

# Our Pathway to Great

2013 Annual Report



**OTAGO**  
POLYTECHNIC  
Te Kura Matatini ki Otago

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Cover photography by Stefan Mutch,  
Light trails from Puketapu, Good Friday

# Our pathway to great



7,300+

FULL- AND PART-TIME STUDENTS

4,004

EQUIVALENT FULL-TIME STUDENTS

700+

ACADEMIC AND PROFESSIONAL STAFF

100+

PROGRAMMES, CERTIFICATES TO POSTGRADUATE

3

CAMPUSES IN DUNEDIN, CENTRAL OTAGO AND AUCKLAND

\$63.6

MILLION 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 aim is to 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 experience-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 are a very high-performing organisation. Our approach to teaching and learning sees us ranked first equal in our sector for course and qualification completion. We have 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 very high; 93 per cent overall, with 94 per cent among international students.

We also share our knowledge and expertise with the community. We undertake research that matters to businesses and communities and in 2013 we were among the strongest performers in our sector in the PBRF evaluation.

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.

This report reviews our progress in 2013, and signals the next steps on our journey.



**Chief Executive**  
Phil Ker

**Council**  
Kathy Grant (Chair)  
Susie Johnstone (Deputy Chair)  
John Christie  
Dr Malcolm Macpherson (until July 2013)  
Rebecca Williams  
Chris Staynes  
Gillian Bremner  
Professor Tom Prebble  
Paul Allison (from August 2013)

**Leadership Team**  
Professor Khyla Russell  
Mike Collins  
Philip Cullen  
Mike Waddell  
Sue Thompson  
Professor Sally Fairman  
Alistair Regan  
Chris Morland  
Jean Tilleyshort  
Matt Carter



# Governance and leadership

**Governance and leadership at Otago Polytechnic are complementary teams that support one another to promote excellence and achieve our vision.**

Council is advised by student and staff sub-committees, and delegates some of its work to standing committees. It has developed an organisation-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, which guides the Polytechnic in pursuit of our strategic goals: leading the development of an appropriate values base 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.

## Standing Committees of Council

### 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.

The MoU 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 Tahutaka, as practised by Kā Rūnaka, is the basis for all Māori activities within the Polytechnic.

### Finance and Audit Committee

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

### Executive Committee

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



Phil Ker

#### OTAGO POLYTECHNIC COUNCIL 2013

**Back row (left to right):** Professor Tom Prebble, Chris Staynes, John Christie, Dr Malcolm Macpherson. **Front row:** Rebecca Williams, Susie Johnstone, Kathy Grant, Gillian Bremner.



Paul Allison replaced Dr Malcolm Macpherson in August 2013



REPORT FROM THE

# Chair and Chief Executive

Once again it is a pleasure to report on the achievements of Otago Polytechnic. While much was achieved in 2013 in our core business, the year was perhaps even more significant for the refinement of our strategy to position the Polytechnic more securely for the future, given the considerable change forces impacting on higher education internationally.

After extensive consultation with staff and stakeholders we have set some new directions for the Polytechnic to reflect changes in technology, an ongoing constrained funding environment and changes in learner and stakeholder expectations. We have made a commitment to making a difference to the organisations and communities which we serve, as an integral part of our mission – helping to build organisational and community capability as well as developing capable graduates.

We will make this contribution through our knowledge transfer strategy, whereby we will direct more of our resources to supporting research and development in industry and to practical problem-solving through our Centres of Research Expertise. We have already had notable successes in this developing area of our business.

We have also responded to the worldwide trend towards more online and work-based learning, with a well-focused strategy to grow our “open learning” business, including assessment of prior learning and new professional practice qualifications. At the same time we are strengthening our attractiveness as a destination for learners from throughout New Zealand and internationally, and ensuring we are highly responsive to local training needs.

2013 itself was another very successful year, with enrolments remaining high, against the sector trend, and educational outcomes remaining at the top of the sector. Once again the Polytechnic excelled in the Australasian AUSSE survey for student engagement; and our PBRF research standings were maintained at second in the ITP sector for research earnings and third for research quality.

On the internal front, there was a very high participation (90 per cent) by our staff in the annual work environment survey with 96 per cent reporting they were both “proud to tell others that I am part of Otago Polytechnic” and that “Otago Polytechnic is a great organisation to work in”.

