

# Our Pathway to Excellence

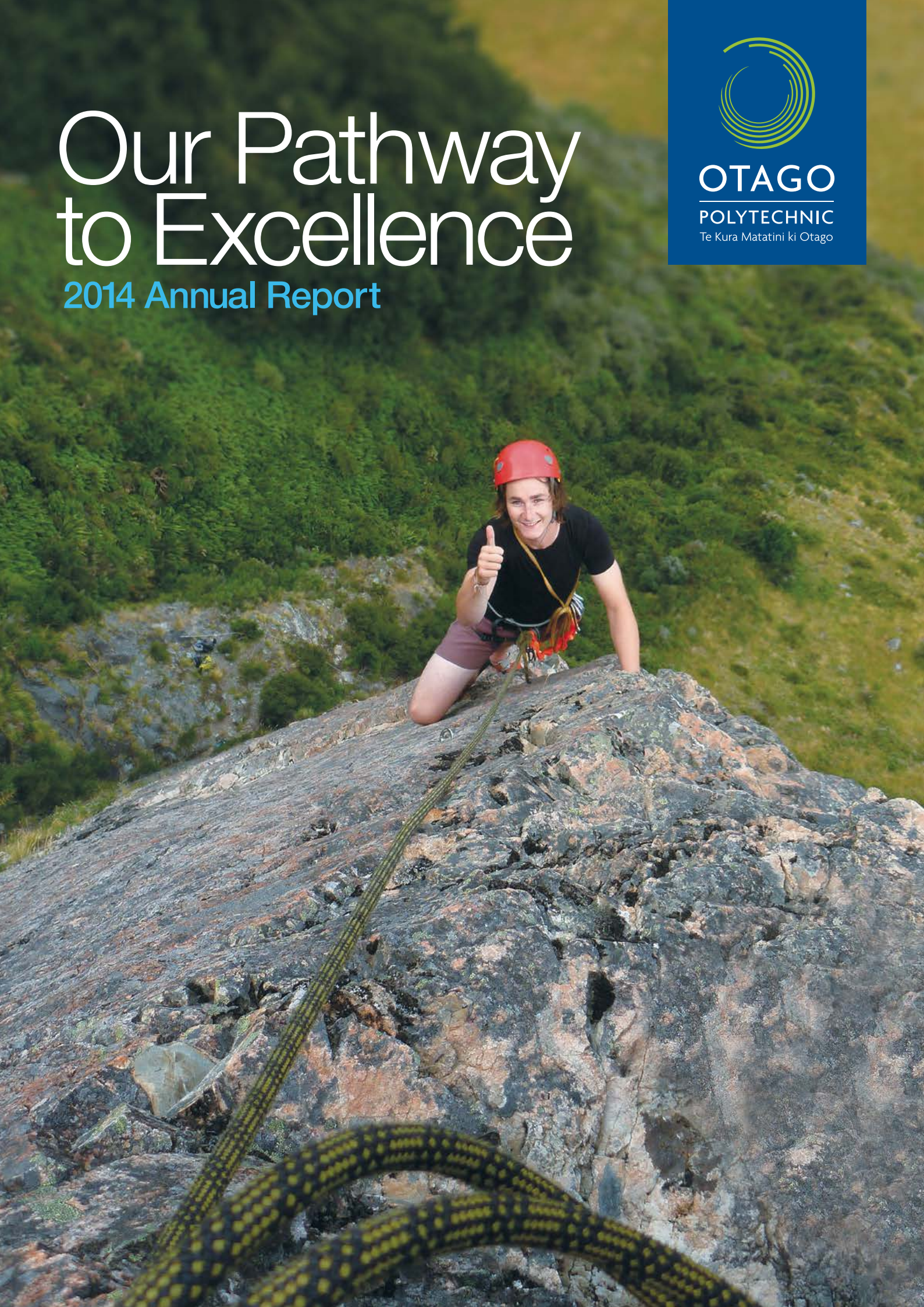
2014 Annual Report



OTAGO

POLYTECHNIC

Te Kura Matatini ki Otago





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Cover photo of second year Diploma in Outdoor Leadership & Management (Level 5) student Ayre Sampson tackling "Secret Squirrel", a Grade 15 climb at Unwin Crag in the Aoraki, Mt Cook, area.

Photograph taken by Andy Thompson, Principal Lecturer.

# Our pathway to excellence



7,000+

FULL- AND PART-TIME STUDENTS

4,269

EQUIVALENT FULL-TIME STUDENTS

556

PERMANENT AND FIXED-TERM STAFF

100+

PROGRAMMES, CERTIFICATES TO POSTGRADUATE

3

CAMPUSES IN DUNEDIN, CENTRAL OTAGO AND AUCKLAND

\$69m

IN REVENUE

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

With our roots in Dunedin, the city with New Zealand's proudest and richest educational history, we provide inspiring, career-focused education. Our efforts make a dedicated contribution to 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, regardless of their background, and can realise their aspirations to improve options 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 that New Zealand needs. In doing so, we go beyond ensuring our graduates are capable practitioners in their chosen fields – we also equip them to make a real difference to their communities, in New Zealand and internationally. Through the experiential-based education we deliver, our graduates are creative and resourceful, while our emphasis on sustainability ensures they understand the wider consequences of their personal and professional decisions.

We also share our skills and knowledge with the community, undertaking research that matters to businesses and communities and in areas of economic potential.

We rank top equal in the New Zealand ITP sector for qualification completions and second for course completions, and have achieved the highest possible endorsement from the New Zealand Qualifications Authority for our educational performance and our ability to assess our own performance. Our student satisfaction ratings are consistently high – 94 per cent in 2014.

Now, our focus is moving beyond being recognised as New Zealand's best-performing polytechnic, and exploring how we can truly position ourselves as a world-class organisation.

To achieve this, we have embraced four strategic service offerings: ensuring the educational needs of our local communities; attracting learners to our campuses from throughout the country and the world; meeting learners in their own environments by providing online and work-based education; and engaging with external clients in the areas of research and development, and knowledge transfer. We draw upon the ideas and experiences of the highest quality international providers of vocational education, through our global collaborations and networks.

Meanwhile, 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.



### Chief Executive

Phil Ker



### Council

Kathy Grant (Chair)  
Susie Johnstone (Deputy Chair)  
John Christie  
Chris Staynes  
Gillian Bremner  
Professor Tom Prebble  
Paul Allison  
Rebecca Williams (until April 2014)  
David Higgins (from May 2014)



### Leadership Team

Professor Khyla Russell  
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.**

Council is advised by student and staff subcommittees, 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. The operational management is carried out by the Leadership Team.

## 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, 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 audit process.

## Executive Committee

This committee is convened by the Council at its discretion and includes the Chair and Deputy Chair, Chair of Kōmiti Kawanataka and a Council member.

## Leadership Team

The Leadership Team guides the Polytechnic in pursuit of our strategic goals: leading the development of an appropriate culture, setting priorities and monitoring organisational performance. Whilst strategically focused, the team is comprised of members who are all operationally grounded through their leadership of academic and service activities.



Phil Ker

OTAGO POLYTECHNIC COUNCIL 2014

**Back row (left to right):** Chris Staynes, John Christie, David Higgins, Prof. Tom Prebble.  
**Front row:** Paul Allison, Kathy Grant, Susie Johnstone, Gillian Bremner.



# REPORT FROM THE Chair and Chief Executive

2014 was another very good year for Otago Polytechnic, with pleasing financial and educational results together with high levels of student and staff satisfaction. Our staff are to be congratulated for the many successes and achievements set out in this report, and we continue to appreciate the high levels of support by our communities. We are particularly grateful to the local and regional employers who contribute to our advisory committees and who provide the practical learning experiences which are so essential to the success of our graduates.

We have maintained our high educational performance as measured by the TEC Educational Performance Indicators, with very pleasing improvements in student progress to higher levels of study and students retained in study. Disappointing, though, was the dip in Māori and Pacific Island learner achievement, especially at Levels 1 to 3. This is an area for improvement, and in 2015 we will renew our efforts and put in place new initiatives to ensure that by 2016 our Māori and Pacific Island learners achieve parity of outcomes with other learners.

Otago Polytechnic's success is based on our providing an outstanding experience for our learners. The Student Opinion Survey for 2014 recorded very high levels of student satisfaction, an increase across all dimensions and exceeding our targets, with the participation rate more than doubled. Our graduate destination outcomes are also very pleasing: 81 per cent of those surveyed were employed immediately on graduation, with 97 per cent overall in work or engaged in further study, and 98 per cent of Māori and 100 per cent of Pacific Island graduates in work or undertaking further study.

However, the highlight of the year in terms of quality was undoubtedly the success of our teachers in the National Tertiary Teaching Excellence Awards. In 2014 two individuals and one team of teachers received this prestigious award, bringing to 14 the number of Otago Polytechnic staff who have been recognised in this way.

2014 was a very busy year for strategy implementation, with a bold set of initiatives now in place to give effect to the Polytechnic's strategy, which we refocused in 2013. Excellent progress was made in bedding in our team-based performance model, and in-depth reviews were completed as to the deployment of our curriculum points of difference: experiential learning and education for sustainability. We also developed a new process for measuring and reporting on learner transferable skills and will be piloting this process in 2015 - a direct response to the challenge put to tertiary providers in the Tertiary Education Strategy.

A new learning design model was also developed, and rolled out through a series of development workshops with academic staff in preparation for our Designing for Learner Success project. This initiative, which will commence in 2015, will result in all of our programmes and courses being redesigned to ensure the best possible learner experience and outcomes.

Considerable improvements were also made to our systems and processes supporting applied research and knowledge transfer - the numbers of research active staff, research outputs and quality assured research outputs have all increased significantly.

Other significant initiatives in 2014 were the development of a new strategy for our Central Otago campus and a rebranding of the campus, which has been well received by the community. Excellent progress was made with the Tertiary Accord NZ (TANZ) initiative which is a collaborative approach to establish a unique fully-online educational service to students. An integral component of our strategy is to better serve learners who cannot undertake learning on campus.

Otago Polytechnic continued to be very active in the international arena with the commencement of a long-term project to re-establish vocational education and training in Bougainville, and we made further investments in our



# Statement of Responsibility

Annual financial report for the year ended 31 December 2014

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 2014.

The financial statements were authorised for issue by Council on 15 April 2015.

**K Grant**  
COUNCIL CHAIR

**P Ker**  
CHIEF EXECUTIVE

**P Cullen**  
CHIEF OPERATING  
OFFICER

Auckland International Campus. This campus continues to be an outstanding success, with enrolments doubling and returning a surplus to the Polytechnic in 2014, in only its second full year of operations. We are looking forward to doubling enrolments again in 2015.

The successes of 2014 were capped by the successful completion of the first stage of our Dunedin campus

modernisation programme. Our new learning commons has been completed on time and within budget, and has proven to be a resounding success with both students and staff. The new facility is significant not only for the contemporary learning space that it provides but also as a symbol of the future of Otago Polytechnic as an innovative, inspiring and successful institution.



**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**.

## Being a resilient organisation

- > Diversify our revenue base
- > Further develop Otago Polytechnic as a safe and healthy place to learn and work
- > Further develop Otago Polytechnic as a great place to work

- > Grow profitable fee-for-service revenues
- > Implement actions to address all WES priority 1 concerns
- > Develop health and well-being strategy for staff

## Collaborating with our communities to make a difference, prioritising Kai Tahu

- > Strengthen Otago Polytechnic as a place where Māori can work and learn as Māori
- > Strengthen Otago Polytechnic as a place where Pacific people can succeed

- > Recruit and develop Māori staff
- > Implement Pacific Islands Strategic Framework
- > Scope centre for Māori learning and support

## Making a difference to the environment

- > Actively manage operations to reduce our carbon and ecological footprints
- > Provide leadership to our communities

- > Reduce:
  - Travel footprint
  - Waste to land fill
  - IT footprint
  - Energy consumption
- > Further develop the Living Campus

# Achieving educational excellence

## Kia whakanekeneke te taiao rōpu iwi

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

### Highlights

- > First equal position in ITP sector for qualification completions; second equal for course completions
- > Overall student satisfaction increased to 94 per cent, with a doubling of the survey response rate
- > Began implementation of monitoring processes to better identify at-risk learners
- > Developed online courses and established a pilot programme for TANZ eCampus
- > Reviewed programmes for Māori knowledge and perspectives as part of annual programme review process
- > Developed Pasifika Strategic Framework
- > Implemented and evaluated an OER uptake campaign, with a focus on workload reduction – incorporated into Designing for Learner Success project
- > Evaluated all certificate and diploma programmes against our experiential learning expectations, including action competence
- > Evaluated all degree programmes against sustainability expectations
- > Developed Capable NZ as a bicultural school, establishing a Māori service for iwi
- > Developed a system to capture research activities of staff that has led to an increase in research outcomes.

### Pathway to excellence FOR 2015

- > Implement our Designing for Learner Success project to further develop our educational delivery model to improve learner success, further enhance the learner experience, allow better management of academic staff workloads and increase productivity
- > Establish a centre for Māori learning and support to provide a by-Māori, for-Māori service
- > Implement Pacific learner strategy to improve Pacific learner success rates
- > Finalise Māori campus signage and imagery to reflect our inclusive learning environment
- > Complete learning commons development on time and on budget
- > Add three additional technology displays to the Living Campus
- > Implement processes for assessing and reporting on learner capability
- > Further improve assessment processes to better identify and assist at-risk learners
- > Commence our Designing for Service Excellence project to ensure future-focused service delivery
- > Embed team and individual performance planning as a key enabler of self-leading teams.

### Aspirations

- > Maintain top NZQA quality rating
- > Further improve educational performance with specific focus on Māori and Pacific learners in the areas of course retention, course and qualification completion.
- > Further develop the physical and virtual learning environments to support our strategy, featuring more

contemporary learning spaces which meet learner needs, more inclusive look and feel, reliable and leading edge technology and extending the Living Campus as a learning resource

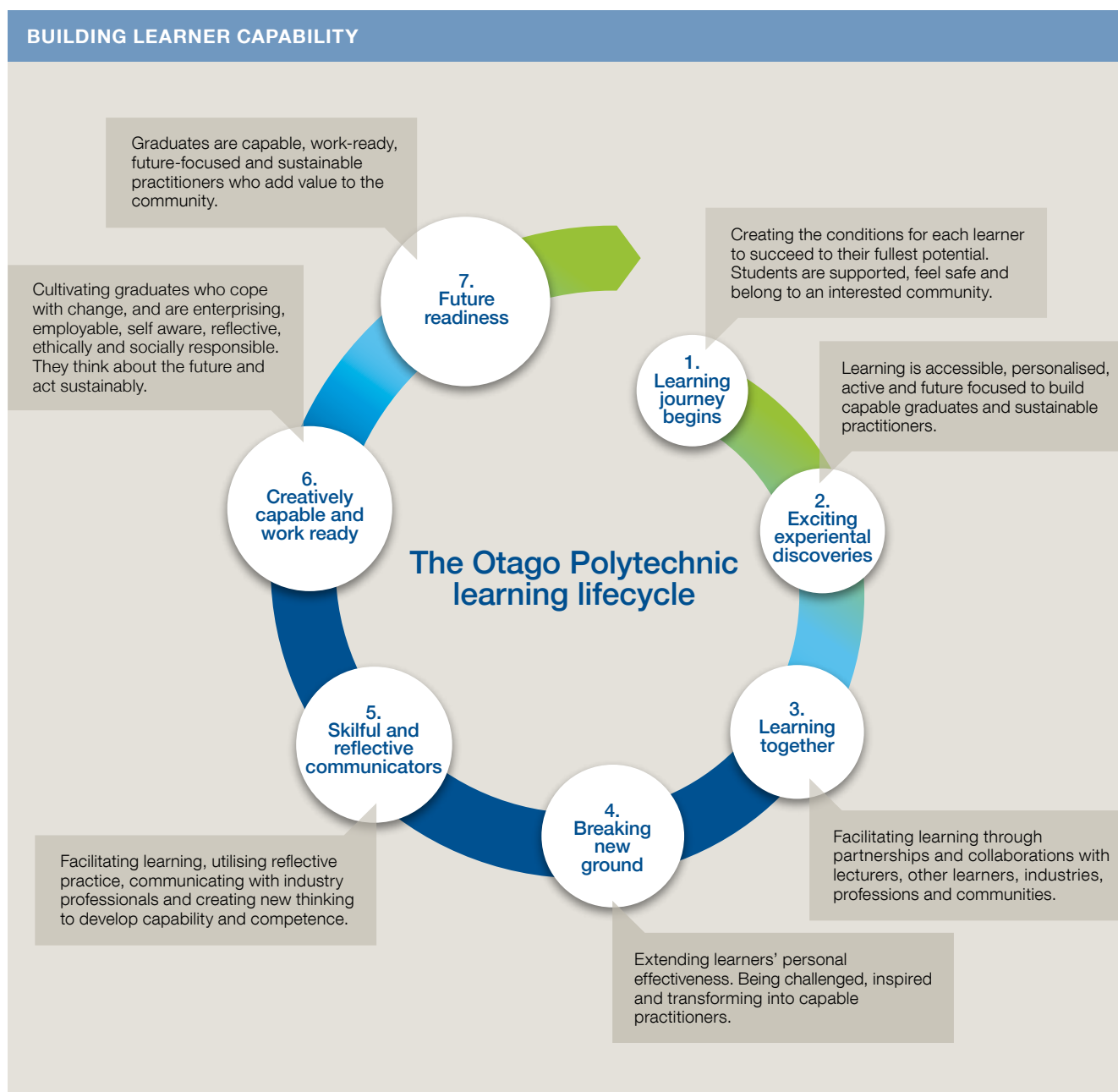
- > Further strengthen self-assessment and internal evaluation processes in preparation for the 2015 External Evaluation and Review
- > Strengthen our curriculum points of difference by implementing initiatives relating to education for sustainability, learner capability and experiential learning.



