being accounted for under PBE IPSAS 23, all domestic student fee and government funding revenue must be recognised in full as soon as the withdrawal with refund period has passed. This means that if a student enrolls towards the end of a financial year, all of the revenue for the student has to be accrued into the year of enrolment while the delivery costs will be split over that year and the following year. Due to the nature of the flexible start dates for some students, for example those studying at

Capable NZ, the number of students studying over the financial year end can (and does) change from year to year. These changes result in the variances in revenue recognition as set out below.

The Polytechnic considers these variances to be timing in nature and not reflective of the underlying financial performance for the year.

	POLYTECHNIC			GROUP		
	2016 Actual \$'000	2016 Budget \$'000	2015 Actual \$'000	2016 Actual \$'000	2016 Budget \$'000	2015 Actual \$'000
Net Surplus/(deficit)	3,135	3,882	2,864	3,269	3,891	3,051
Adjustments						
Add back PBE non-exchange revenue adjustment	688	0	(792)	688	0	(792)
Underlying Net Surplus (deficit)	3,823	3,882	2,072	3,957	3,891	2,259
Underlying surplus %	4.9%	5.0%	2.9%	5.0%	5.0%	3.1%

4. REVENUES AND EXPENSES

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Government Grants				
Student Achievement Component	34,224	32,456	34,224	32,456
Equity Funding	220	190	220	190
Early Childhood Education	517	510	517	510
Performance Based Research Fund	1,122	1,162	1,122	1,162
Modern Apprentices	55	196	55	196
Trades Academy	428	349	428	349
Youth Guarantee	1,289	1,281	1,289	1,281
Other Government Grants	142	84	142	84
	37,997	36,228	38,442	35,782
(b) Other revenue				
Revenue from other operating activities	7,956	7,726	8,456	8,293
	7,956	7,726	8,456	8,293

Included in revenue from other operating activities are grants and donations from the following community organisations: Community Trust of Otago \$15k (Refugee resettlement), Bendigo Valley Sports and Charity Foundation \$1.5k (OPEF charity golf event), Pacific Island Polynesian Education Foundation \$20k (PI student scholarships), Inner Court Trust \$2k (Dyslexia Support) (2015: Community Trust of Otago \$30k (Turning Point), Pacific Island Polynesian Education Foundation \$20k (PI student scholarships), Community Trust of Otago \$7.5k (PI student scholarships).

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(c) Finance revenue/costs				
Interest earned on bank deposits	226	366	227	367
Total finance revenue	226	366	227	367
Interest paid on bank loan facilities	0	0	0	0
Total finance costs	0	0	0	0
(d) Employment expenses				
Wages and salaries	39,016	36,393	39,295	36,641
Employer contributions to defined contribution schemes	1,063	948	1,072	956
Other employment expenses	3,260	2,995	3,429	3,095
	43,339	40,336	43,796	40,692

Employer contributions to defined contribution schemes include contributions to KiwiSaver, the Government Superannuation Fund and National Provident Fund DBP Contributors Scheme.

(e) Consumable, Operating and Occupancy expenses				
Audit fees – annual audit	97	93	112	104
Trade and other receivables impairment	92	122	109	133
Donations	108	102	108	102
Operating lease payments	1,834	1,588	1,839	1,595
Administrative and other expenses	23,270	20,100	23,342	20,180
	25,402	22,005	25,511	22,114

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for the year ended 31 December 2016

5. CASH AND CASH EQUIVALENTS

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and in hand	149	108	207	120
Short term deposits	2,745	3,121	2,745	3,121
	2,894	3,229	2,952	3,241

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The carrying values of cash at bank and in hand and short term deposits with maturities less than three months approximate their fair values.

Reconciliation of cash for the purpose of the cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following as at 31 December:

Cash at bank and in hand	2,894	3,229	2,952	3,241
	2,894	3,229	2,952	3,241

Reconciliation from the net surplus/(deficit) to the net cash flows from operations

Net surplus/(deficit) for the year	3,135	2,864	3,269	3,051
<i>Adjustments for:</i>				
Depreciation and Amortisation	6,028	5,808	6,028	5,808
Net (gain)/loss on disposal of property, plant and equipment	21	204	21	204
Movement in Trust & Special Funds	27	(23)	27	(23)
<i>Changes in working capital items</i>				
(Increase)/decrease in trade and other receivables	(219)	(1,233)	(6)	(1,559)
(Increase)/decrease in prepayments	230	(278)	230	(278)
(Increase)/decrease in inventories	(45)	27	(45)	27
(Increase)/decrease in financial assets	(734)	(203)	(984)	(268)
Increase/(decrease) in trade and other payables	1,791	2,355	1,740	2,506
Increase/(decrease) in employee entitlements	747	7	747	7
Net cash from operating activities	10,981	9,528	11,027	9,475