Our Auckland International Campus completed its first full year of operation in 2013 and exceeded its enrolment targets. Forward applications were so strong that we expanded the campus, one year ahead of the projected timeframe to do this.

The one area of disappointment was in not achieving our financial target of a 5 per cent surplus. The final result of 3.2 per cent was still within TEC guidelines, and was primarily a consequence of our decision to invest more in our future development than originally intended. Returning to a 5 per cent surplus is budgeted and a priority for 2014.

Particularly pleasing for us was our increased presence in 2013 on the world stage: student exchanges and outbound study abroad activity increased, and our staff were involved in a wide range of collaborative teaching projects, exhibitions, invited presentations and knowledge transfer projects with international partners. Our first staff study tour to China was an outstanding success, both in terms of enhanced cultural understandings and new ideas. We were pleased to sponsor the Otago Volts cricket team, thereby leveraging marketing opportunities in India – one of our successful recruitment markets for international students.

However, the highlight of the year from an international perspective was the official launch in Vancouver, Canada, of the OERu initiative. This is a global initiative, led by and from Otago Polytechnic involving over 20 international partners to bring online credentialed learning opportunities to the world free of tuition fees. As we continue to develop the Polytechnic, we will be giving increasing attention to providing world-class learning opportunities.

Progress continued to be made with our sustainability strategy, building on the new initiatives launched in 2012. Of particular significance was the launch of our primary school partnership

# Statement of Responsibility

Annual financial report for the year ended 31 December 2013

We hereby certify that:

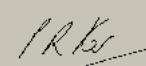
1. The Council and Management of Otago Polytechnic accept responsibility for the preparation of the financial statements and statement of service performance and the judgements used therein; and
2. The Council and Management of Otago Polytechnic accept responsibility for establishing and maintaining 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 2013.

The financial statements were authorised for issue by Council on 4 April 2014.



**K Grant**  
COUNCIL CHAIR



**P Ker**  
CHIEF EXECUTIVE



**P Cullen**  
CHIEF OPERATING  
OFFICER

programme, with North East Valley Primary School, focused on building the career aspirations of primary school children from one of our lower socio-economic communities; and the development of a new environmental footprint tool to help us to measure and to reduce our impact on the environment. Our Scarfie Army continued to be active, completing several community projects.

Our relationship with Kai Tahu has continued to flourish, and in the last 12 months we have revised, updated and re-signed our Memorandum of Understanding with the four local runaka. We also completed our second Cultural Evaluation, with input from external evaluators, which revealed pleasing progress in our institutional response to Māori needs and expectations and

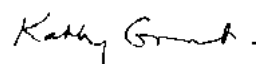
to Māori learners. An undoubted highlight of the year was the conferring of an honorary Master of Professional Practice degree on Poua Huata Holmes.

2013 also saw change in our Council membership. Dr Malcolm MacPherson retired after almost eight years of sterling contribution, and was succeeded by Paul Allison, who will continue to bring a Central Otago perspective to Council deliberations.

The accomplishments and successes of the Polytechnic in 2013 were the result of a great team effort – by staff, students, Council, business and community supporters. We thank you all.



**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 **Direction, Needs and Actions**.

## Being a resilient organisation

- > To diversify our revenue base
- > To relaunch Otago Polytechnic Education Foundation
- > To strengthen the Central Otago campus as a semi-autonomous institution

- > Grow revenue from international students, open learning and knowledge transfer services
- > Encourage uptake of Open Educational Resources (OER)
- > Implement a fundraising strategy
- > Implement new Central Otago strategy

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

- > To strengthen Otago Polytechnic as a place where Māori can work and learn as Māori
- > To strengthen Otago Polytechnic as a place where Pacific people can succeed
- > To provide effective leadership of Export Education Uplift strategy

- > Recruit and develop Māori staff
- > Develop Pacific Islands Strategic Framework
- > Implement export education strategy for Dunedin

## Making a difference to the environment

- > To actively manage operations to reduce our carbon and ecological footprint
- > To provide leadership for sustainability to our staff, suppliers and students

- > Develop footprint minimisation plans for IT, travel and operations
- > Actively manage supply chain for better environmental outcomes

# Achieving educational excellence

## Kia whakanekeneke te taiao rōpu iwi

**This goal means:** Our learners succeed 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/self-employment relevant to their studies.