# 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, future-focused and sustainable practitioners.

## BUILDING LEARNER CAPABILITY







BUILDING LEARNER CAPABILITY

The learning life cycle of:

**Ethan O'Neill-Beattie**

**Certificate in Automotive and Mechanical Engineering (Level 2)**

As a result of my performance I have been offered an Otago Polytechnic scholarship to return and complete my Level 3 engineering diploma. This is an amazing opportunity, and one I would never have considered before attending the Youth Guarantee Programme.

**7.  
Future  
readiness**

I was extremely nervous starting the Otago Polytechnic Youth Guarantee Programme because of the learning issues I had confronted at secondary school. I couldn't believe the tutor support, the guidance and the effort to build my learning confidence in the first term. I received weekly tuition that gave me the literacy and numeracy tools to support me throughout my study and career.

**1.  
Learning  
journey  
begins**

**6.  
Creatively  
capable and  
work ready**

I have become a capable welder using mig, arc and gas welding equipment. I have also developed a range of mechanical engineering skills in automotive, engineering, and fabricating that I can apply in a range of settings. I recently fixed my mum's horse float to VTNZ standards after my dad's first attempt to get a WOF failed. I started to fix machinery at home and for local people who have asked me to fix a range of equipment. This year I won the Lincoln Electric NZ Best Welder Award - Level 2 Automechanics.



**2.  
Exciting  
experiential  
discoveries**

If I was confused in class my tutor would use a whiteboard to show me the process, write down specific measurements or sketch a diagram without telling me how to do it. I had to figure that out myself. I was challenged to think. I received extra help with my math and reading based on the manuals and online material I needed to use daily in the engineering workshop. I was challenged to better my own scores. My language and numeracy skill improved and very quickly I was applying these skills without the help of my tutors. My tutors figured out how I could learn best – and it worked. I developed a hunger for learning.

**3.  
Learning  
together**

Our programme required students to work in teams to build a cart. I became a leader in my team and worked closely with other students. Working together also involved cooperating with our tutors, Nick and Stu, who guided and supported our efforts to work more effectively.

**5.  
Skilful and  
reflective  
communicators**

I received a lot of encouragement and positive feedback for my effort to learn as well as my practical skill development. I was expected to succeed by my tutors. I was given responsibility in my group. I enjoyed being a leader, and the other students looked up to me expecting me to explain things, give them direction and help them complete specific tasks. I have been asked to speak publicly and have grown in confidence as a learner.

**4.  
Breaking  
new  
ground**

I would leave home at 6.30am and cycle from South Dunedin to the Polytechnic. I was there ready to start before my tutors; I wanted to be there! I loved being in a work environment because I was learning new skills and techniques, and I was succeeding. There was a personal connection with my tutors – I was somebody that counted, I was important to them and I wanted to succeed.



## BUILDING LEARNER CAPABILITY

The learning life cycle of:

# Jane Sefo

## Certificate in Health; Bachelor of Nursing

I am now employed at Oxford Court Life Care in Dunedin as an aged-care nurse. I am helping to co-manage one of the units while the nurse manager is on annual leave. I have been involved in the preparation for our most recent audit in January 2015. I am continuing part-time post graduate study (Level 8) in 2015 to increase my learning and push my own boundaries. I have achieved my long-term goal in becoming a Registered Nurse. Retrospectively, the journey to where I am now has been well worth it. As the old adage goes... "you reap what you sow".

**7.  
Future  
readiness**

**1.  
Learning  
journey  
begins**

I started and completed the Certificate in Health at Otago Polytechnic as a bridging qualification to Nursing. The Certificate in Health was an excellent stepping stone to build confidence and gain entry to the Bachelor of Nursing degree. I was awarded an Otago Polytechnic Pacific Islands full-fee-paying scholarship for the duration of my nursing studies. The course offered smaller classes, catered for different age groups and mixed abilities of students, and the staff support encouraged me to regain my desire to learn.

**6.  
Creatively  
capable and  
work ready**

I have a wide range of clinical skills and I am now learning how to adapt my style to work in different health-care environments. I appreciate the need for strong documentation skills especially in recording care plan requirements to inform other health-care professionals. Along with a strong work ethic I have been able to use my sense of humour to help me laugh and enjoy what I do. I now feel confident in managing a wide range of tricky health situations.



**2.  
Exciting  
experiential  
discoveries**

I am a visual and kinaesthetic learner – I like to observe and see how things are done, especially in clinical and practical sessions. The Bachelor of Nursing offered a wide range of practical placements allowing me to connect theory with practice. I gained direct experience in the public and private hospital system, community mental health, private GP practice and student health services. Being able to reflect on these experiences and gain new insights has helped me transfer learning theory to practice.

**5.  
Skilful and  
reflective  
communicators**

When things didn't go to plan I was able to reflect and identify the root cause of problems and decide how I could do better. Developing a reflective learning journal and case-study portfolio throughout the course helped me track my thinking, progress and learning. I was able to discuss my reflections with my assigned preceptors, tutors and other students on a regular basis to review my progress and decide what I would do differently. I am now able to communicate effectively with a range of health-care professionals and patients.

**4.  
Breaking  
new  
ground**

I learned to ask a lot of questions. I tapped into other people's knowledge and experience to help me "think outside the square". I enjoyed the academic challenge by taking learning risks which extended my boundaries and allowed me to build my confidence and reach a higher level of capability. I am now more assertive in supporting and advocating for patient care.

**3.  
Learning  
together**

I thoroughly enjoyed the friendship and working relationship that emerged in my group of 30 students. I appreciated the rapport with staff and their availability both in and out of class through personal support and email contact. Working closely with a range of different health professionals, our assigned preceptors and sharing our learning with other students provided constant feedback in a safe and constructive learning environment.

## BUILDING STAFF CAPABILITY

The learning life cycle of:

# Julie Waldron

## Bachelor of Applied Management (Business Excellence)

I will continue in my role with new knowledge and skills that allow me to perform at a much higher level. I can confidently contribute to business improvement and ultimately support the strategic business excellence aspirations that underpin the Polytechnic's performance.

**7.  
Future  
readiness**

I currently work as Executive Assistant to Otago Polytechnic's Chief Operating Officer and I have been encouraged and supported by colleagues to complete a Bachelor of Applied Management (Business Excellence) through the Capable NZ process. The focus of my work is around business excellence, aligning directly with my role organising the Annual Report and supporting the business improvement processes.

**1.  
Learning  
journey  
begins**

**6.  
Creatively  
capable and  
work ready**

I have developed new work procedures to increase efficiency and have documented the process. I have further increased my confidence and enhanced my understanding of project management. Understanding the theory and practice of business improvement has directly affected and complemented my current role in organising the processes, timelines and material for the Annual Report. I now have the knowledge and tools to broaden my capability.



**2.  
Exciting  
experiential  
discoveries**

The Capable NZ process is flexible, allowing me to work at my own speed, and to work to a process designed collaboratively with my mentor. I have been able to make the links between theory and practice, especially in the areas of lean thinking, health and safety, and sustainability. The ongoing mentoring and encouragement has helped build my confidence and made this qualification doable.

**5.  
Skilful and  
reflective  
communicators**

My Capable NZ mentor, my manager and the Business Improvement Team have consistently provided feedback and pointed out things I should consider to help me reflect critically on my performance. Being more reflective has helped me become more strategic and more efficient, and realise the worth of "do it right first time". I have also built a great relationship with the Business Improvement Team.

**4.  
Breaking  
new  
ground**

Discovering that my annual work project was in fact a set of processes linked directly to business improvement philosophies was a big revelation. I am now working and learning concurrently and can see the impact in my work. I have been able to incorporate annual project goals and align them to the business improvement outcomes associated with my course of study. I now look at my work through a different lens and as a result I have a better understanding of Otago Polytechnic's strategic framework.

**3.  
Learning  
together**

I have had the benefit of aligning my work with peers doing similar qualifications and this helped motivate me to meet my learning outcomes, deadlines and keep the end goal in sight. I have been collaborating directly with people in the Business Improvement Team and they have been helping me articulate, simplify and tease out issues in different ways. This has been a great way to learn and engage with colleagues.





## BUILDING LEARNER CAPABILITY

The learning life cycle of:

## Andrea Sarty

### Bachelor of Midwifery

I now work as a Lead Maternity Carer (LMC) at a Kapiti Coast midwifery practice where I completed my final nine-week placement. The transition to work has been seamless. I already have a case load because of my practical experience there that gave me the opportunity to demonstrate my capability as a practising midwife. I am also a member of the College of Midwives.

#### 7. Future readiness

#### 1. Learning journey begins

The Midwifery degree allowed me to study part-time, while parenting our three children over a four-year period. From the initial face-to-face meeting with other students in Dunedin, and the online access to the study programme and the connection with my local satellite midwifery tutor, I have felt extremely supported as a learner while managing other family commitments. Tutors were affirming, worked to build confidence and understood my learning needs.

#### 6. Creatively capable and work ready

I have worked with a wide range of people in different communities. I have had the opportunity to follow women right through their pregnancies, documenting these processes and my associated learning. Sustainable practice was a key feature of our programme, ensuring I understood the environmental, social and economic context of how we work as practising midwives.



#### 2. Exciting experiential discoveries

The programme was well thought through and I was able to build my experience in my local area in the Kāpiti Coast. My practical experiences were gained working alongside local midwives who exposed me to a wide range of the day-to-day realities of midwifery. I was able to experience the role of midwifery through practical home visits and developed a better understanding of how pregnancy affects each woman individually. We worked with women to achieve better outcomes rather than just "doing things to them".

#### 5. Skilful and reflective communicators

Regular feedback on specific tasks and projects was a key aspect of the learning environment. The degree was focused strongly on becoming a reflective practitioner. I was required to present my learning portfolio each year demonstrating what I had learned, sharing my reflections linked to my experiences and aligned to current research and practice.

#### 4. Breaking new ground

Re-affirming the importance of making decisions from the women's (clients') point of view was a critical step in my professional development. The paper Midwifery: Ways of Knowing combined both qualitative data based on women's stories and quantitative data to build evidence-based practice in us all. Cultural competence was another key aspect of the programme, and my rural placement in Northland as well as my Kapiti experiences provided a wide range of cultural understanding.

#### 3. Learning together

Working collaboratively with local midwives and their clients, and sharing these experiences online with other students and in group tasks, helped build my confidence, communication skills and time-management. I had the opportunity to get to know midwives in the Kāpiti/Wellington area and this helped me build positive professional relationships.

## BUILDING LEARNER CAPABILITY

The learning life cycle of:

# Rhys Dalton

## Bachelor of Engineering Technology (Civil)

I am now employed at Solid Ground Limited in Dunedin as a practising engineer. We share our work environment with 15 architects and gain a lot of engineering work from them. My specific skill is being able to break a job down into its various tasks and provide an engineering solution in a timely manner and to the client's satisfaction.

**7.  
Future  
readiness**

**1.  
Learning  
journey  
begins**

While I was interested in civil engineering, I didn't really know what specific direction I would take within this field of engineering. The first year of the programme prepared me thoroughly, giving me choice and opening up a range of engineering opportunities.

**6.  
Creatively  
capable and  
work ready**

I have been given a number of opportunities throughout my study to demonstrate my capability. I have tested retrofit masonry anchors by welding up hydraulic jigs with load sensors hooked up to a computer for another engineering student's final project. I have been involved with structural engineering design for the facade of Hallenstein's in Dunedin. My skill involves assessing the structure and safety of old, earthquake-prone masonry buildings. I have been involved assessing buildings in the Dunedin area as well as providing strengthening concepts so that the buildings can be made safer.



**2.  
Exciting  
experiential  
discoveries**

The first year focused on the basic skill sets for engineering. The maths was taught really well and I became interested in the work-based examples used in the field of structural engineering. I was one of a small, inaugural group of students who started the new structural engineering course in my second year. I became interested in project management after class-based job-site visits and talking with project managers.

**5.  
Skilful and  
reflective  
communicators**

Regular feedback on specific tasks and projects has been a key aspect of the learning environment. My tutor cared about me as a learner and I have been encouraged to use my skills, share my knowledge and support other students. I was encouraged to ask questions and ended up working more collaboratively with my tutor as I transitioned into the workforce.

**4.  
Breaking  
new  
ground**

Discovering the role of structural engineering and project management has allowed me to follow my interest. My tutor (who also owns Solid Ground Engineering) has observed my potential and capability. He has guided and supported me through the project management process so I can now manage jobs on my own. I have been surprised at the number of skills I have used and applied in my current work environment.

**3.  
Learning  
together**

The real-life, work-based learning experiences helped put a lot of learning in context and I was able to see how maths formulas were used and made sense. The collaboration between tutors and other students on a wind-farm proposal for Mosgiel engaged students from both civil and mechanical backgrounds. The project covered the full range of engineering skills, including roading, mechanical, and the construction and project management aspects of civil engineering. This project highlighted the collaborative nature of engineering and the need for project management skills.



## Educational performance

**TEC PRIORITY 3**  
Boosting achievement of Māori and Pasifika

**TEC PRIORITY 4**  
Improving adult literacy and numeracy

Our 2013 educational performance saw us maintain our place in the top quartile for the sector using the TEC educational performance indicators. We were ranked second equal for successful course completions and top equal for qualification completions. We improved our rates for both student progression to higher level study and for students retained in study.

Our 2014 education results indicate that we are sustaining our overall high course and qualification completion rates. We also continue to make gains in the rate of students retained in study. We are pleasingly ahead of targets overall particularly for Levels 4 and above. Levels 1-3 remain a challenge for both course and qualification completions.

Both Māori and Pacific Island education performance rates in 2014 are disappointing as the course completion rates have slipped for all Levels, with the exception of the Pacific course completion rate for Levels 4 and above which increased by one per cent. The decreased rates are due to non-attendance as well as unsuccessful achievement.

The EFTS weighted qualification completion rate for Māori has increased significantly in each category. This suggests that Māori learners may be repeating some courses, and therefore taking longer to complete their qualifications. Pacific qualification completions have slipped at each level and markedly so at Levels 1-3.

We are revisiting our strategy to increase Pacific student participation, retention and success. During 2014, the Pasifika External Advisory Committee developed a Pasifika Strategic Framework that outlines our aspirations for

- > improving Pacific learner participation
- > increasing the number of Pacific staff at Otago Polytechnic, and increasing staff capability to support Pacific students
- > improving Pacific student retention and success rates
- > building and enhancing relationships with our Pasifika communities.

We are prioritising the development and implementation of actions to give effect to this framework in 2015.

## Educational participation and achievement outcomes (% of total EFTS)

SAC-funded students only; provisional results

### 1. ACHIEVE PARTICIPATION RATES

Māori %	2014	2013	2012	Target
Overall	14.42	12.53	11.12	8
Levels 1-3	1.46	1.01	1.92	2
Levels 4 and above	12.96	11.52	9.20	6
<b>Pacific %</b>				
Overall	3.81	3.75	3.44	2.5
Levels 1-3	0.47	0.31	0.55	0.5
Levels 4 and above	3.35	3.44	2.89	2
<b>Under 25 %</b>				
Overall	66.42	63.88	64.96	63
Levels 1-3	5.91	4.79	7.84	9
Levels 4 and above	58.51	59.09	57.12	54

### 2. ACHIEVE SUCCESSFUL COURSE COMPLETION RATES

Overall %	2014	2013	2012	Target
All Levels	82	82*	82	80
Levels 1-3	72	71	70	75
Levels 4 and above	84	83	84	80
<b>Māori %</b>				
All Levels	76	78	75	70
Levels 1-3	62	69	62	70
Levels 4 and above	77	78	78	80
<b>Pacific %</b>				
All Levels	65	69	72	58
Levels 1-3	48	89	61	70
Levels 4 and above	68	67	75	70
<b>Under 25 %</b>				
All Levels	82	82	82	74
Levels 1-3	68	68	69	75
Levels 4 and above	83	83	84	80

\*We reported 83 per cent in 2013 Annual Report; however data for 2013 following the April 2014 SDR was 82 per cent. The figures to two decimal points are 82.05 per cent for 2013 and 82.48 per cent for 2014.



### 3. ACHIEVE QUALIFICATION COMPLETION RATES

Overall %	2014	2013	2012	Target
All Levels	79	73	73	70
Levels 1-3	63	63	30	45
Levels 4 and above	81	74	79	75
<b>Māori %</b>				
All Levels	77	65	61	45
Levels 1-3	59	52	27	40
Levels 4 and above	79	66	68	65
<b>Pacific %</b>				
All Levels	51	56	64	42
Levels 1-3	43	73	40	40
Levels 4 and above	52	54	68	70
<b>Under 25 %</b>				
All Levels	64	65	65	58
Levels 1-3	61	62	37	45
Levels 4 and above	65	65	69	75

### 4. ACHIEVE STUDENT RETENTION RATE

Overall %	2014	2013	2012	Target
All Levels	76	73*	71	50
Levels 1-3	63	52	48	NPC
Levels 4 and above	78	77	76	NPC
<b>Māori %</b>				
All Levels	74	67	61	NPC
Levels 1-3	62	48	34	NPC
Levels 4 and above	76	73	70	NPC
<b>Pacific %</b>				
All Levels	72	72	59	NPC
Levels 1-3	71	58	36	NPC
Levels 4 and above	72	75	68	NPC
<b>Under 25 %</b>				
All Levels	78	76	76	NPC
Levels 1-3	65	55	59	NPC
Levels 4 and above	80	79	79	NPC

NB: NPC = No Performance Commitment  
\*Figure following April 2014 SDR



### 5. ACHIEVE STUDENT PROGRESSION RATE

Overall %	2014	2013	2012	Target
Levels 1-3	39	49	40	30
Levels 4 and above	17	13	15	NPC
<b>Māori %</b>				
Levels 1-3	33	57	39	NPC
Levels 4 and above	24	16	18	NPC
<b>Pacific %</b>				
Levels 1-3	33	54	27	NPC
Levels 4 and above	33	26	33	NPC

NB: NPC = No Performance Commitment

For definitions and formulas for each of these measures, please refer to the Appendix on page 72.