6. TRADE AND OTHER RECEIVABLES

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Student fees receivables	2,679	2,014	2,679	2,014
Other receivables	1,693	2,054	1,811	2,379
Dunedin City Tertiary Accommodation Trust advance	150	150	150	150
Provision for doubtful debts	(277)	(189)	(288)	(194)
	4,245	4,029	4,352	4,349

As at 31 December the age of receivables is as follows:

Current	244	2,096	257	2,409
30-60 days	3,017	1,311	3,084	1,311
60-90 days	383	333	383	333
90 days +	601	289	628	296
	4,245	4,029	4,352	4,349

As at 31 December, all overdue receivables have been assessed for impairment and appropriate provisions applied.

Movements in the provision for doubtful debts are as follows:

At 1 January	188	348	194	348
Additional provisions made during the year	91	17	101	23
Receivables written off during the year	(2)	(177)	(7)	(177)
At 31 December	277	188	288	194

7. INVENTORIES

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Materials and consumables held for distribution	207	162	207	162
	207	162	207	162

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8. OTHER FINANCIAL ASSETS

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Dunedin City Tertiary Accommodation Trust advance	400	550	400	550
Investment in associate –Dunedin City Tertiary Accommodation Trust	3,332	3,332	5,167	4,968
Other	833	106	850	72
	4,565	3,988	6,417	5,590

In 2008 Otago Polytechnic associate accounted for its one third share of Dunedin City Tertiary Accommodation Trust for the first time, the change being taken to equity. The change in the investment value represents the Group's share of the Trust's surplus for 2016.

The advance to Dunedin City Tertiary Accommodation Trust is unsecured, non-interest-bearing and repayable on demand when certain conditions are satisfied. The fair value of on demand loans cannot be less than the amount repayable on demand, therefore the carrying value of loans on demand reflects their fair value.

There are no impairment provisions for other financial assets. None of the other financial assets are either past due or impaired.

	2016 \$'000	2015 \$'000
<i>Investment in Dunedin City Tertiary Accommodation Trust</i>		
Movements in the carrying amount of the investment in associate:		
Balance at 1 January	4,968	4,884
New investments during the year	0	0
Disposal of investments during the year	0	0
Share of total comprehensive revenue and expense	199	84
Dividend	0	0
Balance at 31 December	5,167	4,968

Summarised financial information of associate
presented on a gross basis:

Assets	9,468	9,293
Liabilities	2,017	2,423
Revenues	2,937	2,528
Surplus/(Deficit)	597	253
Group's interest	33.33%	33.33%
Share of associate's contingent liabilities incurred jointly with other investors	0	0
Contingent liabilities that arise because of several liability	0	0

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for the year ended 31 December 2016

9. PROPERTY, PLANT AND EQUIPMENT

POLYTECHNIC	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Library Collection \$'000	Artworks \$'000	Total \$'000
At 1 January 2016								
Cost or fair value	22,465	65,591	14,664	1,067	18,843	6,532	123	129,285
Accumulated depreciation and impairment	0	(2,042)	(8,196)	(747)	(16,063)	(5,380)	0	(32,428)
Net carrying amount	22,465	63,549	6,468	320	2,780	1,152	123	96,857
Year ended 31 December 2016								
Balance at 1 January	22,465	63,549	6,468	320	2,780	1,152	123	96,857
Additions	556	3,888	798	175	1,015	196	26	6,654
Revaluations	0	0	0	0	0	0	0	0
Disposals (net)	0	0	(123)	0	(9)	0	0	(132)
Depreciation expense	0	(2,163)	(997)	(137)	(1,325)	(224)	0	(4,846)
Balance at 31 December	23,021	65,274	6,146	358	2,461	1,124	149	98,533
At 31 December 2016								
Cost or fair value	23,021	69,478	14,912	1,162	19,736	6,728	149	135,186
Accumulated depreciation and impairment	0	(4,204)	(8,767)	(804)	(17,274)	(5,604)	0	(36,653)
Net carrying amount	23,021	65,274	6,145	358	2,462	1,124	149	98,533
At 1 January 2015								
Cost or fair value	19,090	58,051	13,185	979	17,875	6,365	91	115,636
Accumulated depreciation and impairment	0	(186)	(7,048)	(650)	(14,723)	(5,142)	0	(27,749)
Net carrying amount	19,090	57,865	6,137	329	3,152	1,223	91	87,887
Year ended 31 December 2015								
Balance at 1 January	19,090	57,865	6,137	329	3,152	1,223	91	87,887
Additions	3,329	7,540	1,410	111	1,105	167	32	13,694
Revaluations	46	0	0	0	0	0	0	46
Disposals (net)	0	0	(27)	0	(5)	0	0	(32)
Depreciation charge for the year	0	(1,856)	(1,052)	(120)	(1,472)	(238)	0	(4,738)
Balance at 31 December	22,465	63,549	6,468	320	2,780	1,152	123	96,857
At 31 December 2015								
Cost or fair value	22,465	65,591	14,664	1,067	18,843	6,532	123	129,285
Accumulated depreciation and impairment	0	(2,042)	(8,196)	(747)	(16,063)	(5,380)	0	(32,428)
Net carrying amount	22,465	63,549	6,468	320	2,780	1,152	123	96,857