### Highlights

- > Top equal position in ITP sector announced for course and qualification by TEC for 2012 results, and sustained results for course and qualification completions in 2013
- > New internal evaluation team in place, to provide enhanced support for programme teams
- > Reduced the achievement differential between Māori and non-Māori learners
- > Improved, excellent student satisfaction results
- > Continued outstanding student engagement performance in the AUSSE survey.

### Pathway to great

#### FOR 2014

- > Implement improved monitoring processes to better identify at-risk learners
- > Develop and deliver online programmes, courses and services for TANZ eCampus
- > Conduct in-depth self-assessment processes for assessing learner achievement
- > Review programmes for Māori knowledge and perspectives as part of annual programme reviews
- > Develop Strategic Framework and implementation plan for Pacific learners
- > Implement and evaluate an Open Education Resources (OER) uptake campaign, with a focus on workload reduction for academic staff
- > Evaluate all certificate and diploma programmes against our experiential learning expectations, including action competence
- > Develop Capable NZ as a dual cultural school, including a Māori service for iwi
- > Improve the performance in 2014 of all programmes below Otago Polytechnic targets in 2013.

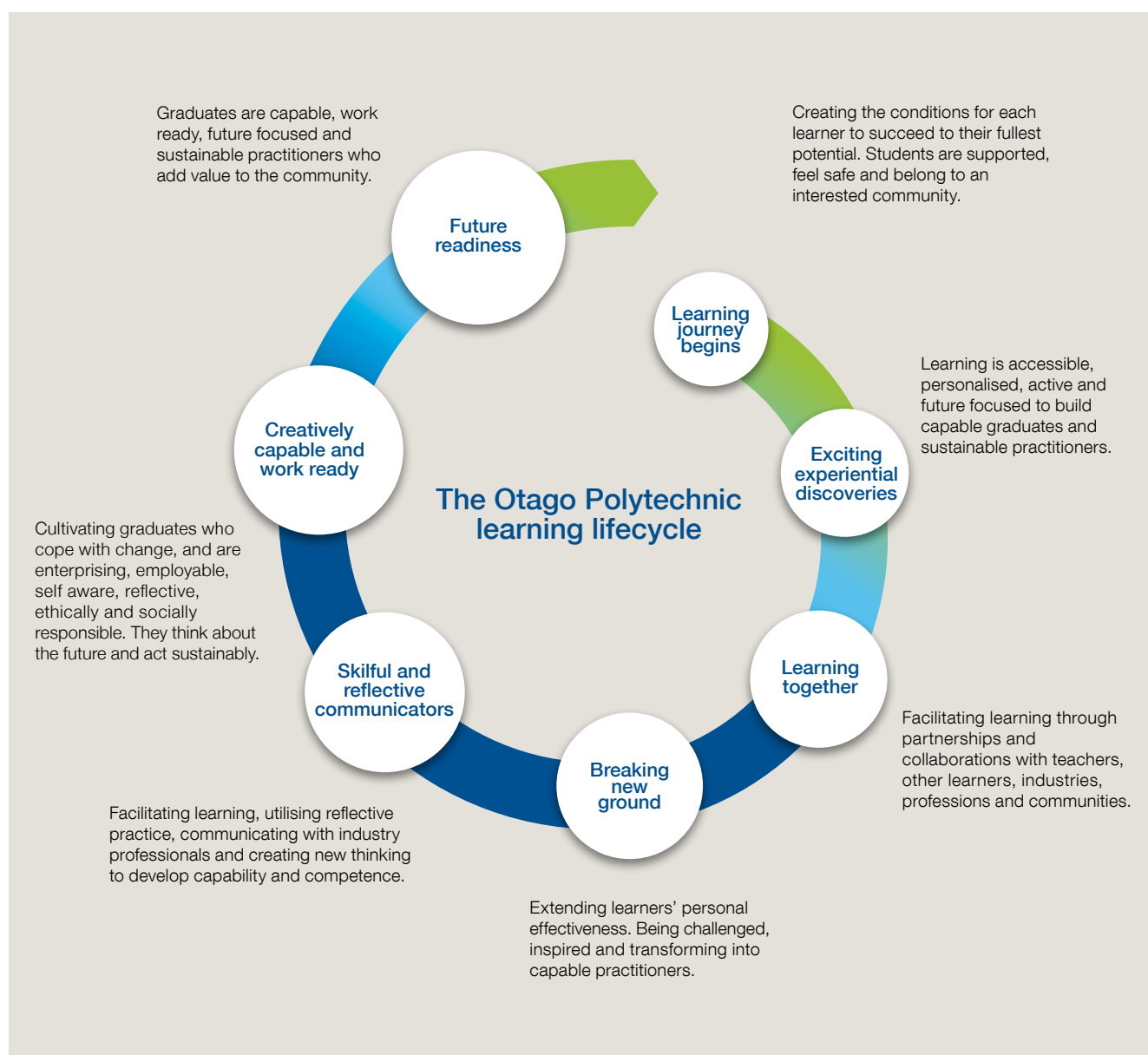
### Aspirations

- > Top NZQA rating is maintained
- > Further improvement in educational performance; with specific focus on Māori and Pacific learners in areas of course retention, successful completion, qualification completion and student satisfaction
- > 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
- > Further development of the physical and virtual learning environments to support our strategy, featuring more contemporary learning spaces which meet learner needs, a more inclusive look and feel, reliable and leading-edge technology and extending the Living Campus as a learning resource.



# Our learning lifecycle

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



The learning lifecycle of:

## Jeremy Hall Student Bachelor of Applied Management



I continue to be employed in my family business and study at Otago Polytechnic. I am now developing a broader set of skills and capabilities that go beyond attaining knowledge as information. I am more focused on the skills of being able to work effectively with people and manage different challenges. I am enjoying what I am doing in my life.