### 6. LITERACY AND NUMERACY



Overall %	2014	2013	2012	Target
Levels 1-3	84	91	65	60
<b>Achieved</b>				



## Student satisfaction and engagement

The overall student satisfaction rate increased to 94 per cent in 2014 according to the annual Otago Polytechnic Student Opinion Survey. Three of the four main measures had increased on 2013 and one, satisfaction with programmes, remained the same.

In 2014, the response rate more than doubled to 46 per cent with the introduction of the new feedback software, EvaluationKit. Previously, students were advised of the opportunity to complete the Opinion Survey through email notifications alone, but the new system also sends prompts and reminders through Moodle. Given this significant increase in respondents in 2014, it is especially pleasing that there was no drop in satisfaction levels across any of the key measures.

### Satisfaction with Otago Polytechnic

#### (B) Student satisfaction

Achieve student satisfaction rates – all learners:

	2014	2013	2012	Target
Overall	94	93	90	91
With services	94	93	90	93
With teaching	92	91	88	91
With programmes	91	91	86	91
With learning environment	97	96	96	96

#### (C) Graduate satisfaction

Implement new graduate satisfaction survey, with a focus on work readiness



2014	2013	2012
Achieved	Achieved	Achieved

## Graduate destinations

### TEC PRIORITY 1 Delivering skills to industry

The Graduate Destination Survey was distributed in July 2014, about eight months after students completed their 2013 qualifications. It explored both graduates' satisfaction with their experiences at Otago Polytechnic, and their perceptions of how well their qualifications prepared them for their careers.

Results show that 77 per cent of graduates were employed immediately after study, four per cent more than in 2013. Graduates' median gross annual salary was \$40,000 in 2014, with the range of annual gross salaries from \$10,000 to \$250,000 – figures consistent with those reported in 2013.

The number of graduates in work and/or studying increased three per cent from 2013 to reach 97 per cent. Results show that 98 per cent of Māori graduates were in work or undertaking further study in 2014, compared with 96 per cent in 2013. And for the third year in a row, 100 per cent of Pacific graduates were employed or studying.

As in previous years, the response rate ensured a valid sample, although 2014 saw a much-increased response rate of 39 per cent, up from 23 per cent the previous year.

	2014	2013	2012
Graduates are satisfied with the quality of the programme they undertook	92%	93%	94%
Graduates are either working and/or studying	97%	94%	93%
Māori graduates are working and/or studying	98%	96%	95%
Pacific graduates are working and/or studying	100%	100%	100%
Graduates are working	81%	73%	68%
Graduates state their qualification helped in their search for work	–	81%	78%
Graduates are working in an area relevant to their qualifications	91%	85%	83%
Graduates are in full-time work	63%	65%	67%
Graduates whose post-graduation job is their first full-time job	31%	NA	NA



## Graduate destinations by School

The schools of Midwifery, Architecture, Building and Engineering, and Occupational Therapy had the highest percentage of graduates who were working on 1 July 2014.

The School of Social Services, which includes foundation studies and bridging programmes (56 per cent), and the Dunedin School of Art (54 per cent) had the lowest number of graduates working. However both of these schools had a higher percentage of graduates undertaking further study – 70 per cent for Social Services and 47 per cent for Art. The average percentage of graduates undertaking further study was 40 per cent.

There was also a higher-than-average percentage of graduates undertaking further study from both the Food Design Institute (54 per cent) and School of Veterinary Nursing (49 per cent).

WORKING OR SELF-EMPLOYED ON 1 JULY 2014						
	Employed earning wages or a salary		Self employed		Combined employed/self employed	
School	n	%	n	%	n	%
Architecture, Building and Engineering (ABE)	68	92%	1	1%	69	93%
Auckland International Campus (AIC)	18	82%	0	0%	18	82%
Dunedin School of Art (ART)	17	46%	3	8%	20	54%
Central Campus (COT)	32	82%	1	3%	33	85%
Design (DES)	26	70%	5	14%	31	84%
College of Enterprise and Development (EAD)	88	77%	4	4%	92	81%
Food Design Institute (FDI)	32	84%	0	0%	32	84%
Institute of Sport and Adventure (ISA)	26	74%	5	14%	31	89%
Nursing (NUR)	33	89%	0	0%	33	89%
Midwifery (MID)	19	76%	6	24%	25	100%
Occupational Therapy (OCC)	28	90%	0	0%	28	90%
Social Services and Foundation Learning (SOS)	49	54%	1	1%	50	56%
Veterinary Nursing (VET)	79	77%	8	8%	87	84%
Capable NZ (CAP)	4	80%	0	0%	4	80%

## Further study intentions of graduates

Results show 42 per cent of graduates were either already studying, enrolled to begin study or intending to enrol in 2014 or 2015, while 20 per cent of graduates did not intend to study further. An additional 38 per cent were undecided.

Of the 20 per cent of students who were not employed or self employed, 13 per cent progressed to further study, three per cent did not intend to do more study, and four per cent were undecided.





#### FURTHER STUDY INTENTIONS OF GRADUATES BY SCHOOL

School	Currently studying full time or part time		Currently enrolled to commence study		Intend to enrol in 2014 or 2015		Combined study 2014 or 2015		Undecided at this stage		Do not intend to do more study	
	n	%	n	%	n	%	n	%	n	%	n	%
ABE	12	17%	1	1%	5	7%	18	25%	32	45%	21	30%
AIC	3	14%	1	5%	4	19%	8	38%	9	43%	4	19%
ART	13	36%	0	0%	4	11%	17	47%	10	28%	9	25%
COT	10	26%	0	0%	4	10%	14	36%	20	51%	5	13%
DES	5	14%	1	3%	2	6%	8	22%	13	36%	15	42%
EAD	31	28%	0	0%	9	8%	40	36%	47	42%	24	22%
FDI	13	37%	2	6%	4	11%	19	54%	9	26%	7	20%
ISA	8	24%	0	0%	2	6%	10	29%	13	38%	11	32%
NUR	7	19%	1	3%	2	5%	10	27%	19	51%	8	22%
MID	2	8%	2	8%	3	13%	7	29%	12	50%	5	21%
OCC	5	16%	0	0%	5	16%	10	32%	16	52%	5	16%
SOS	52	58%	1	1%	9	10%	62	70%	20	22%	7	8%
VET	34	35%	2	2%	12	12%	48	49%	33	34%	17	17%
CAP	1	20%	1	20%	1	20%	3	60%	2	40%	0	0%

#### CROSS TABULATION OF WORK AND STUDY AT 1 JULY 2014

	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	16%	9	1%	18	3%	136	20%
Currently studying full time or part time	116	18%	5	1%	75	11%	196	30%
Currently enrolled to commence study	7	1%	0	0%	5	1%	12	2%
Intend to enrol in 2014 or 2015	51	8%	7	1%	8	1%	66	10%
Undecided at this stage	219	32%	11	2%	24	4%	254	38%
<b>TOTAL</b>	<b>502</b>	<b>75%</b>	<b>32</b>	<b>5%</b>	<b>130</b>	<b>20%</b>	<b>664</b>	<b>100%</b>

## Assessing learner capability

### TEC PRIORITY 1 Delivering skills to industry

As an institution, we are committed to ensuring that our graduates are capable – that is, personally effective, work-ready, future-focused and able to practise sustainably.

Our development of a draft Capability Framework in 2014 sets out the characteristics and key behavioural indicators for each of these dimensions of capability. This framework and associated tools will be used by staff and students to guide the development of learning activities that build strength in these areas.

A self-assessment tool will enable learners to measure and track their progress, in collaboration with teachers, mentors, workplace supervisors and peers. Evidence of capability gathered by learners and assessed by staff will inform a summary report on each graduate's capability that can be provided to future employers. In this way, Otago Polytechnic graduates can provide future employers with evidence both of qualification attainment and their level of capability as identified through the framework.

A pilot programme in 2015 will test the framework, tools, implementation and reports with learners, staff, workplaces and employers. We intend to roll out the final Capability Framework and associated processes across all our programmes in 2016.

## Student success

### 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

In 2014, the Student Success team provided students with 3,891 contact hours of support, a significant increase on the previous year's 3,080 hours.

It was pleasing to note an increased number of contact hours across all areas, with the exception of a slight decrease in Pacific student contacts. Extra resourcing is being targeted towards Pacific students in 2015, encouraging more of these students to engage with our services to improve academic and career outcomes.

Student contacts (hours)	2014	2013
Careers	485	441
Māori/Kaitautoko	1,114	832
Pasifika	586	587
International	782	344
Disabilities	150	*
Learning Advisors	1,390	1,319

\*Not previously measured

#### Learning support

Our Learning Advisors provided early evening classes for academic writing support in the first semester, and offered peer tutoring for students. The Advisors also delivered a total of 163 hours of group work benefitting 149 students within groups.

Support was offered to Aoraki Polytechnic students in 2014, with 164 students from that institution accessing our academic and counselling services.

#### Career guidance

Our Career Guides facilitated School-specific employability workshops throughout the year, and managed to present these to all programme cohorts within two of our Schools – Social Services and the Otago Institute of Sport and Adventure.

Six career events were held during the Otago Careers Festival, and the team worked alongside the University of Otago to host the Otago Careers Schools Expo that attracted some 4,000 students.

Two career pathways seminars were provided to Māori offenders through the Community Probation Service.

#### Māori and Pacific students

We noted a significant increase in student attendance for Māori Pre-Graduation events and powhiri, and 552 student visits were made to our Māori student common room, Poho, for breakfasts and lunches.

A staff development session on understanding the needs of Pacific students was offered and was well attended in 2014. Our Pasifika Room was also well utilised throughout the year, with 630 student visits for study and social events.

#### Counselling

Our counsellors undertook 951 hours of appointments in 2014, a small decrease from the previous year when they provided 1,064 hours.

Counsellors worked within Schools providing workshops to students on safe relationships, to staff on how to support students who exhibit signs of anxiety and depression.



## Research and Enterprise

### TEC PRIORITY 5 Strengthening research-based organisations

In a productive year for research and enterprise activity, 2014 saw us seek to extend our influence into our local communities, support our learners in degree programmes with research-informed content, and earn income from commercial enterprise, research grants and the Government's Performance-Based Research Fund (PBRF).

Academic staff continued to develop their research capabilities and collaborate and engage in knowledge transfer with our local communities. We also continued to support commercial companies with design research and development through our workSpace studios.

Facilitating student research is a cornerstone of our teaching, and many of the projects undertaken for assessment in 2014 responded directly to local business and community need.

#### Research outputs

Performance Indicator(s)	2014	2013	2012
Number of research-active staff increases	161	124	111
Total number of outputs	480	373	373
% of the total number of outputs that are Quality Assured	74%	77%	79%
Total number of Quality Assured outputs	355	287	267
PBRF-eligible External Research Income	\$1,052,726	\$1,245,926	\$1,079,582

We failed to meet our External Research Income (ERI) component of the financial target. However, our key performance indicators illustrate that Otago Polytechnic is continuing to steadily build its capability and capacity in research and enterprise. The statistics above show high growth in the numbers of research-active staff and a corresponding growth in research outputs.

We have a focus on developing new researchers, who typically begin by publishing their research in non-quality assured settings.

There has been a particular focus on encouraging new researchers in areas where new degrees have been developed. One example is the School of Architecture, Building and Engineering which introduced a Bachelor of Engineering Technology in 2013, doubling its number of research-active staff.

As we move closer to the PBRF Quality Evaluation in 2018, we would expect to see growth in the quality indicator as new researchers develop their skills and outputs.

#### Research income

Research income comes from a number of sources: directly from industry clients to solve problems, from research grants to undertake specific projects and annual funding from the Tertiary Education Commission's PBRF mechanism.

We prioritise research and enterprise that impacts on our communities which in turn is reflected in a growth in enterprise work undertaken for industry clients. The income provided by workSpace studios provides more than 85 per cent of Otago Polytechnic's external research income (i.e. for research undertaken commercially). The other main source of income for research comes from the PBRF.

Annual funding is calculated from a six-yearly evaluation of the quality of our active researchers (last evaluated in 2012) and annual returns of external research income and research degree completions. This provided an annual allocation of \$1,122,777 in 2014 compared with \$1,116,188 in 2013.

#### Māori research (staff)

	2014	2013	2012
Research-active Māori researchers	12	16	15
Research outputs by Māori researchers	21	24	10
Research outputs on Māori topics by Pakeha researchers	3	6	4

There was a decrease in the amount of Māori research in 2014, both in terms of that undertaken by Māori researchers and Māori-related research undertaken by non-Māori. However, two research symposia were held in 2014, drawing significantly upon the expertise of staff within our Kaitohutohu Office.



## (F) Research



Quality-assured research outputs increase annually

2014	2013	2012
480	373	338



External research funding increases annually

2014	2013	2012
\$1,052,726	\$1,245,926	\$1,079,582

## Delivering skills to industry

### TEC PRIORITY 1 Delivering skills to industry

In response to continued demand for engineers throughout New Zealand, the Polytechnic introduced a new bridging option for those interested in a career in the field of engineering. This open entry Certificate in Foundation Studies (Level 3) programme focuses on engineering skills, in addition to core writing, numeracy, personal development and computing knowledge. Successful completion of the Certificate ensures direct entry into our New Zealand Diploma in Engineering.

A new qualification in enrolled nursing was developed in 2014, for delivery in 2015, conceived as a response to the Southern District Health Board expressing its intention to increase the size of its team of enrolled nurses. Diploma in Enrolled Nursing (Level 5) graduates will be able to deliver nursing care and health education across a range of health-care settings under the direction of a Registered Nurse, or alternatively may staircase into a Bachelor of Nursing degree.

## Pathways to higher learning

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

Providing opportunities for at-risk youth and second-chance learners is a continued priority for Otago Polytechnic, and we offer a range of pathways from unemployment and inactivity into tertiary education that has the potential to ensure improved employment outcomes.

### Altitude programme

The Altitude programme is a partnership between Otago Polytechnic, the Malcam Charitable Trust and 4Trades, established as a pathway for unemployment beneficiaries aged 18 to 25. The programme offers a blend of foundation learning and work-experience, with the vast majority of the programme undertaken in the workplace.

Students are placed into Trades or Non-Trades cohorts, with work experience and workplace visits tailored to interest levels within each group.

	2014	2013	2012*
Number of enrolled students	50	58	19
Results: Pass	38	36	14
Fail	5	1	0
DNC	7	20	5
Destinations: Further study	10	11	2
Employment	26	30	13
Unknown/Other	14	18	4

\*Pilot programmes

In 2014, 70 per cent of students passed the programme, an increase on the 62 per cent who passed in 2013. Just seven of the 50 students who started the programme did not complete it in 2014: five were withdrawn due to poor attendance, one transferred to another Otago Polytechnic programme and another left to have a baby.

### Central Lakes Trades Academy

The Central Lakes Trades Academy is a government-approved partnership between Central Otago and Queenstown Lakes secondary schools and Otago Polytechnic, delivering trades and technology programmes to high school students. The purpose of the Academy is to provide students with a clear post-school pathway and give them a head start to achieve a vocational qualification, with options in Carpentry, Automotive, Agriculture, Hospitality or Hairdressing.

	2014	2013
Number of enrolled students	62	51
Results: Successful completion	42	47
DNC	20	4
Destinations: Further study	31	26
Employment/ Apprenticeship	26	18
Unknown/Other	4	7

Outcomes for students improved in 2014, with 92 per cent either returning to school, or going on to further tertiary education, apprenticeships or employment, compared with 86 per cent in 2013. Unfortunately, however, almost a third of students did not complete the programme in 2014 due to the high number of personal or family-related issues experienced among this cohort.

### Dunedin Trades Academy

The Polytechnic is establishing a Dunedin Trades Academy in 2015 that will offer programmes to Dunedin and South Otago secondary school students. The new Academy has funding for 30 EFTS, and options offered will include electrical engineering, motor trades and animal care.



PROFILE : EXPLORING NEW FRONTIERS; CREATIVE, RESOURCEFUL AND ADAPTABLE



## Tā moko event draws crowds

The ancient art of tā moko was celebrated at a symposium hosted by Otago Polytechnic in 2014, which included live work by distinguished tā moko artists.

The symposium, *Ahikomau o Ruaumoko: Unearthing your Blueprint*, was the first such event in the South Island for well over a decade. It was organised by Justine Camp from the Kaitohutohu Office, and attracted 70 registrations – most from Dunedin, Christchurch, Tauranga and Auckland, and even one from Australia.

The idea came after a well-attended guest lecture by artist Stu MacDonald at the Polytechnic's School of Art in 2013. He and fellow members of the Tauranga-based Moana Moko, a group that travels the country teaching people about tā moko, were keynote speakers at the symposium.

"The delegates loved hearing the artists speak, and had the privilege of watching them give people tā moko live," says Justine. "Legendary former All Black Kees Meeuws was one of those who received one on the day."

IT and Design students contributed to the event, designing its website and delegate gifts.

## Food conference makes global impact

More than 100 chefs and food designers from nine countries attended the inaugural International Food Design Experience, Conference and Studio, hosted by Otago Polytechnic to officially introduce its new Food Design Institute.

The keynote speaker at the three-day event was Emilie Baltz, the Art Director and Curator of the PLAY bar at the New York Museum of Sex; the founder of the Food Design Studio at the Pratt Institute in New York, and award-winning cookbook author. Other guest speakers included Elisabet Skylare and Nikolaj Danielsen of the New Nordic Food Movement, and award-winning New Zealand-based chefs Michael Meredith, Gianpaolo Grazioli and Giulio Sturla.