Notes to the Financial Statements

for the year ended 31 December 2016

GROUP	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Library Collection \$'000	Artworks \$'000	Total \$'000
At 1 January 2016								
Cost or fair value	22,465	65,591	14,664	1,067	18,843	6,532	123	129,285
Accumulated depreciation and impairment	0	(2,042)	(8,196)	(747)	(16,063)	(5,380)	0	(32,428)
Net carrying amount	22,465	63,549	6,468	320	2,780	1,152	123	96,857
Year ended 31 December 2016								
Balance at 1 January	22,465	63,549	6,468	320	2,780	1,152	123	96,857
Additions	556	3,888	798	175	1,015	196	26	6,654
Revaluations	0	0	0	0	0	0	0	0
Disposals (net)	0	0	(123)	0	(9)	0	0	(132)
Depreciation expense	0	(2,163)	(997)	(137)	(1,325)	(224)	0	(4,846)
Balance at 31 December	23,021	65,274	6,146	358	2,461	1,124	149	98,533
At 31 December 2016								
Cost or fair value	23,021	69,478	14,912	1,162	19,736	6,728	149	135,186
Accumulated depreciation and impairment	0	(4,204)	(8,767)	(804)	(17,274)	(5,604)	0	(36,653)
Net carrying amount	23,021	65,274	6,145	358	2,462	1,124	149	98,533
At 1 January 2015								
Cost or fair value	19,090	58,051	13,185	979	17,877	6,365	91	115,638
Accumulated depreciation and impairment	0	(186)	(7,048)	(650)	(14,725)	(5,142)	0	(27,751)
Net carrying amount	19,090	57,865	6,137	329	3,152	1,223	91	87,887
Year ended 31 December 2015								
Balance at 1 January	19,090	57,865	6,137	329	3,152	1,223	91	87,887
Additions	3,329	7,540	1,410	111	1,105	167	32	13,694
Revaluations	46	0	0	0	0	0	0	46
Disposals (net)	0	0	(27)	0	(5)	0	0	(32)
Depreciation charge for the year	0	(1,856)	(1,052)	(120)	(1,472)	(238)	0	(4,738)
Balance at 31 December	22,465	63,549	6,468	320	2,780	1,152	123	96,857
At 31 December 2015								
Cost or fair value	22,465	65,591	14,664	1,067	18,843	6,532	123	129,285
Accumulated depreciation and impairment	0	(2,042)	(8,196)	(747)	(16,063)	(5,380)	0	(32,428)
Net carrying amount	22,465	63,549	6,468	320	2,780	1,152	123	96,857

Notes to the Financial Statements

for the year ended 31 December 2016

Valuation

The most recent valuations of land and buildings were performed by J Dunckley FPINZ, an independent registered valuer, of DTZ New Zealand Ltd with an effective date of 31 December 2014.

Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Restrictions on the Polytechnic and group's ability to sell land would normally not impair the value of the land because the Polytechnic and group has operational use of the land and the full benefits of outright ownership.

Buildings

Specialised buildings (eg campuses) are valued at fair value using depreciated replacement cost because no reliable market data is available for buildings designed for education delivery purposes.

Depreciated replacement cost is determined using a number of significant assumptions, these include:

- > The replacement asset is based on modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity
- > The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information
- > The remaining useful life of assets is estimated
- > Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Restrictions on title

Under the Education Act 1989, the Polytechnic and group is required to obtain consent from the Ministry of Education to dispose or sell property where the value of the property exceeds an amount determined by the Minister.

Work in progress

Buildings in the course of construction total \$3,536k (2015 \$637k) while Plant, Equipment and Computers total \$207k (2015 \$300k).

Legal ownership of land and buildings

Legal title to land and buildings, previously in the name of the Crown, was transferred to Otago Polytechnic on 8 September 2016. This property had a carrying amount of \$68,601k at 31 December 2015.