My ability to confront critical issues, communicate effectively and act professionally has gained respect at Otago Polytechnic and also in the business industry. As a result I was recently appointed to the Otago Polytechnic Council's Student Sub-committee and Academic Board, while continuing to complete my Bachelor of Applied Management degree.

Being supported to reflect on my experience has increased my confidence to ask questions, challenge ideas and shift my own thinking. Working and communicating with a wide range of people involved in the business community, learning from their experiences and applying what I have learned has helped me develop into the successful person I am today.

Future  
readiness

Positive attitudes from staff and being warmly welcomed to Otago Polytechnic helped steady my nerves and reassure me that my career dreams were possible.

Learning  
journey  
begins

My tutors encouraged me to achieve excellence and they created an environment where I was able to push myself and learn by grounding my practical experiences in the business world. I have exceeded my own expectations and received some excellent results in my first two years of the degree programme.

Exciting  
experiential  
discoveries

Learning  
together

I work part-time in my family business, which includes five Mobil Service Stations in Dunedin and Christchurch. With the support and encouragement from Otago Polytechnic staff I have been able to put new skills into practice, increase sales and ultimately increase profit in our business.

Breaking  
new  
ground

The necessity to work and study at the same time has created a challenge but also the opportunity to apply what I have learnt in a practical setting. The experience has certainly enhanced my capability, confidence and enjoyment of business. It has changed the way I think and helped expand my skill set and know-how.

Skilful and  
reflective  
communicators

Creatively  
capable and  
work ready

The Otago Polytechnic  
learning lifecycle





The learning lifecycle of:

## Nicole Ross Graduate Bachelor of Applied Management (Event Management and Sport Management)



I am now employed as the Assistant Regional Sport Director for the Otago Secondary School Sports Association, my dream job. I am capable, employed, future focused and challenging myself to continue to grow and upskill.

Feeling supported and welcomed helped me uncover my passion and drive for sport and event management. It helped me realise this was the industry for me!