Students of our Bachelor of Culinary Arts – the first design-led undergraduate culinary arts degree in the world – also featured on the programme, creating meals for the Gala Dinner which concluded the event. It was a fitting final-year project for the first intake of students to the innovative degree, who graduated later in 2014.

Photo by Rebekah McNutt





PROFILE : DELIVERING OUTSTANDING EXPERIENTIAL EDUCATION; STAFF CAPABILITY



## Teaching triumph for Otago Polytechnic

**Seven of the 16 educators to be honoured at the 2014 Ako Aotearoa Tertiary Teaching Excellence Awards were Otago Polytechnic teachers.**

Established in 2001, the Awards recognise the nation's most outstanding teachers, with a key focus on rewarding teaching practices that are student-focused and committed to promoting effective learning.

Adrian Woodhouse, Daniel Pfyl, Tony Heptinstall, David Gillespie and Stephen Ellwood from the Food Design Institute were among those recognised, along with Judith Roddick from the School of Nursing and Caroline McCaw of the School of Design.

"Each of these recipients inspires and motivates their students through their passion, expertise and a willingness to push boundaries," says Chief Executive Phil Ker. "I feel very proud that over the past seven years, 14 of our exceptional lecturers have been recognised at these prestigious Awards."

## Business solutions and new technologies

**Every year, our students solve real business problems for real clients in ground-breaking and creative ways, harnessing the latest technological advancements.**

An app that allows TradeMe users to buy and sell business services, and an electrocardiography simulator used in the training of veterinarians, were among the innovations developed as a result of more than 30 industry projects undertaken by students at the College of Enterprise and Development in 2014.

And when the Taieri Gorge Railway wanted to offer its passengers a choice of pre-recorded commentaries in various languages in addition to the live commentary it provides in English, it turned to Otago Polytechnic IT students. The Train to the Future project involved installing WiFi on the train to allow passengers to use their own devices to access commentaries in their preferred languages, a system devised by Ben Van Der Loo and Adam Dackers. The technology can be adapted for different uses in the future, such as enabling passengers to order food or book other tourism activities from the comfort of their seats.



# 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

- > Recorded a group surplus of 4.7 per cent
- > Marked 10 years of the Work Environment Survey, refining its content to ensure more relevant data
- > Increased profitable revenue from international student enrolments by 10 per cent
- > Implemented and developed a new international recruitment strategy
- > Audited research and enterprise activity of degree-teaching staff – now a model for ongoing activity
- > Grew programmes, services and EFTS at Capable NZ
- > Provided personal development opportunities for staff, with 40 employees completing a leadership development course
- > Implemented fundraising strategy, including launching our Education Foundation.

### Pathway to excellence FOR 2015

- > Respond effectively to all Priority 1 actions from the 2014 Work Environment Survey
- > Commence our Designing for Service Excellence project to further improve customer service provision in all service areas
- > Increase fee-for-service revenues by 20 per cent, with an emphasis on online and open learning products
- > Further develop Self-Leading Teams, embedding team and individual performance plans and quarterly performance monitoring
- > Implement new leadership development programmes to grow future leaders with high potential and enhance the leadership capability of Otago Polytechnic staff
- > Foster innovation by implementing support systems and processes, with innovation activities to be reported monthly
- > Complete Health and Safety Risk Assessment and Mitigation programme
- > Develop a staff health and well-being strategy and implementation plan.

### Aspirations

- > Achieve a consistent budget surplus of 5 per cent or more
- > Diversify revenue base by growing profitable open learning, fee-for-service, knowledge transfer and international revenues
- > Strengthen the culture of Otago Polytechnic as a values-led, high performing organisation
- > Achieve greater uptake of Open Educational Resources (OER) by academic staff and students
- > Further develop Otago Polytechnic as a great place to work
- > Improve institute-wide processes to contain and reduce operating costs and to improve the learner experience
- > Raise funds for development through the Otago Polytechnic Education Foundation
- > Strengthen Central Otago Campus as a semi-autonomous institution.





## BEING A RESILIENT ORGANISATION



### (G) Financial Sustainability

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

	<b>Target:</b> Budgeted surplus \$3,446k for 2014 is achieved		
—	<b>2014</b> Not achieved: \$3,237k	<b>2013</b> Not achieved: \$2,064k	<b>2012</b> Achieved: \$3,704k
	<b>Target:</b> Low risk status is achieved for 2014		
✓	<b>2014</b> Achieved	<b>2013</b> Achieved	<b>2012</b> Achieved

Otago Polytechnic continues to grow, with EFTS enrolments up 265 in 2014 to 4,269, slightly ahead of the EFTS budgeted.

Our \$3.2 million net operating surplus as a percentage of income is 4.7 per cent, just shy of our goal of 5 per cent. Government funding, international education and interest revenues were higher than budget, but were offset by lower student fees. Expenses overall were unfavourable to budget, especially in employment costs and operating costs, however some savings were made in consumables.

Capital expenditure at \$9.5 million is lower than budget by \$3.2m. The learning commons major building project expenditure at year end was not as far advanced as originally envisaged, which also resulted in associated plant and equipment purchase provisions being underspent.

Current monetary assets at \$7.3 million exceeded budget by \$5.6 million as a result of this lower-than-anticipated capital expenditure, and because of additional cash received in advance from both international and domestic students studying in 2015.

Otago Polytechnic continues to focus on building organisational resilience on several fronts. A key priority is income diversification, concentrating on internationalisation (see page 28) and increasing our external funding through research, enterprise and consultancy (see page 21). Organisational resilience is also achieved through strengthening and maintaining our social and physical infrastructure through engaged staff, robust processes, a healthy brand, and high-quality buildings and facilities.

# Financial Performance Summary

	Actual 2014	Budget 2014	Actual 2013
Net Surplus / (Deficit) (000s)	\$3,237	\$3,446	\$2,064
Proportion of Government Grants to Total Income (%)	52.6%	51.8%	53.4%
Total Cost per EFTS (excluding redundancies)	\$15,430	\$15,208	\$15,345
Total Cost per EFTS (including redundancies)	\$15,502	\$15,261	\$15,442
Average Government Grant per EFTS	\$8,533	\$8,293	\$8,490
Debt (as a percentage of Total Assets)	0.0%	0.0%	0.0%
Debt per EFTS	\$0	\$0	\$0
Working Capital Ratio	0.8	0.4	0.8
Student Staff Ratio	18.3	18.7	18.3
Total Assets (000s)	\$108,394	\$103,864	\$99,960
EFTS	4,269	4,250	4,004
Academic FTE	233.9	226.8	218.8
Total FTE	504.1	497.5	489.0

## SSP - Financial Sustainability

(measures improve over prior year)

✓	Surplus as % of income <b>Actual 2014</b> 4.7% <b>Actual 2013</b> 3.2%	—	Teaching costs : Teaching revenue <b>Actual 2014</b> 55.1% <b>Actual 2013</b> 52.0%
—	Working capital <b>Actual 2014</b> 76.2% <b>Actual 2013</b> 76.7%	—	Research costs : Research revenue <b>Actual 2014</b> 86.8% <b>Actual 2013</b> 82.3%
✓	Debt equity ratio <b>Actual 2014</b> 0.0% <b>Actual 2013</b> 0.0%	✓	Total revenue : Total FTEs <b>Actual 2014</b> \$137,692 <b>Actual 2013</b> \$130,666
✓	Cash in/Cash out <b>Actual 2014</b> 118.1% <b>Actual 2013</b> 113.8%	✓	Teaching revenue : Teaching FTEs <b>Actual 2014</b> \$198,534 <b>Actual 2013</b> \$193,240
✓	Total costs : Total revenue <b>Actual 2014</b> 95.3% <b>Actual 2013</b> 96.8%	—	Research revenue : Research FTEs <b>Actual 2014</b> \$99,460 <b>Actual 2013</b> \$116,024
✓	Personnel costs : Total revenue <b>Actual 2014</b> 57.7% <b>Actual 2013</b> 59.7%		



## BEING A RESILIENT ORGANISATION

### Internationalisation

#### TEC PRIORITY 6 Growing international linkages

#### International community expands

INTERNATIONAL STUDENT NUMBERS BY EFTS				
Campus	2014	2013	2012	2011
Dunedin	219	217	206	165
Central	14	13	11	12
Auckland International Campus*	270	146	11	NA
<b>Total</b>	<b>503</b>	<b>376</b>	<b>228</b>	<b>177</b>

\*AIC began operating in August 2012

Otago Polytechnic has continued to experience strong growth in the number of international students, with an increase of 34 per cent from 2013 to a total of 503 EFTS. This is the result of growth at our Auckland International Campus, which secured an additional 124 EFTS in 2014 bringing its total to 270 EFTS.

Our 2014 international community was made up of students from 41 different countries. India and China continue to be our largest markets in terms of both size and growth. The number of Chinese EFTS rose from 117 in 2013 to 201 in 2014 – an increase of 72 per cent. EFTS from India grew by 53 per cent, from 81 to 123.

Our global reach was extended by new relationships in South Korea, Japan, China, Germany, Austria, Spain, Denmark, Finland and the USA. This provides our students with increasing opportunities to study and undertake internships overseas. The number of students who travelled overseas on exchange agreements increased from 10 in 2013 to 16 in 2014, with students studying in Italy, Germany and China. Inbound exchange students increased from 19 in 2013 to 27 in 2014.

#### MoU with Bougainville Polytechnic College

The Polytechnic signed a Memorandum of Understanding with the new Bougainville Polytechnic College to deliver technical and health programmes in the region, and to establish tertiary education quality control systems and staff training.

A ground-breaking ceremony for the new campus – the first tertiary institute in Bougainville – was attended by our Chief Executive and a delegation of senior staff in April.

As a result of this relationship, 11 Bougainvillian public servants enrolled in the Certificate of Business Administration and

Computing (Level 3), undertaking an initial three weeks of study in Dunedin before returning home to continue their studies online.

#### Hosting our international partners

At our Dunedin campus, Otago Polytechnic hosted 50 students and a group of accompanying staff from the University of Missouri. The students learned about New Zealand business practices and travelled to Central Otago and the West Coast on a field trip. The programme was deemed a great success and the University plans a return visit in 2015.

The Polytechnic also hosted an academic from a Chinese partner institute for a semester. Wen Haiming from Guangdong Polytechnic observed learning in our Hospitality programmes, and undertook professional development with our staff development team.

In addition, we welcomed delegations from Shanghai Dianji University and its industry partner Shanghai Electric, Nanjing Institute of Industrial Technology, Shanghai University of Engineering Science and Qingdao University, developing opportunities in engineering, design and information technology. A representative from the High Commission of Brunei Darussalam visited to discuss the development of the polytechnic sector in that country, and the Vice Chancellor of its University College Sabah Foundation has expressed interest in Otago Polytechnic providing professional development of teaching staff.

#### Study Dunedin

As the lead institution in the development and implementation of the Dunedin city-wide Export Education Uplift strategy, Otago Polytechnic has assisted in the cultivation of the sub-brand Study Dunedin. This initiative is about bringing international students and experts to Dunedin, and positioning the city as a premier global educational destination. It also seeks to highlight Dunedin's business consultancy capabilities.

The Polytechnic was represented on a Study Dunedin visit to Thailand, which resulted in a contract to deliver a six-week leadership and management development programme for Thai health professionals in 2015, in conjunction with the University of Otago. Contact was also established with the Thailand Professional Qualifications Institute, and discussions have begun around the provision of training on the assessment of prior learning through Capable NZ.

#### Shanghai relationship

We participated in a mayoral delegation to China to commemorate 20 years of Dunedin's sister-city relationship with Shanghai. This resulted in the Polytechnic and the University of Otago signing Letters of Intent with Qingdao University. An introductory meeting was held with Ocean University China and opportunities in physical education are being pursued by both institutes.

In December, a delegation from Shanghai University of Engineering Science visited Otago Polytechnic, to further



advance the longstanding collaborative relationship between the two institutes that was first formalised with a Memorandum of Understanding in 2006. Discussions led to commitments by both parties, including to develop and offer more staff and student exchange opportunities in 2015/16, to continue to broaden our successful fashion collaboration (see story on page 32), and to undertake joint research and programme provision through online learning.

In recognition of the highly-valued educational partnership that has been developed between the two cities, an invitation has been extended by the City of Dunedin, Otago Polytechnic, the University of Otago and the secondary schools of Dunedin, in partnership with the ANZ Bank, to students from Shanghai to participate in a study abroad scholarship programme in Dunedin in 2015.

## Learning commons project progresses

Otago Polytechnic is well on the way to presenting a new, modern face to the world, after making considerable progress on its \$10.3 million learning commons redevelopment in 2014.

The project involves the integration of the neighbouring six-storey teaching block, H Block, and the three-storey main reception and administration building, F Block. It will create a welcoming reception point for campus visitors, and multi-functional, open-plan facilities in which staff and students can relax, learn, teach and work.

Stage One was completed on time and on budget in 2014, with the revamped H Block ground level and new concourse open for the 2015 academic year. The concourse leads into a new café hub overlooking and opening onto the Polytechnic's courtyard and Living Campus, and also houses Student Success, Capable NZ and IT Services. The spacious area has been designed to accommodate exhibitions, fashion shows and other large-scale events.

Design features including full-height glazing, exposed structure and services, sustainable natural ventilation and flexible furniture, create an open, modern environment that provides flexibility to adapt to future needs. The development also involves a comprehensive building, fire and accessibility compliance upgrade.

The four-stage project is expected to be completed by late 2015.

## New programmes at Central

A fresh suite of programmes and a new logo and website heralded the launch of a new brand for Otago Polytechnic's Central Otago campus, which is now known as Central.

Central Otago is a growing region and all of the qualifications offered at Central are tailored to reflect and support local industries and opportunities. New study options include a diploma in business, certificates in bicycle mechanics, sport and exercise studies, and café and bar, and a pre-apprenticeship programme in automotive engineering. Central also launched a qualification in high country farming in 2014, the only one of its kind in New Zealand.

## Striving for improved business excellence

In support of our journey towards excellence, the Polytechnic has adopted the Baldrige framework to ensure optimal business excellence across the institute.

Since 2011, we have submitted three applications for external evaluation against the criteria and acted upon the evaluator feedback received. A world-class score is considered to be 700 and above, and in 2014 the Polytechnic received a band score of 532-625. This is a marked improvement from our first two applications which resulted in scores of 370-380 and 420-450 respectively.

The framework is maintained by Business Excellence New Zealand and is aligned with the prestigious Malcolm Baldrige National Quality Award, the highest level of recognition for performance excellence in the United States. Its benefits include increased internal and external customer satisfaction, improved efficiency and effectiveness, and enhanced innovation and generation of ideas.

## Educational and employment equity

Otago Polytechnic strives to ensure provision of equal opportunities both in employment for staff and learning for students. This commitment is demonstrated by our practices, employment policies, staff development opportunities and monitoring of workforce profile and outcomes. We are committed to good practice and the requirements of the Education Act. Our equity performance is evidenced in relevant sections of this report.

## Empowering a resilient workforce

We firmly believe that devolving leadership and appropriate decision-making accountability to all staff is the key to ensuring continued improvement in learner outcomes and the achievement of our organisational priorities.

Our journey from a management-driven culture to one of team-based self-management progressed considerably in 2014. We started the year with a self-assessment of team dynamics, and established significant development opportunities for staff in areas such as the giving and receiving of feedback, engaging in constructive conflict, team responsibilities, communication protocols and decision-making processes.

A new Self-Managing Teams Forum, to which each team in the organisation sends a representative who can then report back on Polytechnic-wide matters, proved to be highly successful. Extensive consultation was undertaken on a team-based rewards system that will be implemented in 2015. A further self-assessment will occur to track the development and support needs of our teams.



## Our work environment

Otago Polytechnic marked the tenth anniversary of our annual Work Environment Survey (WES) in 2014, and took this opportunity to consult widely with staff on the survey tool used. We sought this feedback to ensure the WES remains fit for purpose, aligns with our culture and asks questions that are important to our staff.

One of the key changes was to move from a four-point rating scale to a six-point rating scale, resulting in reporting that shows neutral as well as favourable and unfavourable responses. This widened rating scale allows more detailed results analysis which has improved our improvement action planning processes.

This update was carefully managed to ensure we could retain longitudinal data. However, the addition of the two new response options makes comparison of the 2014 WES results with those from previous years more difficult.

In 2014, 522 staff participated in the WES – the highest number ever – with 14 teams recording a 100 per cent response rate. The results show we continue to have a positive and engaged workforce with 60% of staff engaged, 35% neutral and just 5% disengaged.

Work Environment Survey	2014	2013	2012
Participation rates	89%	90%	87%
Staff are satisfied at Otago Polytechnic, overall	96%	94%	94%
Staff really care about the success of Otago Polytechnic	99%	99%	98%
Staff are proud to tell others they are part of Otago Polytechnic	98%	96%	95%
Staff say Otago Polytechnic is a great organisation to work in	95%	96%	94%

Total workforce (head count)	2014
Total permanent staff at the end of 2014	507
Permanent new starters in 2014	29
Total permanent staff who ended employment in 2014	40

## Diversity of staff

### TEC PRIORITY 3 Boosting achievement of Māori and Pasifika

Our gender mix of staff closely matches that of our student population, which is two-thirds female and one-third male.

We continue to build our ethnic diversity, and growing our Māori staff numbers continues to be a high priority. Our proportion of Māori staff remains at similar levels to that of the local population, but does not reflect the ethnic mix of our student base due to continued growth in Māori student numbers.

Ethnicity	2014	2013	2012
Asian	2.5%	3.0%	3.6%
Māori	5.2%	5.7%	5.5%
Middle East/Latin/America/Africa	0.4%	0.3%	0.8%
Not Stated	6.9%	6.6%	7.4%
NZ European	71.1%	71.9%	70.4%
Other European	9.6%	8.2%	7.4%
Other	3.3%	3.3%	3.6%
Pasifika	1.0%	1.0%	1.2%

### Roles by gender

Role Type	Female (n)	Female (%)	Male (n)	Male (%)
Leadership Team	4	36%	7	64%
Academic	160	58%	115	42%
General Staff	133	71%	54	29%
Managers	23	64%	13	36%

### Permanent staff turnover

The turnover rate among permanent staff was eight per cent in 2014, less than the corresponding national education sector figure of 13 per cent.