Notes to the Financial Statements

for the year ended 31 December 2016

10. INTANGIBLE ASSETS	POLYTECHNIC			GROUP		
	Course Development costs \$'000	Computer Software \$'000	Total \$'000	Course Development costs \$'000	Computer Software \$'000	Total \$'000
At 1 January 2016						
Cost (gross carrying amount)	5,801	9,165	14,966	5,801	9,165	14,966
Accumulated amortisation	(4,057)	(5,222)	(9,279)	(4,057)	(5,222)	(9,279)
Net carrying amount	1,744	3,943	5,687	1,744	3,943	5,687
Year ended 31 December 2016						
Balance at 1 January	1,744	3,943	5,687	1,744	3,943	5,687
Additions	1,080	666	1,746	1,080	666	1,746
Impairments (net)	(6)	0	(6)	(6)	0	(6)
Amortisation expense	(451)	(731)	(1,182)	(451)	(731)	(1,182)
Balance at 31 December	2,367	3,878	6,245	2,367	3,878	6,245
At 31 December 2016						
Cost (gross carrying amount)	6,598	9,832	16,430	6,598	9,832	16,430
Accumulated amortisation	(4,231)	(5,954)	(10,185)	(4,231)	(5,954)	(10,185)
Net carrying amount	2,367	3,878	6,245	2,367	3,878	6,245
At 1 January 2015						
Cost (gross carrying amount)	5,177	8,965	14,142	5,177	8,965	14,142
Accumulated amortisation	(3,905)	(5,259)	(9,164)	(3,905)	(5,259)	(9,164)
Net carrying amount	1,272	3,706	4,978	1,272	3,706	4,978
Year ended 31 December 2015						
Balance at 1 January	1,272	3,706	4,978	1,272	3,706	4,978
Additions	875	921	1,796	875	921	1,796
Impairments (net)	0	(18)	(18)	0	(18)	(18)
Amortisation expense	(403)	(666)	(1,069)	(403)	(666)	(1,069)
Balance at 31 December	1,744	3,943	5,687	1,744	3,943	5,687
At 31 December 2015						
Cost (gross carrying amount)	5,801	9,165	14,966	5,801	9,165	14,966
Accumulated amortisation	(4,057)	(5,222)	(9,279)	(4,057)	(5,222)	(9,279)
Net carrying amount	1,744	3,943	5,687	1,744	3,943	5,687

Work in progress

Course Development projects not yet completed total \$124k (2015 \$875k) while Software projects total \$468k (2015 \$384k).

Notes to the Financial Statements

for the year ended 31 December 2016

11. TRADE AND OTHER PAYABLES

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	4,007	8,074	4,033	8,131
Income in advance	8,341	5,648	8,401	5,730
Interest payable	0	0	0	0
	12,348	13,722	12,434	13,861

Trade payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value. Income in advance relates to student fees for programmes that continue into the following financial year. For terms and conditions relating to related parties refer to note 17.

12. EMPLOYEE ENTITLEMENTS

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Employee Entitlements</i>				
Annual and discretionary leave	1,394	1,279	1,394	1,279
Long service leave	222	190	222	190
Retirement leave	93	65	93	65
Sick Leave	100	86	100	86
Other Entitlements	1,749	1,191	1,749	1,191
	3,558	2,811	3,558	2,811
Current portion	3,328	2,625	3,328	2,625
Non-current portion	230	186	230	186
	3,558	2,811	3,558	2,811

13. LOANS AND BORROWINGS

The Westpac Bank loan is secured with a negative pledge and operates as a multi-option credit line facility.

Secured loan covenants

The Polytechnic is required to ensure that the following financial covenant ratios for the secured Westpac loan are achieved during the year:

- > Cash operating ratio (cash inflows from operations/cash outflows from operations) not to be less than 1.11
- > Gearing ratio (gross debt/gross debt + equity) not to be greater than 9%.

In the event that these covenants are breached, indicating that the operation or long-term viability of the Polytechnic is at risk, the Secretary for Education will seek satisfactory explanations of the breach from the Polytechnic's Council.

Notes to the Financial Statements

for the year ended 31 December 2016

14. EQUITY

	POLYTECHNIC		GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Retained Earnings</i>				
At 1 January	65,996	63,109	67,791	64,717
Net Surplus/(Deficit)	3,135	2,864	3,269	3,051
Net change in Trust and Special Funds	(28)	23	(28)	23
At 31 December	69,103	65,996	71,032	67,791
<i>Asset Revaluation Reserve</i>				
At 1 January	31,597	31,551	31,597	31,551
Revaluation gains/(losses)	0	0	0	0
Change in reserve on disposal/transfer	2	46	2	46
At 31 December	31,599	31,597	31,599	31,597
<i>Trust Funds</i>				
At 1 January	370	392	370	392
Receipts to funds	73	57	73	57
Payments from funds	(46)	(55)	(46)	(55)
Transfer to OPEF subsidiary	0	(24)	0	(24)
At 31 December	397	370	397	370
<i>Special Funds</i>				
At 1 January	83	84	83	84
Receipts to funds	1	3	1	3
Payments from funds	0	(4)	0	(4)
At 31 December	84	83	84	83
Total Equity	101,183	98,046	103,112	99,841

Trust funds comprise scholarship and other funds held on behalf of students and staff. Special funds comprise student-related equity and support funds. The use of some of these funds is restricted.