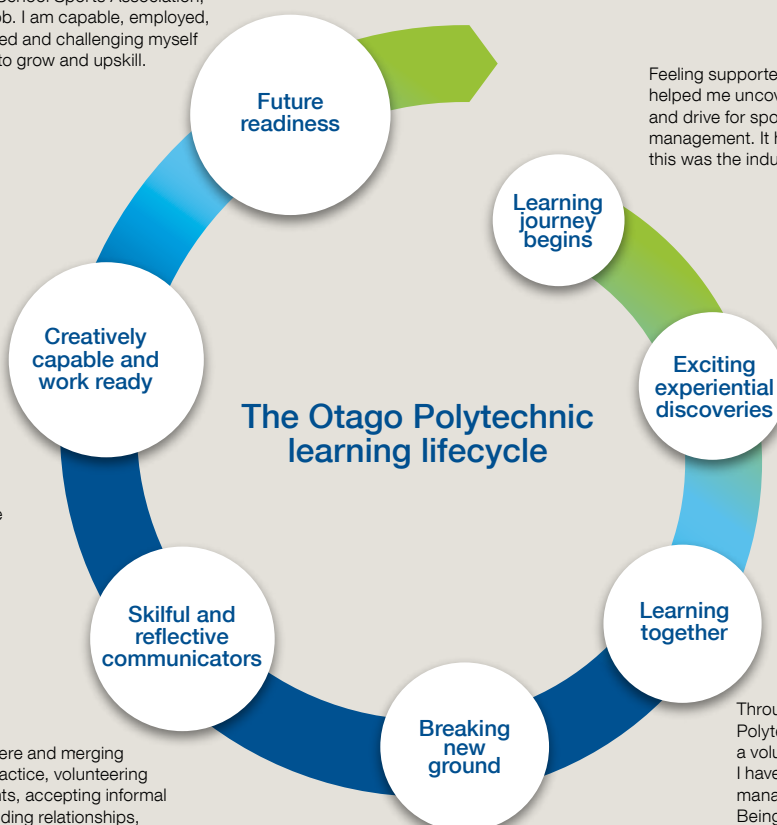
My attitude, professionalism and communication skills, along with excellent academic results gained while studying at Otago Polytechnic, has reaped recognition and respect in the sporting industry at a really young age. This has seen me being employed while continuing to complete my second qualification, the Bachelor of Applied Management.

My tutors reinforced learning from experiences and encouraged me to extend myself right from the start. From this I was offered the role of netball coordinator for the New Zealand Masters Games in 2012, managing 606 athletes and over 324 games in three days. As a result, later that year I was asked to manage the South Island Secondary School Netball tournament. All of this achieved while I was still studying at Otago Polytechnic.

Through the support from Otago Polytechnic staff and working as a volunteer on numerous events I have built relationships with sport managers and event organisers. Being open and seeking opportunities has increased my confidence and experience.

Being encouraged to challenge myself, not turning down opportunities, doing the repetitive jobs and exploring new ways of doing things has certainly contributed to my capability, competence and helped me gain my first job.

Getting out there and merging theory with practice, volunteering for major events, accepting informal feedback, building relationships, asking questions and not being afraid to share my ideas allowed me to be recognised and respected by others in the sporting industry.





### Educational performance

Our 2012 education performance saw us ranked first equal in the ITP sector for both course and qualification completions, using the TEC Educational Performance Indicators. In order to obtain further improvements in our overall high rates for educational performance, we are now targeting interventions for the small number of programmes that are still not meeting our expectations. This includes monitoring student success at the level of assessment events to enable the early identification of at-risk students.

Our 2013 educational results signal that we have sustained our high course and qualification completion rates, and achieved further gains in student progression, retention and qualification completion rates for lower level programmes, and for younger and Māori learners.

### Increases for younger, lower-level and Māori learners

A significant increase in qualification completions for programmes at Levels 1 to 3 reflects the better support and management of learners, including additional staff in the Learning Advisors team, to enable successful transition to further study. This effort is also reflected in the increased qualification completion rates for younger learners, under 25 years of age, studying at Levels 1 to 3.

While qualification completion rates appear to have declined for younger learners studying at Level 4 and above, this may reflect the formula used to calculate completion of multi-year programmes. In programmes where there has been an increase in first-year students, such as the New Zealand Diploma in Engineering, it can appear that total qualification completions have declined year-on-year, as proportionately fewer of the total students complete their qualification in a given year. Final data due by mid-2014 should provide some clarity around this.

The achievement differential between Māori and non-Māori learners continues to reduce across all measures, a pleasing outcome that speaks to the dedicated efforts that have been made in this area over several years, including increasing the support services available to Māori learners. Māori student numbers continue to increase, and now account for 11 per cent of students at Levels 4 and above, well above the proportion of Māori in our local population.

Following the increase in Māori learner success, Otago Polytechnic is now placing similar emphasis on Pacific learners, including establishing a Pacific room and an expanding range of pastoral, social and academic support activities (see student support section, page 16).

### Improved retention, progression and literacy and numeracy

Retention increased due to programmes targeting the groups with historically lower retention rates (Māori, Pacific and Foundation learners); likewise, student progression has increased through targeting groups with historically lower progression rates (Māori and Pacific learners). Success in these programmes has seen retention and progression increase above budgeted levels.