Māori staff turnover was five per cent for the year with three of 24 staff members leaving. Our turnover rate for Māori staff is lower than that of non-Māori staff.



	2014	2013	2012	2011	2010
Total turnover	8%	8%	9%	7%	9%
Turnover (headcount)	40	36	41	34	44

### Salary and promotion reviews

All 2014 applications for salary and promotion review were successful, although several applications were deferred for further criteria to be met, or resulted in a salary increase lower than that requested.

Twelve general staff members were promoted to a higher grade level in 2014 compared with five in 2013. The gender split of applicants reflected the Polytechnic's overall gender balance, with two-thirds of the promotions and salary reviews being awarded to female staff. One Māori staff member received a promotion. Eleven staff members were promoted to Senior Lecturer and five to Principal Lecturer roles in 2014, compared with three and five respectively the previous year. We congratulate Dr Linda Robertson from the School of Occupational Therapy, who was promoted to Associate Professor in 2014.

	2014	2013
General staff	15	5
Academic staff	33	14
Total applications	48	19

### Employment issue resolution

Our employment issues continued to be largely resolved in-house, with the overall number of issues remaining relatively consistent with 2013.

Year	2014	2013	2012	2011
Internal formal resolution	21	27	21	17
External resolution	3	1	1	0

### Recruitment

Of the 44 staff hired during 2014, 65 per cent were appointed to permanent positions.

	Academic	General	Total
Total number of jobs advertised	26	34	60
Total applicants	316	964	1,280
Total number of people hired	17	28	44
Average number of applicants per job	12	28	21

### Health and Safety

Otago Polytechnic successfully maintained the Tertiary Level Accreditation with ACC Workplace Safety Management Practices (WSMP) in 2014. This external audit recognises the high standards we strive to meet and our ongoing commitment to managing the health and safety of our staff, students, contractors and the wider Polytechnic community.

### Reported incidents in 2014

There were 158 reported incidents in 2014, comprising 96 accidents and 62 incidents/near misses. Of these, 77 were sustained by employees, 68 by students, 11 by visitors/third parties, and two by contractors. Wrist/hand, head and torso injuries were most prevalent.

These figures are significantly higher than those reported in 2013. There were 67 incidents that year – 53 were accidents and 14 were incidents/near misses.

This increase is most likely due to a renewed focus on reporting, coupled with the full implementation of our new Vault Health and Safety system.

Unfortunately, 2014 saw five Serious Harm Accidents reported to Worksafe NZ, compared with two in 2013. The accidents were made up of three fractures sustained by 3 staff members and two student injuries. All investigations were completed and resolved satisfactorily.

### Risk assessment programme

We have embarked on a risk assessment programme to evaluate our health and safety risk management and identify any gaps to be addressed. This process will continue and conclude in 2015.



**PROFILE : GOING INTO THE WORLD, AND BRINGING THE WORLD TO US; FORWARD-THINKING AND VISIONARY**

*Collection by Jessie Wong, photo by Laura Benjamin*



## Fashion-forward collaboration strengthens

**The creative and culturally-fulfilling alliance between Otago Polytechnic's School of Design and Shanghai University of Engineering Science (SUES) is going from strength to strength.**

First formalised with an Agreement of Cooperation in 2006, the partnership echoes the special sister city relationship between Dunedin and Shanghai. By engaging in academic and cultural interchanges, each institute gains an enhanced understanding of the other's culture and values and opens up a raft of valuable opportunities for students and staff.

2014 was the third year that selected Fashion students were invited to show their collections at the prestigious Shanghai Fashion Week, an annual event which attracts internationally renowned designers, media and buyers from all over the world. Two Communication Design students also attended to participate in a fashion photography collaboration.

In exchange, two SUES Fashion Design students came to Dunedin to show at iD Dunedin Fashion Week, joined by ten SUES Modelling students who graced the southern catwalk.

## Antarctica stories brought to life

**Interactive exhibits describing the work of the Antarctic team, the challenges they face and the impact they are having on that environment, were developed by workSpace for NZ Icefest.**

The Christchurch exhibition sought to arm visitors with evidence to inspire them to reduce their carbon footprints, with a tone that was realistic yet not overly gloomy.

workSpace created a series of interactive, hi-tech exhibits that had a strong user-experience focus. Displays included an iPad game unlocking the story of an ancient and impressive piece of sediment core; "Futurebook" plinths housing iPads with a Facebook-like interface showing fictional accounts of the world at different carbon levels; an LED wall graph showing the fluctuations of carbon dioxide over millions of years; and a pledge photo-booth encouraging users to make a specific pledge to reduce their carbon footprint.

"There was a real benefit in being able to work closely with a highly skilled, multidisciplinary team that could deliver the specialised solutions we required," says NZ Icefest exhibition coordinator, Bec McMaster.



# Collaborating with our communities

to make a difference, prioritising Kai Tahu

**Kia mahi tahi ki kā iwi whānui, kia 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

- > Developed Capable NZ as a bicultural school, establishing a Māori service for Māori learners and iwi
- > Reviewed programmes for Māori knowledge and perspectives as part of annual programme review process
- > Developed a Pasifika Strategic Framework
- > Increased active collaborations with industry and providers
- > Continued in role as Convenor of Dunedin's Export Education Uplift strategy
- > Received funding for 30 EFTS from TEC for our new Dunedin Trades Academy.

## Pathway to excellence FOR 2015

- > Implement Pacific learner strategy to improve Pacific learner success rates
- > Finalise Māori signage and imagery on campus for an inclusive learning environment
- > Establish a Centre for Māori learning and support, offering a service that is for Māori, by Māori
- > Increase Māori staff numbers, with a view to having eight per cent of staff identify as Māori by the end of 2016
- > Increase the number of Māori staff in leadership roles with a view to doubling the number of 2013 leadership positions by 2016
- > Implement new courses to bridge secondary students into tertiary study, with at least three vocational pathways offered
- > Fill our 30 Dunedin Trades Academy EFTS with students from Dunedin secondary schools
- > Establish Capable Iwi – a by-Māori, for-Māori service for learners in the workplace, which builds on workplace learning.

## Aspirations

- > Recruit more Māori staff, especially to teaching and front-line positions
- > Develop more Māori staff to take on leadership roles at all levels
- > Strengthen Otago Polytechnic as a place where Māori can work and learn as Māori
- > Provide effective leadership of the citywide Export Education Uplift strategy for Dunedin
- > Apply our research expertise in the interests of Kai Tahu/Māori
- > Contribute to implementation of Otago Digital Literacy Strategy
- > Remain active in community development projects and responding to needs
- > Provide leadership in developing sustainability solutions
- > Increase staff and student volunteering.





## COLLABORATING WITH OUR COMMUNITIES



### (I) Community Confidence

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)

2014	2013	2012
Achieved	Achieved	Achieved

## New Māori business major launched

### TEC PRIORITY 3 Boosting achievement of Māori and Pasifika

Recognising the unique and important place of tikaka and mātauraka Māori in the New Zealand business sector, the Polytechnic launched a Māori Organisational Leadership major for its Bachelor of Applied Management in 2014, delivered through Capable NZ.

This means those with experience in Māori business can have their knowledge and skills formally recognised through a qualification that is designed to embrace Māori business knowledge and approaches.

The new major offers students the opportunity to explore a range of areas, including sustainability, Māori values, and Māori leadership in Aotearoa and beyond. Its delivery through Capable NZ enables those with significant experience to undertake qualifications through independent learning pathways, incorporating an assessment of prior learning and knowledge. This acknowledgement of relevant life experience and learning can significantly shorten the time frame for the qualification to be achieved.

## Kowhai Centre counselling support

### TEC PRIORITY 1 Delivering skills to industry

The School of Social Services delivered 200 hours of free counselling to members of the public in 2014 through its Kowhai Centre initiative. The Centre responds to community demand for free counselling services while affording second-year Bachelor of Social Services students the chance to gain real-world experience with support from lecturers and practising counsellors.

Previously only available to the Dunedin public, the Kowhai Centre established its services in the rural community setting of East Otago in July, filling an identified community need.

The Kowhai Centre has also consolidated its work across academic programmes in 2014, enabling degree students to provide mentoring and supervision to Certificate students to help them develop skills in critical reflection and self-awareness. This benefits both groups, and further development will continue in this area in 2015.

## Education Foundation events launched

### TEC PRIORITY 5 Strengthening research-based organisations

### TEC PRIORITY 6 Growing international linkages

The Education Open enlisted the support of some of New Zealand's leading golf professionals to engage and attract local golf enthusiasts. Top golfer, Michael Hendry, shared some of his expertise at the event, taking a golf clinic for the 120 competitors prior to the day's play. Young golfing enthusiasts were able to attend free workshops for under-16s, run by leading coaches Guy Wilson and Craig Dixon.

Otago Polytechnic held its inaugural Education Open golf tournament in 2014 as a way to generate income for the Polytechnic's Education Foundation, which aims to position Otago Polytechnic as a global leader in career-focused education and promote Dunedin as an education destination on the world stage. It funds international development opportunities for staff, students and community groups, supporting students travelling to China, Italy and Germany on academic and cultural exchanges in 2014. The Foundation will also enable continued investment in the development of world-class facilities and educational services at Otago Polytechnic.


**PROFILE : PROMOTING WELL-BEING IN THE COMMUNITY; ETHICAL AND VALUES-DRIVEN PRACTICE**

## Charity House fundraising total builds

The winning bid for the 2014 Charity House equalled the record price set in 2012, pushing the total amount raised for charity through the initiative to almost \$750,000 over the past eight years.

The award-winning project sees the Polytechnic's carpentry students and staff build a house with the aid of sponsors, which is then auctioned off for charity. The Polytechnic donates all profits to more than 30 Otago charities annually through the fundraising distributor, United Way.

Kevin and Diane Woodall bought the 2014 Charity House for \$195,000.

"Not only was it a good cause, but the house was good value and it suited what we wanted," Kevin says. "It saved us the time and effort of building our own home on site – I'm sure we'd still be living in the shed if we'd gone down that path," he laughs.

Partnerships with local businesses are key to the project's ongoing success. This year, more than 20 local businesses donated time and resources to fit-out, finish and market the Charity House.



## Campaigning against drunken violence

**Just one punch can forever change – and even end – lives.**

Otago Polytechnic students and staff helped Dunedin police spread this message, after a number of recent local deaths as a result of one punch.

Targeted at secondary and tertiary students, the Just One Punch campaign was initiated by Dunedin Police Constable Shelley Phair. "Our goal is to strengthen young people's abilities to make positive choices and decisions when dealing with these situations," she says.

The campaign included an educational DVD and a comprehensive website featuring an interactive film showing different potential scenarios and outcomes. Other collaborators to the awareness campaign were TVNZ, ACC, the Dunedin City Council and the University of Otago.

"The focus is to deter violent behaviour and excessive drinking," explains Madison Henry-Ryan, an Otago Polytechnic graduate who worked on the campaign. "I think young people have really related to the material as we designed it with our own youth demographic in mind."



PROFILE : AMPLIFYING EXCELLENCE THROUGH PARTNERSHIP; TEAMWORK AND COLLABORATION

## Design graduates on world stage

In exhibiting for six months in Venice, ground-breaking Otago firm Architecture van Brandenburg showcased New Zealand as a source of inspiration, Dunedin as a hub of creative energy and Otago Polytechnic as a source of talented designers.

The exhibition, *van Brandenburg: Unfurling*, showcased the company's extensive range of 3D models for the 120,000 square metre Marisfrolg fashion headquarters it has designed in Shenzhen, China. The complex comprises a series of interlinking forms housing a catwalk, design studios, a boutique hotel, restaurants, fashion amenities and general administration, all set in a 4.8 hectare garden with ponds.

A team of Otago Polytechnic design graduates and lecturers have played a central role in the development of the complex, which is inspired by nature and the fern frond in particular. This collaboration dates back to 2007 when design and innovation staff and students were deployed to be involved in the project.

"We worked together on the original proposal using Otago Polytechnic expertise, including their staff and digital modelling equipment," recalls Fred van Brandenburg. "Since then we have employed several of their graduates and have offered a number of internships to students."



Photo by Seen in Dunedin

## Partnering with the Cancer Society

The relationship between Otago Polytechnic and the Cancer Society's Otago and Southland Division was strengthened in 2014, when the institute became the naming rights sponsor of the Society's Spring Ball.

The annual ball is a major fundraising event for the charity, focusing attention on efforts to support those affected by cancer and reduce its prevalence for future generations.

It's a cause Otago Polytechnic is proud to support. The institute's staff and graduates already contribute directly to the care of those with cancer through Nursing, Social Services and Occupational Therapy programmes, while others such as Physical Activity, Health and Wellness place an emphasis on preventive activities.

"Not many people know the Cancer Society is a local organisation delivering free cancer-related services to support local communities," says Mike Kernaghan, Chief Executive of the Otago and Southland Division. "We are very grateful to have the Polytechnic's support and feel that this is the beginning of an even closer relationship between our organisations."




**PROFILE : TACKLING SOCIAL AND BUSINESS CHALLENGES; CRITICAL THINKERS AND PROBLEM-SOLVERS**

## Putting the right projects first

**At the Dunedin City Council, the Business Information Services (BIS) team found it was receiving more project requests than it had resources to complete them.**

Often the most important projects were not prioritised due to ineffective project analysis processes. So the Council engaged Bachelor of Information Technology student, Micheal Rosenbrock, who created a structured ICT Portfolio Optimisation Process (IPOP).

Those putting forward a project request are required to submit a business case using a standardised form, allowing a cost benefit analysis to be done. IPOP then enables BIS to thoroughly analyse, evaluate and prioritise each project request.

This system results in a project portfolio that adds real benefit to the Council's operations, bringing a projected 20 per cent increase in portfolio value. And because the technology is simple, robust and scalable, it can potentially be adopted by other departments within the organisation.



## Student's "up-cycling" workshops inspire

**Tessa Hewlett creates beautiful, practical furniture and furnishings from unwanted objects that would otherwise be cast aside – and she has been inspiring and teaching others how to do the same.**

In her final year of the Bachelor of Design (Communication), Tessa breathed new life into discarded crates and pallets, and created soft furnishings from fabrics gifted to her by the Otago Hospice Shop.

From quilts to reupholstered chairs, lamps and footstools, planter box seats, a bar and a table with its own built-in chillybin, Tessa's venture, Dad & Me, formed part of her final project.

As well as an exhibition and the sale of her work at the Otago Hospice Shop, with some of the proceeds going to the charity store, Tessa led public workshops teaching people how to make their own "up-cycled" bar stools.

"I want to encourage people and show them that this is something they can do themselves in their own ways," she explains. "In fact, many people are already up-cycling in various ways without really realising it. It's something I know I'll be doing forever."



# Making a difference to the environment

## Kia whakarerekē ki te taiao

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

### Highlights

- > Installed energy monitoring on every floor of every building at our Dunedin campus, significantly reducing energy use
- > Developed plans to minimise travel, measure our IT footprint, and measure the footprints of three Otago Polytechnic academic schools
- > Evaluated how well Education for Sustainability is integrated into all degree and postgraduate programmes
- > Named a finalist in the Australasian Green Gown Awards for sustainability
- > Audited our Central campus footprint and developed a minimisation plan
- > Implemented separation of paper towels into compostable waste, in partnership with the Dunedin City Council.

### Pathway to excellence FOR 2015

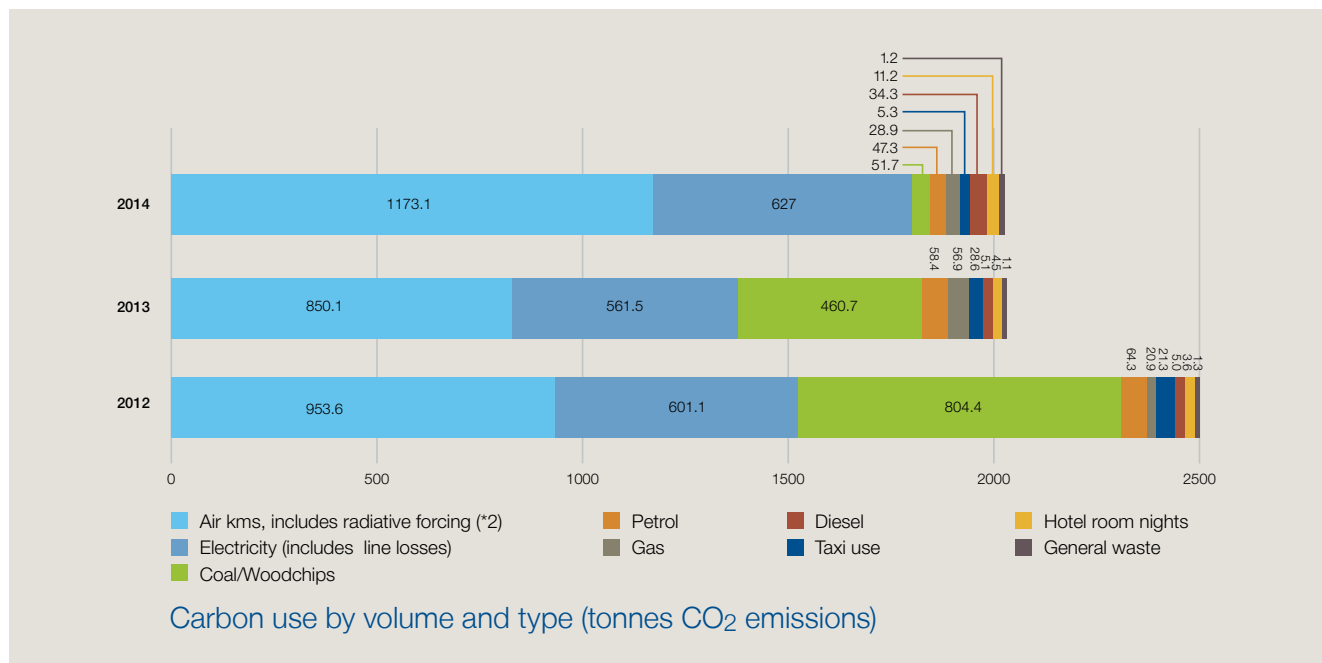
- > Reduce travel footprint by 10 per cent from 2013
- > Reduce waste to landfill with a view to achieving a 20 per cent decrease from 2013-2016 inclusive
- > Reduce IT footprint by 10 per cent over 2013
- > Reduce energy consumption with a view to achieving a 10 per cent decrease from 2013-2016 inclusive
- > Evaluate how well sustainable practice is integrated into Certificate and Diploma programmes
- > Develop zero waste strategies for cooking facilities at Dunedin and Central campuses
- > Display sustainable technologies on campus
- > Establish sustainable purchasing and event guidelines for staff.