15. FINANCIAL INSTRUMENT RISKS

The Polytechnic's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Polytechnic has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Polytechnic has transactional currency exposures arising from purchases of capital equipment by the Polytechnic's academic departments and from book purchases by its library in currencies other than the Polytechnic's functional currency.

The Polytechnic's exposure to foreign currency risk is minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Polytechnic's exposure to market risk for changes in interest rates relates primarily to the Polytechnic's long-term debt obligations, refer to note 13 for interest rates and loan balances of any Otago Polytechnic borrowings.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Polytechnic, causing the Polytechnic to incur a loss.

The Polytechnic has no significant concentrations of credit risk, as it has a large number of credit customers, mainly students. The Polytechnic invests funds only with registered banks and its investment policy limits the amount of exposure to any one institution. There is no collateral held as security against these financial instruments. The advance to the Dunedin City Tertiary Accommodation Trust is for strategic purposes and considered to be low risk.

Liquidity risk

Liquidity risk is the risk that the Polytechnic will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through committed credit facilities. The Polytechnic aims to maintain flexibility in funding by keeping committed credit lines available.

The Polytechnic has a maximum amount that can be drawn down against its multi-option credit line facility of \$3.38m. There are no restrictions on the use of this facility with the exception of TEC approval being required if used for long-term borrowing requirements.

Notes to the Financial Statements

for the year ended 31 December 2016

Maturity analysis of financial assets and liabilities

	Carrying amount	Current	1-3 months	3-12 months	More than 12 months
<i>Polytechnic 2016</i>					
Cash and cash equivalents	2,894	2,894	0	0	0
Trade and other receivables	4,245	244	3,400	601	0
Other financial assets	1,233	1,233	0	0	0
Total financial assets	8,372	4,371	3,400	601	0
Trade and other payables	12,346	12,346	0	0	0
Loans and borrowings (current)	0	0	0	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	12,346	12,346	0	0	0
<i>Group 2016</i>					
Cash and cash equivalents	2,952	2,952	0	0	0
Trade and other receivables	4,352	257	3,467	628	0
Other financial assets	1,250	1,250	0	0	0
Total financial assets	8,554	4,459	3,467	628	0
Trade and other payables	12,435	12,435	0	0	0
Loans and borrowings (current)	0	0	0	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	12,435	12,435	0	0	0
<i>Polytechnic 2015</i>					
Cash and cash equivalents	3,229	3,229	0	0	0
Trade and other receivables	4,029	2,096	1,644	289	0
Other financial assets	656	656	0	0	0
Total financial assets	7,914	5,981	1,644	289	0
Trade and other payables	13,722	13,722	0	0	0
Loans and borrowings (current)	0	0	0	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	13,722	13,722	0	0	0
<i>Group 2015</i>					
Cash and cash equivalents	3,241	3,241	0	0	0
Trade and other receivables	4,349	2,409	1,644	296	0
Other financial assets	622	622	0	0	0
Total financial assets	8,212	6,272	1,644	296	0
Trade and other payables	13,861	13,861	0	0	0
Loans and borrowings (current)	0	0	0	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	13,861	13,861	0	0	0

Notes to the Financial Statements

for the year ended 31 December 2016

16. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Polytechnic has entered into commercial leases on certain items of property, plant and equipment where it is not in the best interest of the Polytechnic to purchase these assets.

These leases have an average life of 2 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	POLYTECHNIC		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Within one year	1,026	1,045	1,026	1,045
After one year but not more than five years	3,237	2,884	3,237	2,884
More than five years	2,773	3,355	2,773	3,355
	7,036	7,284	7,036	7,284

Capital commitments

At 31 December 2016 the Polytechnic had total commitments of \$18.5m for the major building works (OP Student Village) at the Forth St campus. (2015: \$24k relating to the major building upgrades at the Forth St campus).

Legal claim

Otago Polytechnic has no unresolved contingent matters as at balance date.

Contingent assets and liabilities

Otago Polytechnic has no significant contingent assets or liabilities as at balance date.