Our literacy and numeracy outcomes are very pleasing and now exceed 90 per cent. In 2013 there was greater uptake of the National Adult Literacy and Numeracy test at start and end of programmes at Levels 1 to 3, with the results indicating progression in literacy and numeracy levels over the course of the learner's study.

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

#### SAC-funded students only Provisional results

##### 1. ACHIEVE PARTICIPATION RATES

Māori %	2013	2012	Target
Levels 1-3	1.01	1.92	2
Levels 4 and above	11.52	9.20	6
<b>Pacific %</b>			
Levels 1-3	0.31	0.55	0.5
Levels 4 and above	3.44	2.89	2
<b>Under 25 %</b>			
Levels 1-3	4.79	7.84	9
Levels 4 and above	59.09	57.12	54



## 2. ACHIEVE SUCCESSFUL COURSE COMPLETION RATES

Overall %	2013	2012	Target
All Levels	83	82	80
Levels 1-3	71	70	75
Levels 4 and above	84	84	80
<b>Māori %</b>			
All Levels	78	75	70
Levels 1-3	69	62	70
Levels 4 and above	79	78	80
<b>Pacific %</b>			
All Levels	69	72	58
Levels 1-3	89	61	70
Levels 4 and above	67	75	70
<b>Under 25 %</b>			
All Levels	82	82	74
Levels 1-3	68	69	75
Levels 4 and above	83	84	80

## 4. ACHIEVE STUDENT RETENTION RATE

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

NB: NPC = No Performance Commitment

## 3. ACHIEVE QUALIFICATION COMPLETION RATES

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

## 5. ACHIEVE STUDENT PROGRESSION RATE

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

NB: NPC = No Performance Commitment



## 6. LITERACY AND NUMERACY

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

For definitions and formulas for each of these measures, please refer to the Appendix on page 64.



### Educational excellence

Otago Polytechnic has a comprehensive approach to continuous quality improvement, with the aim of further enhancing learner experiences and success. Strategies and initiatives are in place to strengthen self-assessment and evaluative processes, to ensure the student voice is heard and leads to improvements.

An internal evaluation programme was implemented in 2013 enabling peer evaluation against our key performance indicators. This ensures we have an in-depth knowledge of our programme and service delivery, better enabling opportunities for improvement to be identified and actioned.

### Learning and teaching

Our Learning and Teaching Strategy was renewed in 2013, clarifying and focusing on the core elements of what it means to learn at Otago Polytechnic.

The qualities of capable, work-ready, future-focused and sustainable practitioners are now captured in our graduate profile, and the underpinning methodology of enabling students to develop these qualities through experiential learning – learning by doing – was reconfirmed. This learning may be delivered on campus, through work experience, and – as in the highly successful examples of our recently launched Master and Graduate Diploma in Professional Practice – at students' own places of employment.

All academic staff are also now required to hold or be working towards the Graduate Diploma in Tertiary Education, reflecting our belief that higher qualified staff will enable us to achieve better outcomes for our learners.

### Open educational resources and practices

Open educational resources and practices continue to hold great promise for educators. By enabling a more integrated approach to education development and delivery, more efficient systems become possible through more meaningful collaboration and reduced duplication and effort.

With the OERu launched in 2013 (see page 22), our priority now is to leverage the potential of the networks that have been developed, and support all staff to better understand and take advantage of OER both to improve the quality of their resources and to develop resources more cost-effectively.

### Investing in academic leadership

During 2013, the pivotal role Heads of School have as academic leaders was reinforced. Development initiatives were put in place to emphasise their responsibilities for aligning and implementing the Polytechnic's strategic directions, in a manner that further enhances students' learning opportunities. Heads of Schools were encouraged to become members of the internal evaluation team, and to participate in internal evaluations to support their understanding of the wider organisation and to develop their self-assessment abilities.

Resources and support continued to be provided to ensure Heads of Schools are able to develop their own teams to effectively self-manage business-as-usual tasks. By empowering their teams in this way, Heads of Schools become better positioned to focus on organisational development and leadership accountabilities.