### Aspirations

- > Actively manage operations to reduce our carbon and ecological footprints
- > Provide leadership for sustainability with our suppliers and learners
- > Enable all our graduates to practise sustainably
- > Encourage communities and businesses to embed sustainable practices
- > Contribute to the development of knowledge in sustainable practice, through staff and student involvement in research and consultancy.



## Environmental monitoring



Our overall carbon footprint continued to decrease in 2014, despite the introduction of more comprehensive reporting in some areas and changes to the calculation factors published by the Ministry for the Environment.

There was a 12 per cent reduction in electricity usage across Otago Polytechnic in 2014 when measured in kW hours, however due to a higher emission factor the 2014 carbon emissions calculation exceeds that of 2013. Emissions from gas halved in 2014.

The 2014 decommissioning of the Polytechnic's coal burners, which were replaced by woodchip burners, drastically cut coal and woodchip emissions by 73 per cent.

Reported air travel kilometres increased by 38 per cent in 2014, and associated hotel use and car hire also rose. This is because 2014 is the first year these categories have included staff study tours, student travel arranged by the Polytechnic and business travel booked by staff through their own travel agents.

Likewise, for the first time, our paper use in 2014 includes paper used by contractors for the printing of resources for students and publicity and statutory documents such as prospectuses and annual reports. Accounting for these additions, paper use has reduced in real terms in 2014, as paper purchased by the Polytechnic went down from 6,733 reams to 5,200 reams.

A 14 per cent increase in water use was reported across the Polytechnic in 2014. This is a result of increased irrigation requirements at our Central campus, a marked increase in the number of large-scale functions held on site at the Dunedin campus, and some significant water leaks experienced at both Central and Dunedin campuses.

Resource	2014	2013	2012
Electricity (kW hours)	3,477,532	3,946,195	4,224,228
Paper (A4 reams)	6,950	6,733	4,937
Water (m3)	73,889	66,553	52,437

### Innovative energy meters installed

Otago Polytechnic's research and development house, workSpace, designed and manufactured smart new energy meters that measure power use from specific sources, such as hot water, lifts, ventilation and lighting. This means each individual source can be closely monitored and assessed.

Fitted with the latest microcontrollers, the meters feed into the building management system via wifi. The energy use information is integrated into a campus booking system, so each room "knows" when classes start and end, and what the ideal temperature is for learning.

More than 100 of these meters were installed throughout Otago Polytechnic's Dunedin campus in 2014 – one at the base of each building, and up to three on each floor.

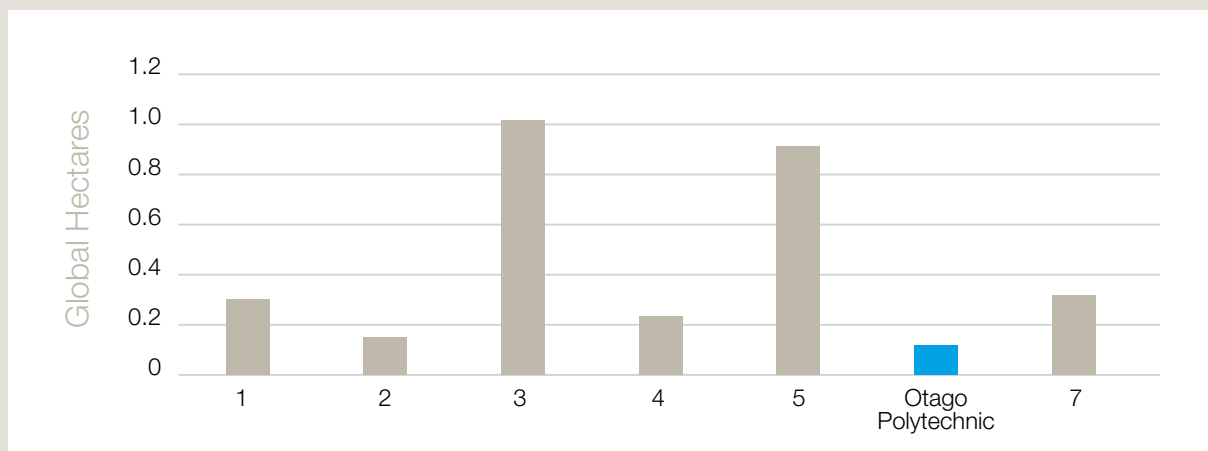
The meters will aid in reducing energy use and it is predicted that there will be significant annual savings on the Polytechnic's power bill.



### TEFMA benchmarking

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

The latest results released in 2014 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 energy consumed at the Polytechnic was 5.2 GJoules per EFTS and FTE staff, compared to the New Zealand average of 7.47.



2012 TEFMA carbon footprint comparison of seven New Zealand tertiary institutions

### Footprint analysis at Central

A detailed analysis of the ecological footprint of our Central campus proved valuable in 2014, given that many of its needs and activities are quite different to that of the Polytechnic's urban campuses.

Proportionally, Central has a much greater amount of land than the Dunedin and Auckland campuses, accounting for about a quarter of its ecological footprint. However, it produces its own food and other products that help to mitigate this. Travel by both land and air form over half of the footprint.

The largest opportunities for improvement are the minimisation of travel and the reduction of the use of chemicals on the land.

### Audit of IT footprint

The audit of the Polytechnic IT footprint was very positive, highlighting many improvements that have been made since the previous audit in 2008.

#### Key findings:

- > Sustainability is embedded across all ICT processes, although longer-term planning needs to include sustainability as a key outcome

- > Our sustainability focus is evident through procurement and tendering processes, which now include an assessment on vendor sustainability practices
- > Sustainability indicators are widely promoted across all campuses
- > ICT staff members have undertaken sustainable practice training to further develop sustainability practices within the team.

### Waste management

The Polytechnic produced 1682 cubic metres of waste in 2014, of which 31 per cent (530 cubic meters) was recycled. The introduction of a paper towel recycling scheme in late 2014 and initiatives planned to reduce waste within cookery programmes and facilities in 2015, are expected to reduce waste production further. In addition, we recycled 3.1 tonnes of e-waste in 2014.

The Polytechnic's waste to landfill was 24.2 kilograms per EFTS and FTE staff, compared to the New Zealand average of 26.3 kilograms.



PROFILE : WALKING THE TALK FOR A SUSTAINABLE FUTURE; CHANGING WAYS OF OPERATING

## Finalist in Australasian sustainability awards

**The continued success of Otago Polytechnic's comprehensive sustainability strategy was recognised with a nomination in the prestigious 2014 Green Gown Awards Australasia.**

The Awards acknowledge Australasian tertiary institutions for best sustainability practice within operations, curriculum and research. Otago Polytechnic was a finalist in the category Continual Improvement – Institutional Change.

Sustainability is built in to the mission, values and strategic goals of the organisation, permeating through to the roles of every staff member.

"Every division of the Polytechnic has been involved in implementing our sustainability strategy," says Director: Sustainability, Jean Tilleyshort. "Every team has sustainability objectives and every curriculum area has built sustainable practice into its programmes. All Polytechnic staff can take real pride in this award nomination."



## Students win national design award

**The brief was simple – create a breakout space that didn't require consent and incorporated sustainability.**

A team of four Otago Polytechnic Design students won the Sustainable Habitat Construction (SHAC) Pop-up Challenge for their design of an innovative and efficient 10 square metre building.

Studio56 was conceived by third-years Dean Griffiths, Alice Perry, Nina Daniels and Charlotte McKirdy, to provide a unique learning environment within Otago Polytechnic's Living Campus – a vibrant community garden and a sustainable model of urban agriculture.

The building features recycled macrocarpa, heat transfer panelling on the windows, and a rooftop water channel that drains into a catchment system to water the Living Campus gardens.

The design team hopes to turn the Studio56 into a kitset that can be customised.

"Being less than ten square metres, you don't need consent, so it's a building that can go up in any space," says Alice Perry.





PROFILE : APPLYING EXPERTISE TO MAKE A DIFFERENCE; ENTERPRISE AND INNOVATION

## Low water-use gardening expertise in demand

**Jo Wakelin, Principal Lecturer in Horticulture at Otago Polytechnic's Central campus, has been employed by the Central Otago District Council as a water demand management consultant.**

After the Council installed water metering and initiated volumetric charging for water, the associated negative feedback from ratepayers created a need for an education programme about water demand management.

Jo advises the local authority and residents about low water-use landscaping, using plant species that flourish without irrigation, and about better irrigation management techniques. She has created resources to support this education programme, and delivers the message at public community festivals and events, public workshops and speaking engagements.



## Converting waste into fertiliser

**Central Otago worm farm operator, Central Wormworx, has already removed thousands of tonnes of green waste from the local community in recent years, converting it into an organic fertiliser.**

Now, Otago Polytechnic is providing funding support and research and development expertise as the company moves to diversify into recycling feedlot waste.

The project involves feeding bull excrement and dairy shed waste to worms, which go through the waste several times. The worms then excrete casts which act as an effective, organic, environmentally-friendly soil conditioner for use by commercial growers and farmers. Growth trials are now underway to measure the effects these castings have on plant growth and soil health.

"This project is about turning a cost into a profit – waste into fertiliser," explains Alistair Regan, the Polytechnic's Director: Research and Enterprise.

"The environmental benefits of using worm casts as fertiliser rather than directly spreading raw manure on the land are considerable. Manure isn't immediately uptaken by the soil, so it ends up burning plants, leaching into waterways and damaging the environment. Worm casts are absorbed into the soil much more quickly."

# Financial Statements

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For the year ended 31 December 2014

# Independent Auditor's Report

## To the readers of Otago Polytechnic and group's financial statements and non financial performance information for the year ended 31 December 2014

**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 nonfinancial performance information of the Polytechnic and group on her behalf.

We have audited:

- > the financial statements of the Polytechnic and group on pages 46 to 70, that comprise the statement of financial position as at 31 December 2014, the statement of financial performance, statement of comprehensive income, 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 non-financial performance information of the Polytechnic and group in the statement of service performance on pages 6 to 42.

### Opinion

In our opinion:

- > the financial statements of the Polytechnic and group on pages 46 to 70:
  - > comply with generally accepted accounting practice in New Zealand; and
  - > fairly reflect the Polytechnic and group's:
    - > financial position as at 31 December 2014; and
    - > financial performance and cash flows for the year ended on that date; and
- > the non-financial performance information of the Polytechnic and group on pages 6 to 42 fairly reflects the Polytechnic and group's service performance achievements measured against the performance targets adopted in the investment plan for the year ended 31 December 2014.

Our audit was completed on 15 April 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Otago Polytechnic and group's preparation of the financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- > the appropriateness of accounting policies used and whether they have been consistently applied;

- > the reasonableness of the significant accounting estimates and judgements made by the Council;
- > the adequacy of all disclosures in the financial statements and non-financial performance information; and
- > the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of the Council

The Council is responsible for preparing financial statements that:

- > comply with generally accepted accounting practice in New Zealand; and
- > fairly reflect the Polytechnic and group's financial position, financial performance and cash flows.

The Council is also responsible for preparing non-financial performance information that fairly reflects the Otago Polytechnic and group's service performance achievements measured against the performance targets adopted in the investment plan.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

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

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out an assurance engagement reporting on the Chief Executive Officer's annual declaration on the Performance-Based Research Fund External Research Income. This assignment is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Polytechnic or its subsidiary.



**John Mackey**  
Audit New Zealand  
On behalf of the AuditorGeneral  
Dunedin, New Zealand



# Financial Statements

## Statement of Financial Performance for the year ended 31 December 2014

POLYTECHNIC				GROUP			
	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>Revenue</b>							
Government Grants	3 (a)	36,429	35,245	33,995	36,429	35,245	33,995
Student Tuition Fees		24,395	24,923	21,733	24,395	24,923	21,733
Other Income	3 (b)	7,682	7,379	7,399	8,013	7,678	7,631
Interest Received	3 (c)	398	260	276	398	260	276
<b>Total Revenue</b>		<b>68,904</b>	<b>67,807</b>	<b>63,403</b>	<b>69,235</b>	<b>68,106</b>	<b>63,635</b>
<b>Expenditure</b>							
Employment Expenses	3 (d)	39,829	39,164	37,954	40,076	39,358	38,147
Consumable Expenses	3 (e)	8,570	9,851	6,971	8,576	9,857	6,975
Operating Expenses	3 (e)	7,914	6,452	7,097	7,951	6,463	7,113
Occupancy Expenses	3 (e)	4,039	3,824	4,065	4,042	3,824	4,065
Interest Expense	3 (c)	0	0	0	0	0	0
Depreciation & Amortisation Expense	8 & 9	5,517	5,328	5,358	5,517	5,328	5,358
Loss on Disposal/Impairment of Assets		14	30	173	14	30	173
<b>Total Expenditure</b>		<b>65,883</b>	<b>64,649</b>	<b>61,618</b>	<b>66,176</b>	<b>64,860</b>	<b>61,831</b>
<b>Surplus/(Deficit) from Operations</b>		<b>3,021</b>	<b>3,158</b>	<b>1,785</b>	<b>3,059</b>	<b>3,246</b>	<b>1,804</b>
Share of Associate's surplus/deficit	7	0	0	0	178	200	260
<b>Net Surplus/(Deficit)</b>		<b>3,021</b>	<b>3,158</b>	<b>1,785</b>	<b>3,237</b>	<b>3,446</b>	<b>2,064</b>

Explanations of significant variances against budget are detailed in note 21.

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 Comprehensive Income for the year ended 31 December 2014

	POLYTECHNIC			GROUP		
Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
Net Surplus/(Deficit) for the year	3,021	3,158	1,785	3,237	3,446	2,064
<b>Other Comprehensive Income</b>						
Increase/(Decrease) in Asset Revaluation Reserves	2,176	0	0	2,176	0	0
<b>Total Other Comprehensive Income</b>	<b>2,176</b>	<b>0</b>	<b>0</b>	<b>2,176</b>	<b>0</b>	<b>0</b>
<b>Total Comprehensive Income</b>	<b>5,197</b>	<b>3,158</b>	<b>1,785</b>	<b>5,413</b>	<b>3,446</b>	<b>2,064</b>

## Statement of Changes in Equity for the year ended 31 December 2014

	POLYTECHNIC			GROUP		
Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
Public Equity at the start of the year	88,502	90,494	86,717	89,832	90,247	87,768
<b>Total Comprehensive Income</b>	<b>5,197</b>	<b>3,158</b>	<b>1,785</b>	<b>5,413</b>	<b>3,446</b>	<b>2,064</b>
<b>Public Equity at the end of the year</b>	<b>93,699</b>	<b>93,652</b>	<b>88,502</b>	<b>95,245</b>	<b>93,693</b>	<b>89,832</b>

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 2014

POLYTECHNIC				GROUP			
	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	4	7,259	1,743	4,833	7,324	1,743	4,845
Trade and Other Receivables	5	1,926	1,500	1,892	2,018	1,500	2,039
Prepayments		349	400	601	349	400	601
Inventories	6	189	200	168	189	200	168
<b>Total Current Assets</b>		<b>9,723</b>	<b>3,843</b>	<b>7,494</b>	<b>9,880</b>	<b>3,843</b>	<b>7,653</b>
<b>Non Current Assets</b>							
Other Financial Assets	7	4,110	5,823	4,458	5,649	5,864	5,628
Property, Plant and Equipment	8	87,887	89,629	81,713	87,887	89,629	81,713
Intangible Assets	9	4,978	4,528	4,966	4,978	4,528	4,966
<b>Total Non Current Assets</b>		<b>96,975</b>	<b>99,980</b>	<b>91,137</b>	<b>98,514</b>	<b>100,021</b>	<b>92,307</b>
<b>Total Assets</b>		<b>106,698</b>	<b>103,823</b>	<b>98,631</b>	<b>108,394</b>	<b>103,864</b>	<b>99,960</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and Other Payables	10	10,195	7,550	7,724	10,345	7,550	7,723
Employee Entitlements	11	2,621	2,439	2,249	2,621	2,439	2,249
<b>Total Current Liabilities</b>		<b>12,816</b>	<b>9,989</b>	<b>9,973</b>	<b>12,966</b>	<b>9,989</b>	<b>9,972</b>
<b>Non Current Liabilities</b>							
Employee Entitlements	11	183	182	156	183	182	156
<b>Total Non Current Liabilities</b>		<b>183</b>	<b>182</b>	<b>156</b>	<b>183</b>	<b>182</b>	<b>156</b>
<b>Total Liabilities</b>		<b>12,999</b>	<b>10,171</b>	<b>10,129</b>	<b>13,149</b>	<b>10,171</b>	<b>10,128</b>
<b>NET ASSETS</b>		<b>93,699</b>	<b>93,652</b>	<b>88,502</b>	<b>95,245</b>	<b>93,693</b>	<b>89,832</b>
<b>EQUITY</b>							
Retained Earnings	13	61,672	62,592	56,462	63,218	62,633	57,792
Suspensory Loan	13	0	1,185	2,185	0	1,185	2,185
Asset Revaluation Reserves	13	31,551	29,375	29,375	31,551	29,375	29,375
Other Reserves	13	476	500	480	476	500	480
<b>Total Equity</b>		<b>93,699</b>	<b>93,652</b>	<b>88,502</b>	<b>95,245</b>	<b>93,693</b>	<b>89,832</b>