Unquantifiable contingencies

The Polytechnic and group is a participating employer in two Defined Benefit Plan Contributors Schemes (the schemes), which are multi-employer defined benefit schemes. If the other participating employers ceased to participate in the scheme the Polytechnic and group could be responsible for any deficit of the schemes. Similarly, if a number of employers ceased to participate in the schemes the Polytechnic and group could be responsible for an increased share of the deficit.

Otago Polytechnic is joint and several guarantor for property leases relating to the Polytechnic's Auckland Campus. There is no certainty that any liability under the leases would arise, in addition the Polytechnic is unable to quantify any potential contribution. (2015: nil)

17. RELATED PARTY DISCLOSURE

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Polytechnic would have adopted in dealing with the party at arm's length in the same circumstances.

Transactions with Government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements with TEIs and undertaken on the normal terms and conditions for such transactions.

Inter-group transactions

The Otago Polytechnic Education Foundation Trust paid \$4,010 to Otago Polytechnic for hospitality catering (2015: \$6,384). Otago Polytechnic provides accounting, secretarial and trustee services to the Otago Polytechnic Education Foundation Trust at no cost. In 2015 it was agreed with Otago Polytechnic Education Foundation Trust to transfer initial funding of \$24,163 from Otago Polytechnic into the Otago Polytechnic Education Foundation Trust. Monies owed by Otago Polytechnic to the Otago Polytechnic Education Foundation Trust are held in a current account, being \$39,847 (2015 \$31,488).

The Open Education Resource Foundation Limited paid \$8,000 to Otago Polytechnic for administrative services for CCANZ operations. Otago Polytechnic provides accounting, secretarial and director services to the Open Education Resource Foundation Limited for no charge in lieu of payment of membership fees of \$6,484 (US\$4,000) annually. Monies owed between the parties are held in a current account, being \$23,449 (2015: \$66,933).

POLYTECHNIC AND GROUP

	2016 \$'000	2015 \$'000
<i>Key management personnel compensation</i>		
Salaries and other short-term employee benefits	1,783	2,042
Post employment benefits	515	78
	2,298	2,120

Key management personnel included 11 members of Leadership Team and the Director of Open Education Resource Foundation Ltd, totalling 10 FTE (2015: 11 FTE) plus all members of Council. Councillor fees of \$149k (2015: \$112k) are disclosed separately in Note 19.

There are close family members of key management personnel employed by the Polytechnic. The terms and conditions of those arrangements are no more favourable than the Polytechnic would have adopted if there were no relationship to key management personnel.

Notes to the Financial Statements

for the year ended 31 December 2016

18. EVENTS AFTER THE BALANCE SHEET DATE

Otago Polytechnic and Future Skills Academy Ltd registered a limited liability partnership entity on 11 November 2016. This entity is to be known as OPAIC Limited Partnership and will commence operation of Otago Polytechnic's Auckland Campus from 1 January 2017. (Post balance date events as at 31 December 2015 involved the purchase of a property for \$520k).

19. COUNCILLOR FEES

The following fees were earned by members of the Council during the year:

POLYTECHNIC AND GROUP		
	2016 \$	2015 \$
Paul Allison	14,120	10,000
Gillian Bremner	21,400	15,333
John Christie	14,120	10,000
Peter Coolbear	14,120	833
Darren Evans	5,883	0
Kathy Grant	35,952	28,800
David Higgins	17,120	14,400
Mike Horne	17,120	9,600
Susie Johnstone	0	6,000
Tom Prebble	0	6,667
Chris Staynes	9,413	10,000
	149,248	111,633

20. CHILDCARE CENTRE

POLYTECHNIC AND GROUP			
	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue			
Ministry grants	517	534	510
Guardians and Student income	311	310	271
Total Revenue	828	844	781
Expenditure			
Employment costs	707	704	734
Other Operating costs	110	106	105
Total Expenditure	817	810	839
Surplus/(Deficit)	11	34	(58)

The Childcare Centre is part of the provision of student and staff services. No capital charge has been applied by the Polytechnic to the Centre. The Statement of Financial Performance for the Childcare Centre has been extracted from the Statement of Financial Performance for Otago Polytechnic.

POLYTECHNIC AND GROUP

	2016 hours	2015 hours
Statistics		
Under two year olds	17,226	14,675
Two year old and over	18,202	16,998
Free funded 3 years and over	23,104	26,072

2016 has seen an increase in enrolment of 0, 1 and 2 year olds, reflected in the increase to Under 2 and 2 year and over funded hours. A large number of children transitioning to school in 2016 has contributed to the reduction of '20 Hours ECE' funding for 2016.