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 2014

POLYTECHNIC				GROUP			
	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Receipts from Government Grants		36,393	35,195	33,875	36,393	35,195	33,875
Receipts from Student Tuition Fees		24,959	25,373	23,525	25,090	25,373	23,525
Receipts from Other Revenue		8,431	7,117	7,025	8,727	7,328	7,253
Interest Received		398	260	276	398	260	276
		<b>70,181</b>	<b>67,945</b>	<b>64,701</b>	<b>70,608</b>	<b>68,156</b>	<b>64,929</b>
<b>Cash was applied to:</b>							
Payments to Employees		39,431	38,909	37,917	39,678	39,103	38,110
Payments for Consumables		8,548	9,672	7,383	8,554	9,678	7,388
Payments for Operating Expenses		7,618	6,074	7,720	7,655	6,085	7,737
Payments for Occupancy		3,995	3,845	4,496	3,998	3,845	4,497
Interest Expense		0	0	0	0	0	0
Goods & Services Tax (net)		(173)	(339)	(660)	(93)	(339)	(660)
		<b>59,419</b>	<b>58,161</b>	<b>56,856</b>	<b>59,792</b>	<b>58,372</b>	<b>57,072</b>
<b>Net Cash Flow from Operating Activities</b>	4	<b>10,762</b>	<b>9,784</b>	<b>7,845</b>	<b>10,816</b>	<b>9,784</b>	<b>7,857</b>

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 2014

		POLYTECHNIC			GROUP		
	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Repayment of Advance by Associate		150	150	150	150	150	150
		<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>Cash was applied to:</b>							
Purchase of Property, Plant & Equipment		7,393	11,957	5,481	7,393	11,957	5,481
Purchase of Intangible Assets		1,093	800	1,386	1,093	800	1,386
		<b>8,486</b>	<b>12,757</b>	<b>6,867</b>	<b>8,486</b>	<b>12,757</b>	<b>6,867</b>
<b>Net Cash Flow from Investing Activities</b>		<b>(8,336)</b>	<b>(12,607)</b>	<b>(6,717)</b>	<b>(8,336)</b>	<b>(12,607)</b>	<b>(6,717)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Loan Finance Received		0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash was applied to:</b>							
Loan Finance Repaid		0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Cash Flow from Financing Activities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash Increase/(Decrease)		2,426	(2,823)	1,128	2,479	(2,823)	1,140
Opening Cash Balance		4,833	4,566	3,705	4,845	4,566	3,705
<b>Closing Balance</b>		<b>7,259</b>	<b>1,743</b>	<b>4,833</b>	<b>7,324</b>	<b>1,743</b>	<b>4,845</b>
<b>Represented by:</b>							
Bank deposits and current account		7,259	1,743	4,833	7,324	1,743	4,845
		<b>7,259</b>	<b>1,743</b>	<b>4,833</b>	<b>7,324</b>	<b>1,743</b>	<b>4,845</b>

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

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For the year ended 31 December 2014

# Notes to the Financial Statements

for the year ended 31 December 2014

## 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 subsidiary, Open Education Resource Foundation Limited (100% owned). The 33% equity share of its associate Dunedin City Tertiary Accommodation Trust is equity accounted.

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 the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Polytechnic and group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of Council on 15 April 2015.

## 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.

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain 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) Basis of consolidation

The purchase method is used to prepare the group financial statements, which involves adding together like items of assets, liabilities, equity, income, 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 performance and the share of post-acquisition increases/decreases in net assets in the group's statement of financial position.

### (c) Statement of compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

### (d) Changes in accounting policy

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

The Polytechnic and group has adopted the following revision to accounting standards during the financial year which have only had a presentational or disclosure effect;

> Nil.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and are relevant to the Polytechnic and group are:

> NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39.

The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016 however, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Polytechnic is classified as a Tier 1 reporting entity and it will be required to apply full public sector Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB and are mainly based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Polytechnic will transition to the new standards in preparing its 31 December 2015 financial statements.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

# Notes to the Financial Statements

for the year ended 31 December 2014

## (e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### *Government grants*

Government grants are recognised when eligibility to receive them is established. Operational Bulk Grants are recognised over the period in which courses are taught by reference to the stage of completion of the course as at the statement of financial position date. Stage of completion is measured by reference to the days of courses completed as a percentage of total days for each course. Where funds have been received but not earned at balance date an Income in Advance liability is recognised.

### *Student tuition fees*

Revenue from student tuition fees is recognised over the period in which the course is taught by reference to the stage of completion of the course as at the statement of financial position date. Stage of completion is measured by reference to the days of courses completed as a percentage of total days for each course.

### *Other income*

Other income 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.

## (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.

## (h) 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.

## (i) 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.

## (j) 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 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.

## (k) Financial instruments

Financial instruments are contracts that give rise to financial assets and liabilities or an equity instrument in another enterprise. A financial instrument is recognised when the group becomes party to its contractual provisions.

A financial asset is cash, a contractual right to receive cash or another financial instrument from another enterprise. A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument to another enterprise. An equity instrument is any contract that evidences a residual interest in the assets of another enterprise after deducting all of its liabilities.

Categories of investment and financial assets held by the group:

> *Loans and receivables (including cash and cash equivalents, trade and other receivables and other financial assets)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less any provision for impairment. Gains or losses are recognised in the surplus or deficit when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

> *Available for sale securities (other financial assets)*

Available for sale investments are those non-derivative financial assets, principally equity securities, that are designated as available for sale or not otherwise classified in previous categories. After initial recognition available for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until



# Notes to the Financial Statements

for the year ended 31 December 2014

the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of financial performance.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments with no active market, fair values are determined using valuation methods. Investments whose fair values cannot be reliably measured are accounted for at cost and amortised where necessary.

#### *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, trade and other receivables and other financial assets)*

Impairment of a loan or 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 debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered 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. For debtors and other receivables, the carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the provision account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For other financial assets, impairment losses are recognised directly against the instrument's carrying amount.

#### **(I) 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.

#### *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	1.25% - 5% 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

#### *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 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 group accounts for such revaluations on a class of asset basis.

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 income 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 income.

# Notes to the Financial Statements

for the year ended 31 December 2014

## (m) 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.

## (n) 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.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

## (o) 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.

### *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 3.7% (2013: 4.7%) and a salary inflation factor of 1.4% (2013: 1.6%) 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.

## (p) 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.

# Notes to the Financial Statements

for the year ended 31 December 2014

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 is disclosed in note 15.

**(q) 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.

**(r) 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.

**(s) 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.

**(t) 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.

**(u) 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 2014:

*Crown-owned land and buildings*

Property in the legal name of the Crown that is occupied by the Polytechnic and group is recognised as an asset in the statement of financial position. The Polytechnic and group consider it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred and accordingly it would be misleading to exclude these assets from 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 13.

*Suspensory loans with equity conversion features*

The Polytechnic and group has received a suspensory loan from the Crown whereby the loan converts to equity when the conversion conditions of the loan agreement are satisfied.

Because the Polytechnic and group is committed to meeting the equity conversion conditions, it considers the loan is an in-substance equity contribution from the Crown and therefore has recognised the amount drawn down directly in the statement of changes in equity. Further information about the suspensory loan is disclosed in notes 13 and 15.

**(v) Changes in accounting estimates**

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

**(w) 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 2014

## 3. REVENUES AND EXPENSES

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(a) Government grants</b>				
Student Achievement Component	32,911	30,578	32,911	30,578
Equity funding	169	151	169	151
Early Childhood Education Performance Based Research Fund	521	551	521	551
Modern Apprentices	1,128	1,122	1,128	1,122
Trades Academy	237	298	237	298
Youth Guarantee	231	321	231	321
Other government grants	1,143	969	1,143	969
	89	5	89	5
	36,429	33,995	36,429	33,995
<b>(b) Other income</b>				
Revenue from other operating activities	7,682	7,399	8,010	7,631
	7,682	7,399	8,010	7,631
Included in revenue from other operating activities are grants and donations from the following community organisations: Community Trust of Otago (\$25k, Sargood Centre redevelopment).				
<b>(c) Finance income/costs</b>				
Interest earned on bank deposits	398	276	398	276
Total finance income	398	276	398	276
Interest paid on bank loan facilities	0	0	0	0
	0	0	0	0
<b>(d) Employment expenses</b>				
Wages and salaries	35,846	34,346	35,990	34,524
Post-employment benefits	874	757	879	762
Other employment expenses	3,109	2,851	3,207	2,861
	39,829	37,954	40,076	38,147
<b>(e) Consumable, Operating and Occupancy expenses</b>				
Audit fees – annual audit	90	89	92	101
Bad debts written-off	115	87	115	87
Donations	81	92	81	92
Minimum lease payments – operating leases	1,491	1,327	1,494	1,327
Administrative and other expenses	18,746	16,538	18,787	16,546
	20,523	18,133	20,569	18,153

## 4. CASH AND CASH EQUIVALENTS

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash at bank and in hand	77	104	142	116
Short term deposits	7,182	4,729	7,182	4,729
	7,259	4,833	7,324	4,845

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	7,259	4,833	7,324	4,845
	7,259	4,833	7,324	4,845

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

Net surplus/(deficit) for the year	3,021	1,785	3,237	2,064
<i>Adjustments for:</i>				
Depreciation and amortisation	5,517	5,358	5,517	5,358
Net (gain)/loss on disposal of property, plant and equipment	14	173	14	173
Movement in Trust & Special Funds	(4)	(1)	(4)	(1)
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and other receivables	214	(508)	369	(595)
(Increase)/decrease in prepayments	252	(188)	252	(188)
(Increase)/decrease in inventories	(21)	19	(21)	19
(Increase)/decrease in financial assets	198	(90)	(171)	(268)
Increase/(decrease) in trade and other payables	1,172	1,260	1,224	1,258
Increase/(decrease) in employee entitlements	399	37	399	37
Net cash from operating activities	10,762	7,845	10,816	7,857



# Notes to the Financial Statements

for the year ended 31 December 2014

## 5. TRADE AND OTHER RECEIVABLES

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Student fees receivables	1,196	894	1,196	894
Other receivables	755	904	847	1,051
Dunedin City Tertiary Accommodation Trust advance	150	150	150	150
Other related parties (note 16)	173	186	173	186
Provision for doubtful debts	(348)	(242)	(348)	(242)
	1,926	1,892	2,018	2,039

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

Current	240	861	330	986
30-60 days	1,021	380	1,023	380
60-90 days	61	65	61	68
90 days +	604	586	604	605
	1,926	1,892	2,018	2,039

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	242	170	242	170
Additional provisions made during the year	106	75	106	75
Receivables written-off during the year	0	(3)	0	(3)
At 31 December	348	242	348	242

## 6. INVENTORIES

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Materials and consumables held for distribution	189	168	189	168
	189	168	189	168

The writedown of inventories held for distribution amounted to nil (2013: nil) and there have been no reversals of writedowns. No inventories are pledged as security for liabilities.

## 7. OTHER FINANCIAL ASSETS

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Advance to Dunedin City Tertiary Accommodation Trust	700	850	700	850
Investment in associate – Dunedin City Tertiary Accommodation Trust	3,332	3,332	4,884	4,706
Other	78	276	65	72
	4,110	4,458	5,649	5,628

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 2014.

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.

	2014 \$'000	2013 \$'000
Investment in Dunedin City Tertiary Accommodation Trust		
Movements in the carrying amount of the investment in associate:		
Balance at 1 January	4,706	4,446
New investments during the year	0	0
Disposal of investments during the year	0	0
Share of total comprehensive income	178	260
Dividend	0	0
Balance at 31 December	4,884	4,706

Summarised financial information of associate presented on a gross basis:

Assets	9,555	9,365
Liabilities	2,952	3,268
Revenues	2,704	2,876
Surplus/(Deficit)	534	781
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 liabilities	0	0

# Notes to the Financial Statements

for the year ended 31 December 2014

## 8. PROPERTY, PLANT AND EQUIPMENT

<b>POLYTECHNIC</b>	<b>Land</b>	<b>Buildings</b>	<b>Plant and Equipment</b>	<b>Motor Vehicles</b>	<b>Computer Hardware</b>	<b>Library Collection</b>	<b>Artworks</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 January 2014</b>								
Cost or fair value	18,090	56,331	11,611	849	16,955	6,163	87	110,086
Accumulated depreciation and impairment	0	(3,253)	(6,289)	(589)	(13,342)	(4,900)	0	(28,373)
Net carrying amount	18,090	53,078	5,322	260	3,613	1,263	87	81,713
<b>Year ended 31 December 2014</b>								
Balance at 1 January	18,090	53,078	5,322	260	3,613	1,263	87	81,713
Additions	157	5,243	1,725	169	933	202	4	8,433
Revaluations	843	1,333	0	0	0	0	0	2,176
Disposals (net)	0	0	0	0	0	0	0	0
Depreciation expense	0	(1,789)	(910)	(100)	(1,394)	(242)	0	(4,435)
Balance at 31 December	19,090	57,865	6,137	329	3,152	1,223	91	87,887
<b>At 31 December 2014</b>								
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
<b>At 1 January 2013</b>								
Cost or fair value	18,090	54,095	9,898	833	15,851	5,968	77	104,812
Accumulated depreciation and impairment	0	(1,559)	(5,526)	(584)	(12,395)	(4,650)	0	(24,714)
Net carrying amount	18,090	52,536	4,372	249	3,456	1,318	77	80,098
<b>Year ended 31 December 2013</b>								
Balance at 1 January	18,090	52,536	4,372	249	3,456	1,318	77	80,098
Additions	0	2,258	1,768	98	1,599	195	10	5,928
Revaluations	0	0	0	0	0	0	0	0
Disposals	0	0	(26)	0	0	0	0	(26)
Depreciation charge for the year	0	(1,716)	(792)	(87)	(1,442)	(250)	0	(4,287)
Balance at 31 December	18,090	53,078	5,322	260	3,613	1,263	87	81,713
<b>At 31 December 2013</b>								
Cost or fair value	18,090	56,331	11,611	849	16,955	6,163	87	110,086
Accumulated depreciation and impairment	0	(3,253)	(6,289)	(589)	(13,342)	(4,900)	0	(28,373)
Net carrying amount	18,090	53,078	5,322	260	3,613	1,263	87	81,713

# Notes to the Financial Statements

for the year ended 31 December 2014

<b>GROUP</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Motor Vehicles \$'000</b>	<b>Computer Hardware \$'000</b>	<b>Library Collection \$'000</b>	<b>Artworks \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2014</b>								
Cost or fair value	18,090	56,331	11,611	849	16,957	6,163	87	110,088
Accumulated depreciation and impairment	0	(3,253)	(6,289)	(589)	(13,344)	(4,900)	0	(28,375)
Net carrying amount	18,090	53,078	5,322	260	3,613	1,263	87	81,713
<b>Year ended 31 December 2014</b>								
Balance at 1 January	18,090	53,078	5,322	260	3,613	1,263	87	81,713
Additions	157	5,243	1,725	169	933	202	4	8,433
Revaluations	843	1,333	0	0	0	0	0	2,176
Disposals (net)	0	0	0	0	0	0	0	0
Depreciation expense	0	(1,789)	(910)	(100)	(1,394)	(242)	0	(4,435)
Balance at 31 December	19,090	57,865	6,137	329	3,152	1,223	91	87,887
<b>At 31 December 2014</b>								
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	(27,752)
Net carrying amount	19,090	57,865	6,137	329	3,152	1,223	91	87,887
<b>At 1 January 2013</b>								
Cost or fair value	18,090	54,095	9,898	833	15,853	5,968	77	104,814
Accumulated depreciation and impairment	0	(1,559)	(5,526)	(584)	(12,397)	(4,650)	0	(24,716)
Net carrying amount	18,090	52,536	4,372	249	3,456	1,318	77	80,098
<b>Year ended 31 December 2013</b>								
Balance at 1 January	18,090	52,536	4,372	249	3,456	1,318	77	80,098
Additions	0	2,258	1,768	98	1,599	195	10	5,928
Revaluations	0	0	0	0	0	0	0	0
Disposals (net)	0	0	(26)	0	0	0	0	(26)
Depreciation charge for the year	0	(1,716)	(792)	(87)	(1,442)	(250)	0	(4,287)
Balance at 31 December	18,090	53,078	5,322	260	3,613	1,263	87	81,713
<b>At 31 December 2013</b>								
Cost or fair value	18,090	56,331	11,611	849	16,957	6,163	87	110,088
Accumulated depreciation and impairment	0	(3,253)	(6,289)	(589)	(13,344)	(4,900)	0	(28,375)
Net carrying amount	18,090	53,078	5,322	260	3,613	1,263	87	81,713

# Notes to the Financial Statements

for the year ended 31 December 2014

## *Valuation*

The most recent valuations of land and buildings were performed by J Dunkley FPINZ, an independent registered valuer, of Crighton Anderson Property & Infrastructure 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 for the foreseeable future and will substantially receive the full benefits of outright ownership.

## *Buildings*

Specialised buildings (eg. campuses) 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**

The total amount of property, plant and equipment in the course of construction is \$6,063k (2013:\$2,448k).

## **Legal ownership of land and buildings**

Land and buildings with a carrying amount of \$56,197k (2013:\$56,396k) are owned by the Crown.

These were first recognised on 1 January 1995. Although legal title has not been transferred, Otago Polytechnic has assumed all normal risks and rewards of ownership.



# Notes to the Financial Statements

for the year ended 31 December 2014

## 9. INTANGIBLE ASSETS

### POLYTECHNIC

### GROUP

	Course Development costs \$'000	Computer Software \$'000	Total \$'000	Course Development costs \$'000	Computer Software \$'000	Total \$'000
<b>At 1 January 2014</b>						
Cost (gross carrying amount)	4,695	8,354	13,049	4,695	8,354	13,049
Accumulated amortisation	(3,496)	(4,587)	(8,083)	(3,496)	(4,587)	(8,083)
Net carrying amount	1,199	3,767	4,966	1,199	3,767	4,966
<b>Year ended 31 December 2014</b>						
Balance at 1 January	1,199	3,767	4,966	1,199	3,767	4,966
Additions	482	611	1,093	482	611	1,093
Impairments	0	0	0	0	0	0
Amortisation expense	(409)	(672)	(1,081)	(409)	(672)	(1,081)
Balance at 31 December	1,272	3,706	4,978	1,272	3,706	4,978
<b>At 31 December 2014</b>						
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
<b>At 1 January 2013</b>						
Cost (gross carrying amount)	4,595	7,835	12,430	4,595	7,835	12,430
Accumulated amortisation	(3,135)	(4,645)	(7,780)	(3,135)	(4,645)	(7,780)
Net carrying amount	1,460	3,190	4,650	1,460	3,190	4,650
<b>Year ended 31 December 2013</b>						
Balance at 1 January	1,460	3,190	4,650	1,460	3,190	4,650
Additions	202	1,356	1,558	202	1,356	1,558
Impairments	0	(172)	(172)	0	(172)	(172)
Amortisation expense	(463)	(607)	(1,070)	(463)	(607)	(1,070)
Balance at 31 December	1,199	3,767	4,966	1,199	3,767	4,966
<b>At 31 December 2013</b>						
Cost (gross carrying amount)	4,695	8,354	13,049	4,695	8,354	13,049
Accumulated amortisation	(3,496)	(4,587)	(8,083)	(3,496)	(4,587)	(8,083)
Net carrying amount	1,199	3,767	4,966	1,199	3,767	4,966

# Notes to the Financial Statements

for the year ended 31 December 2014

## 10. TRADE AND OTHER PAYABLES

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables	5,867	4,284	5,886	4,283
Income in advance	4,302	3,437	4,433	3,437
Other related parties (note 16)	26	3	26	3
Interest payable	0	0	0	0
	10,195	7,724	10,345	7,723

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 16.

## 11. EMPLOYEE ENTITLEMENTS

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Employee Entitlements</i>				
Annual and discretionary leave	1,432	1,225	1,432	1,225
Long-service leave	183	159	183	159
Retirement leave	95	80	95	80
Sick leave	77	76	77	76
Other entitlements	1,017	865	1,017	865
	2,804	2,405	2,804	2,405
Current portion	2,621	2,249	2,621	2,249
Non-current portion	183	156	183	156
	2,804	2,405	2,804	2,405

## 12. 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 2014

## 13. EQUITY

	POLYTECHNIC		GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Retained Earnings</i>				
At 1 January	56,462	53,676	57,792	54,727
Net surplus/(deficit)	3,021	1,785	3,237	2,064
Net change in Trust and Special Funds	4	1	4	1
Conversion of suspensory loan (refer note 15 below)	2,185	1,000	2,185	1,000
At 31 December	61,672	56,462	63,218	57,792
<i>Suspensory Loan</i>				
At 1 January	2,185	3,185	2,185	3,185
Conversion of suspensory loan (refer note 15 below)	(2,185)	(1,000)	(2,185)	(1,000)
At 31 December	0	2,185	0	2,185
<i>Asset Revaluation Reserve</i>				
At 1 January	29,375	29,375	29,375	29,375
Revaluation gains/(losses)	2,176	0	2,176	0
Reduction in reserve on disposal/transfer	0	0	0	0
At 31 December	31,551	29,375	31,551	29,375
<i>Trust Funds</i>				
At 1 January	396	398	396	398
Receipts to funds	75	79	75	79
Payments from funds	(79)	(81)	(79)	(81)
At 31 December	392	396	392	396
<i>Special Funds</i>				
At 1 January	84	83	84	83
Receipts to funds	1	4	1	4
Payments from funds	(1)	(3)	(1)	(3)
At 31 December	84	84	84	84
Total equity	93,699	88,502	95,245	89,832

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.

## 14. 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 12 for interest rates on Otago Polytechnic borrowings.

If interest rates on borrowings at 31 December 2014 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus by \$0 (2013: \$0) as a result of higher/lower interest expense on floating rate 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 2014

## **Maturity analysis of financial assets and liabilities**

	Carrying amount	Current	1-3 months	3-12 months	More than 12 months
<i>Polytechnic 2014</i>					
Cash and cash equivalents	7,259	7,259	0	0	0
Trade and other receivables	1,926	240	1,084	604	0
Total financial assets	9,185	7,499	1,084	604	0
Trade and other payables	10,195	10,195	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	10,195	10,195	0	0	0
<i>Group 2014</i>					
Cash and cash equivalents	7,324	7,324	0	0	0
Trade and other receivables	2,018	331	1,084	604	0
Total financial assets	9,342	7,655	1,084	604	0
Trade and other payables	10,345	10,345	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	10,345	10,345	0	0	0
<i>Polytechnic 2013</i>					
Cash and cash equivalents	4,833	4,833	0	0	0
Trade and other receivables	1,892	861	445	586	0
Total financial assets	6,725	5,694	445	586	0
Trade and other payables	7,724	7,724	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	7,724	7,724	0	0	0
<i>Group 2013</i>					
Cash and cash equivalents	4,845	4,845	0	0	0
Trade and other receivables	2,039	986	448	605	0
Total financial assets	6,884	5,831	448	605	0
Trade and other payables	7,723	7,723	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	7,723	7,723	0	0	0



# Notes to the Financial Statements

for the year ended 31 December 2014

## 15. 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 five 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	806	705	806	705
After one year but not more than five years	2,255	1,782	2,255	1,782
More than five years	3,738	2,643	3,738	2,643
	6,799	5,130	6,799	5,130

### Capital commitments

At 31 December 2014 the Polytechnic had total commitments of \$7,375k for the major building upgrades at the Forth Street campus (2013: \$1,212k relating to the major building upgrades at the Forth Street campus).

### Legal claim

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

### Contingent liability

In 2008 Otago Polytechnic received a suspensory loan amount of \$5.985m from the Crown for capital projects for property rationalisation. The loan was converted to equity in five tranches between 2010 and 2014 as the Polytechnic progressively demonstrated that it met the required objectives of the loan. Any objectives not met would have resulted in certain amounts being recognised as loan liabilities to the Crown. As it was deemed likely that all objectives will be met, the full loan was recognised as equity in 2008.

### 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.

For the year ended 30th June 2014, the Government Superannuation Fund had an after tax surplus of \$363.3m (2013: \$493.3m surplus). As this is a multi-employer scheme the Polytechnic is unable to calculate its share of the surplus. The Polytechnic also has one employee contributing to the National Provident Fund defined benefit scheme.

# Notes to the Financial Statements

for the year ended 31 December 2014

## 16. RELATED-PARTY DISCLOSURE

### Crown

Otago Polytechnic is a wholly owned entity of the Crown. The Government influences the role of the Polytechnic and group as well as being a major source of revenue.

The Polytechnic and group enters into numerous transactions with government departments and other Crown agencies on an arm's length basis and where those parties are only acting in the course of their normal dealings with the Polytechnic and group. These transactions are not considered to be related party transactions.

### Councillors

The following transactions were carried out with related parties:

### Inter-group

During the year the Polytechnic entered into transactions with The Open Education Resource Foundation Ltd (OER) on normal commercial terms and conditions. OER also has a current account with the Polytechnic of \$14k (2013:\$205k) which is interest free.

During the year, Otago Polytechnic had representation on the board of trustees of the Dunedin City Tertiary Accommodation Trust. Otago Polytechnic receives no remuneration for these services.

	2014				2013			
	Purchased by Polytechnic during year	Purchased from Polytechnic during year	Owed by Polytechnic at balance date	Owed to Polytechnic at balance date	Purchased by Polytechnic during year	Purchased from Polytechnic during year	Owed by Polytechnic at balance date	Owed to Polytechnic at balance date
	Value of transactions \$'000				Value of transactions \$'000			
<i>4Trades Apprenticeship Trust</i>	35	29	0	0	63	38	3	0
<i>John Christie (T)</i>								
<i>Ako Aotearoa</i>	0	24	0	9	0	12	0	5
<i>Tom Prebble (D)</i>								
<i>Biz Otago Ltd</i>	0	7	0	0	0	30	0	0
<i>John Christie (D)</i>								
<i>Cargill Enterprises</i>	1	0	0	0	0	0	0	0
<i>Chris Staynes (C)</i>								
<i>Centennial Health Ltd</i>	0	0	0	0	2	0	0	0
<i>Malcolm Macpherson (D)</i>								
<i>(2013 only)</i>								
<i>Central Lakes Trust</i>	0	4	0	0	0	0	0	0
<i>Paul Allison (CE)</i>								
<i>Dunedin City Council</i>	263	67	1	2	249	152	0	50
<i>Rebecca Williams (SM)</i>								
<i>Chris Staynes (DM)</i>								
<i>Susie Johnstone (ARCC)</i>								
<i>Dunedin International Airport Ltd</i>	1	0	0	0	1	3	0	0
<i>Kathy Grant (D)</i>								
<i>Gallaway Cook Allan</i>	0	3	0	0	1	0	0	0
<i>Kathy Grant (CON)</i>								
<i>Leslie Groves Home &amp; Hospital</i>	1	0	1	0	3	0	0	0
<i>Kathy Grant (SBM)</i>								
<i>Otago Chamber of Commerce</i>	31	17	1	0	36	14	0	0
<i>John Christie (CE)</i>								
<i>Chris Staynes (D)</i>								

# Notes to the Financial Statements

for the year ended 31 December 2014

	2014				2013			
	Purchased by Polytechnic during year	Purchased from Polytechnic during year	Owed by Polytechnic at balance date	Owed to Polytechnic at balance date	Purchased by Polytechnic during year	Purchased from Polytechnic during year	Owed by Polytechnic at balance date	Owed to Polytechnic at balance date
	Value of transactions \$'000				Value of transactions \$'000			
<i>Otago Community Hospice Malcolm Macpherson (BM) (2013 only)</i>	0	0	0	0	1	0	0	0
<i>Otago Community Trust Susie Johnstone (T)</i>	0	25	0	0	0	0	0	0
<i>Otago Museum Chris Staynes (T)</i>	9	50	0	45	0	0	0	0
<i>Presbyterian Support Otago Gillian Bremner (CE)</i>	16	1	7	0	5	3	0	3
<i>Research and Education Advanced Network New Zealand Ltd Susie Johnstone (BM)</i>	81	0	16	0	48	0	0	0
<i>Southern District Health Board Malcolm Macpherson (BM) (2013 only)</i>	0	0	0	0	181	10	0	1
<i>South Link Health Services Ltd Kathy Grant (SBM)</i>	0	1	0	0	0	0	0	0
<i>Sport Otago Kathy Grant (BM)</i>	6	0	0	0	7	0	0	0
<i>Tertiary Accord of New Zealand Phil Ker (D)</i>	181	14	0	116	78	197	0	127
<i>Te Tapuae O Rehua Ltd Phil Ker (D)</i>	50	63	0	1	50	0	0	0
<i>Universal College of Learning Tom Prebble (CM)</i>	23	1	0	0	0	31	0	0
	698	306	26	173	725	490	3	186

A = Associate, ARCC = Audit and Risk Committee Chair, BM = Board Member, C = Chair, CE = Chief Executive, CM = Council Member, CON = Consultant, D = Director, DC = Deputy Chair, DM = Deputy Mayor, SBM = Spouse Board Member, SM = Staff Member, T = Trustee.

Outstanding balances at year-end are included in notes 5 and 10. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. No amounts were forgiven to related parties.

## POLYTECHNIC AND GROUP

	2014 \$'000	2013 \$'000
<b>Key management personnel compensation</b>		
Salaries and other short-term employee benefits	2,002	1,975
Post-employment benefits	71	71
	2,079	2,046

Key management personnel includes 11 members of Leadership Team and the Director of Open Education Resource Foundation Ltd. Councillor fees of \$113k (2013: \$111k) are disclosed separately in Note 18.

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 2014

## 17. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance date events (none as at 31 December 2013).

## 18. COUNCILLOR FEES

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

	POLYTECHNIC AND GROUP	
	2014 \$	2013 \$
Paul Allison	10,000	4,167
Gillian Bremner	10,000	10,000
John Christie	10,000	10,000
Kathy Grant	28,800	28,800
David Higgins	9,600	0
Susie Johnstone	18,000	18,000
Malcolm Macpherson	0	5,833
Tom Prebble	10,000	10,000
Chris Staynes	10,000	10,000
Rebecca Williams	6,700	14,400
	113,100	111,200

## 19. CHILDCARE CENTRE

### POLYTECHNIC AND GROUP

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
<b>Revenue</b>			
Ministry grants	522	548	551
Guardians and student income	298	297	289
Total revenue	820	845	840
<b>Expenditure</b>			
Employment costs	731	777	732
Other operating costs	106	116	109
Total expenditure	837	893	841
Surplus/(deficit)	(17)	(48)	(1)

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

	2014 hours	2013 hours
<b>Statistics</b>		
Under two year olds	19,662	18,992
Over two year olds	19,782	18,847
Free funded three years and over	20,067	25,140

The decrease in hours for Free Funded 3 Years and Over was due to a significant number of children turning five and moving on to school during the year, while the replacement children coming through attended fewer hours on average.

## 20. 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 income, 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.



# Notes to the Financial Statements

for the year ended 31 December 2014

## 21. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

### Group statement of financial performance

#### *Government grants*

Government grants were higher than expected by \$1,184k due to additional Student Achievement Component and Youth Guarantee funding being secured from TEC during the year on the back of consistent annual growth.

#### *Student tuition fees*

Student tuition fees were a net \$528k lower than planned. Domestic EFTS were slightly short of original target and with more discounting. International EFTS met budget and at a slightly higher overall average value per enrolment.

#### *Employment expenses*

Employment expenses are \$718k higher than expected due to additional staff and contractor resourcing for the activities associated with the additional TEC funding. There was also targeted investment for the new strategic directions approved by Council. Untaken leave balances unexpectedly grew which also had a negative impact.

#### *Consumable expenses*

Consumable expenses are \$1,281k lower than planned, with savings in class materials and other programme delivery areas. The majority of the variance, however, is due to Auckland International Campus delivery costs being budgeted solely under consumables, while actual activity was correctly allocated across consumables, operating and occupancy categories.

#### *Operating expenses*

Operating expenses are \$1,488k higher than planned due to continued investment in the internationalisation strategy (overseas travel, liaison and agents fees) especially for the Auckland International Campus which was budgeted in consumable expenses as noted above. Domestic travel activity increased with more distance delivery, research, programme development and conferences. In addition, promotional advertising, and materials for commercial activities were up with greater volumes of activity.

### Group statement of financial position

#### *Cash and cash equivalents*

Cash and Cash Equivalents are \$5,581k higher than budgeted, due to: lower than planned actual capital expenditure on property, plant and equipment (timing); higher than expected payables from capital projects; and higher than expected income in advance from significant growth of international students at the Auckland campus.

#### *Property, plant and equipment*

Property, plant and equipment is \$1,742k lower than budgeted with the actual cash flows for the major learning commons building project differing to original budget estimates, combined with unspent plant and equipment provisions. Positive un-budgeted non cash land and building revaluations brought this variance closer than it otherwise would have been.

#### *Trade and other payables*

Trade and other payables were \$2,795k higher than budgeted through capital project activity at year end (learning commons building project accruals) combined with much higher income in advance due to significant increases in enrolments at Auckland International Campus, leading to more cash being received earlier.

#### *Equity*

The suspensory loan was converted in full during 2014, whereas the budget had this as being completed in 2015. The Asset Revaluation Reserve increased with the three-yearly revaluation. Due to uncertainty the Polytechnic does not make budget provisions for any potential revaluation changes.

### Group statement of cash flows

#### *Net cash flows*

Positive operating revenue exceeded associated expenditure to give increased operating cash flows. This combined with the underspend in investing activities (capital expenditure) resulted in the Polytechnic being in a very positive cash position at year end.

# Compulsory Student Service Fees

	Advocacy and legal advice	Careers information advice and guidance	Counselling pastoral and care	Employment information	Financial support and advice	Health service	Media	Childcare services	Clubs and societies	Sports, recreation and cultural activities	Total
<i>Revenue</i>											
Compulsory student service fees	139	31	487	74	28	539	116	0	9	415	1,838
Other	16	0	159	0	0	96	0	772	0	0	1,043
Total revenue	155	31	646	74	28	635	116	772	9	415	2,881
Expenses	154	36	539	85	27	535	64	787	9	520	2,756
Total expenses	154	36	539	85	27	535	64	787	9	520	2,756
Surplus/(deficit)	1	(5)	107	(11)	1	100	52	(16)	0	(104)	125

## *Compulsory Student Services Levy Fees per EFTS*

The compulsory student services levy fee charged by Otago Polytechnic per Equivalent Full Time Student in 2014 is \$656. This fee has remained unchanged since 2012.

## *Accounting requirements for Compulsory Student Services Levy Fees and Expenditure*

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, and they provide legal advice as necessary. 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 CV workshops, interview practice, one-on-one advice and liaison with Career Guides (third year Bachelor of Social Service students with a Career focus for their degree).

### *Counselling services*

Four counsellors (2 FTEs) 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 Guidance, 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 student newsletter, Gyro, 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, Pacific 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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