21. CAPITAL MANAGEMENT

The Polytechnic's capital is its equity which is comprised of retained earnings and reserves. Equity is represented by net assets.

The Polytechnic manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Polytechnic's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities and general financial dealings.

The objective of managing the Polytechnic's equity is to ensure that the Polytechnic effectively achieves its goals and objectives contained within its Investment Plan, whilst remaining a going concern.

22. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Group statement of financial performance

Government Grants

Government grants were a net \$396k higher than budgeted. This was due to additional funding secured from TEC as a result of achieving 102.6% of SAC L3+ EFTS funding.

Student tuition fees

Student tuition fees were a net \$234k higher than budgeted. Domestic EFTS fee revenue was lower with some schools under-achieving their targets plus an unfavourable price/volume shift to lower cost programmes. International EFTS at the OPAIC Auckland and Central Otago Campuses were higher than expected with marketing efforts bearing fruit, while discounts and subsidies for Domestic, International and other EFTS were lower with some planned subsidised delivery replaced by conventional fee structures.

Notes to the Financial Statements

for the year ended 31 December 2016

Employment expenses

Employment expenses were \$418k higher than budgeted. Net staffing costs in both academic and support areas were underspent with some positions capitalised or not filled, however this was more than offset by redundancy and recruitment costs arising from the Leadership Team restructure late in the year. Also contributing were an unpredicted increase in staff leave liabilities and superannuation costs.

Operating expenses

Operating expenses are a net \$589k higher than budgeted. Additional costs were incurred in Advertising and Agents Fees for the International EFTS activity. Provisions for on-line EFTS delivery costs were underspent with lower activity than planned in this area, while additional legal fees were incurred with regard to partnership and employment matters. Travel and Accommodation costs were higher than budgeted with additional international marketing activity as well as research-related travel in preparation for the upcoming PBRF evaluation round. Commercial materials costs were however underspent with the winding down of the workSpace business unit.

Group statement of financial position

Cash and cash equivalents

Cash and Cash Equivalents are \$2,850k higher than budgeted. This is due to a combination of a higher than planned opening cash position inherited from 2015, continued strong operating cashflows from international student fees received in advance and lower capital expenditure outflows.

Trade and other receivables

Trade and other receivables is \$2,352k higher than budgeted. This is a similar situation to the previous year where PBE-related accruals were not envisaged at the time the 2016 budget was set in late 2015.

Property, plant and equipment

Property, plant and equipment is \$2,393k lower than budgeted. The Student Village building complex project ended with a lower spend than originally anticipated by year end. In addition, Plant & Equipment provisions were underspent across the Polytechnic but offset some additional allocation to Computer Equipment.

Trade and other payables

Trade and other payables were \$2,135k higher than budgeted. This is the result of a much higher Income in Advance due to unbudgeted PBE accounting accruals (refer Receivables above) and the continuing international fees received in advance trend.

Group Statement of Cash Flows

Net cash flows

Net operating cash flows were well up on budget, largely driven by the student fee activity noted above. Net investing cash outflows were also under budget, as additional capital accruals from the prior year that were subsequently paid out during 2016 were more than offset by underspent capital projects. As a result of this, and in combination with a much higher opening balance, the Polytechnic ended up not requiring the budgeted Financing cash flows loan drawdown and the closing total cash position was consequently better than budgeted at year end.

Compulsory Student Service Fees

	2016					2015				
	Compulsory Student Services Fees \$'000	Other \$'000	Total Revenue \$'000	Total Expenses \$'000	Surplus/ (Deficit) \$'000	Compulsory Student Services Fees \$'000	Other \$'000	Total Revenue \$'000	Total Expenses \$'000	Surplus/ (Deficit) \$'000
Advocacy and Legal Advice	86	0	86	113	-27	91	5	96	104	-8
Careers Information Advice and Guidance	48	14	62	66	-4	53	13	66	64	2
Counselling and Pastoral Care	721	213	934	790	144	524	222	745	631	114
Employment Information	22	0	22	32	-10	25	0	25	30	-5
Financial Support and Advice	33	0	33	29	4	31	0	31	29	2
Health Services	417	118	535	550	-15	547	86	633	534	99
Media	101	0	101	72	29	104	0	104	52	52
Childcare Services	0	781	781	770	11	0	740	740	796	-56
Clubs and Societies	9	0	9	8	1	8	0	8	8	0
Sports, Recreational and Cultural Activities	427	0	427	467	-40	439	0	439	495	-56
Total	1,865	1,126	2,991	2,897	94	1,821	1,065	2,886	2,742	145

Compulsory Student Services Levy

Otago Polytechnic has consulted with the students on the student services levy. In 2016 this consultation included presenting to and directly engaging with students on the type of services to be delivered, seeking student feedback on these services and how the student services levy would be spent. The fee charged by Otago Polytechnic per Equivalent Full Time Student in 2016 was \$656, for Central Otago Students \$576, and for distance students \$266 (all GST inclusive). These fees have remained unchanged since 2012. Otago Polytechnic accounts separately for all revenue and expenditure related to the provision of each of the student services listed here.

Advocacy and legal advice

Advocacy support is provided to students needing help to resolve problems. Advocacy is undertaken by an impartial person on behalf of students, this includes advocacy and legal advice relating to accommodation. All issues are resolved or escalated to a higher level to be heard and resolved.

Career information, advice and guidance

Support is provided to students to assist their transition into employment. Support includes employability workshops, CV development, interview practice, one-on-one advice and liaison with Career Guides (second and third year Bachelor of Social Service students with a Career focus for their degree).

Counselling services

Four counsellors (1.6 FTE) are available for one-on-one appointments to provide students with counselling and pastoral care. Workshops are also held to support students to cope with anxiety and prepare for exams. A Chaplain is also available to provide pastoral care and counselling.

Employment information

This service is undertaken by Careers Service, and is developing within the Polytechnic. Links to industry and the workplace are being established. Industry representatives will be brought onto the campus to provide a workplace perspective as part of an interview panel for practice interviews and providing industry focus through information evenings and fairs.

Financial support and advice

Budgeting advice is freely available for students. Hardship situations are assessed and help may be provided with financial assistance and food parcels.

Health services

Otago Polytechnic has a Student Health Centre, with doctors and nurses available for students to access as needed. They provide a variety of services to support students to stay well, receive timely advice and gain medical assistance.

Media

Otago Polytechnic sponsors the online student news and supports online communities for students across the Polytechnic.

Communications channels are also enabled through the Student Subcommittee of Council and the OPSA students' committee.

Information is provided to the representatives of both these committees to enable student discussion and input and they are also able to bring issues to these forums.

Childcare services

Childcare facilities are available to parents while studying through Polykids. This facility provides childcare from birth through to five years old.

Clubs and societies

Otago Polytechnic students can also access clubs and recreation facilities offered through the Otago University Students' Association. The OUSA Recreation Centre provides amenities including meeting rooms, exercise space and equipment for hire. It organises tournaments, and is the base of student sports, religious and cultural clubs.

Sports and recreation facilities

Unipol provides a wide range of services at the nearby University Plaza. These services are available to all students, on presentation of their Student ID.

Appendix

TEC educational performance definitions and formulas

Participation definition

The participation indicators are the proportion of EFTS delivered for groups of interest. They are used to monitor the extent to which specific groups of New Zealanders, such as Māori, Pasifika and young people are engaged in tertiary education.

Formula =

Total EFTS delivered for a specific group of interest in year N

Total EFTS delivered in year N

Course completion definition

The successful course completion indicator (measured by the EFTS-weighted successful course completion rate) takes into account the workload of the course when calculating the successful course completion rate. TEC measure the workload factor using EFTS (equivalent full-time student) delivered. This is a unit that reflects the total student time necessary to complete the course.

The indicator is the sum of the EFTS delivered for successfully completed enrolments as a proportion of the EFTS delivered for the total course enrolments ending in a given year.

Formula =

EFTS delivered for the total number of successfully completed course enrolments ending in year N

EFTS delivered for the total number of course enrolments ending in year N

Qualification completion definition

The qualification completion rate is EFTS-based – allowing for comparisons across tertiary education organisations (TEOs), and to take into account the relative size of different qualifications. It is the number of qualifications completed at each TEO (weighted by the 'size' of the qualification) divided by the total number of EFTS delivered for the total course enrolments ending in a given year.

Formula =

Sum of qualification completions in year N x the EFTS value of the qualification

EFTS delivered for the total number of course enrolments ending in year N

Student retention definition

The retention rate indicator measures student continuation or completion at a TEO (and is also known as the student continuation or completion rate). This is the proportion of distinct students (not EFTS) enrolled in one year that re-enrol in any course at the same TEO in the following year, or successfully complete their qualification.

Formula =

Students re-enrolled in year N+1 or completed in year N or year N+1

Students with some portion of an enrolment in year N

Student progression definition

Student progression is measured by the completion progression rate. This gives the percentage of students who complete a qualification at one TEO and move on within 12 months to pursue a qualification at a higher level at the same or another TEO within New Zealand.

Formula =

Number of students enrolled at a higher qualification level within 12 months following the completion

Number of students completing a qualification at each level in year N



Keeping it green

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Special thanks to all Otago Polytechnic staff who contributed to this report.



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J02811