#### STUDENT SATISFACTION

	2013	2012
Overall	93%	90%
Learning environment	96%	96%
Teaching	91%	88%
Programmes	91%	86%
Services	93%	90%



#### STUDENT SATISFACTION

**Target:** Achieved student satisfaction rates of 90% across all categories.

**Achieved**





## Student satisfaction

As well as having improved across all main measures of our internal student satisfaction survey (see table, left), Otago Polytechnic has once again excelled in a comprehensive comparative survey of Australasian tertiary institutions in which students assess their tertiary providers.

The Australasian Survey of Student Engagement (AUSSE) is a survey undertaken annually by students enrolled in higher education institutions in Australia and New Zealand as well as Institutes of Technology, Polytechnics and Private Training Establishments in New Zealand. It is closely linked to the North American National Survey of Student Engagement (NSSE).

Student engagement studies focus on students and their interactions with their institution. It rests on the premise that learning is influenced by how an individual participates in educationally purposeful activities, and on how institutions and staff generate conditions to stimulate involvement.

Otago Polytechnic continues to have the highest student participation rate in the study, which polled 41,451 first-year and 8,856 later-year students from seven Australasian tertiary education providers in 2013. This is the fourth year Otago Polytechnic has participated in the study.

Otago Polytechnic performed highly across all areas, and was ranked top in the New Zealand tertiary sector (universities and ITPs) for supportive learning environments, staff-student interactions and active learning. It was also New Zealand's leading ITP for providing enriching educational experiences.

The Survey has benchmarked against a cohort of 584 institutions in Canada and the United States that took part in the 2012 North American National Survey of Student Engagement. Otago Polytechnic exceeded that benchmark group in the areas of:

- > Active learning
- > Supportive learning environment.

In addition to leading many categories, Otago Polytechnic has improved its own ratings in the following categories since 2010:

- > Supportive learning environment
- > Enriching educational experiences
- > Student and staff interactions
- > Active learning
- > Academic challenge.

## Graduate destination

The Graduate Destination Survey was distributed in August 2013, approximately 10 months after students completed their 2012 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 73 per cent of graduates were employed immediately after study with a median gross annual salary of \$41,600. The range of annual gross salaries was \$4,500 to \$291,200. The response rate was 29 per cent, ensuring a valid sample, with results largely consistent with outcomes from the 2012 survey.

	2013	2012
Graduates are satisfied with the quality of the programme they undertook	93%	94%
Graduates are either working and/or studying	94%	93%
Māori graduates are either working and/or studying	96%	95%
Pacific graduates are either working and/or studying	100%	100%
Graduates are working	73%	68%
Graduates state their qualification helped in their search for work	81%	78%
Graduates are working in an area relevant to their qualifications	85%	83%
Graduates are in full-time work	65%	67%
Graduates believed work experience was realistic and comparable to current work	89%	87%



### GRADUATE SATISFACTION

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

**Achieved**



## Student support

### Advisory Team

The Student Advisory Team provided ongoing support to students, and acted as advocates on issues relating to programme concerns, academic support and student loans and allowances.

International students are well supported through an in-depth orientation over two days as well as ongoing support throughout the year. Students were taken through a programme to enhance cultural awareness, generating highly positive feedback.

### New Kaitautoko role

A new role this year within the team was the employment of the Kaitautoko advisor who assisted students with anything from food parcel deliveries to making sure they were connected to academic support. Weekly lunches were organised as well as peer tutor groups for the many Māori students on campus. The efforts of the Kaitautoko advisor contributed to the large increase in total student support contacts in 2013.

### Room for Pacific students opened

Pacific students now have a dedicated space for fun, food, retreat, reflection and study, with the opening of the Pacific students' room at our Dunedin campus early in 2013.

Pacific students were also supported with pastoral care and sporting activities during the year, and homework evenings each Wednesday.

### Counselling and chaplaincy

515 students accessed the counselling service during the year for help and support. The counsellors provided support to staff with sessions on coping with students at risk, and also ran sessions for class groups on anxiety. Group work was also undertaken over a 10-week period. The counselling service is now linked into the Med Tek system, assisting the relationship with the doctors, nurses and counselling service at Student Health. We are fortunate to have the services of a chaplain who also provided guidance during the year.

### Disability service

Peer tutors, exam and assessment support alongside classroom support enabled many students with disabilities to succeed. 97 per cent of students surveyed regarded the service as either excellent, very good or good.

## Learning support

Of the contact hours provided to students this year, most sought help for academic writing and study skills. Greatest demand came from foundation students, and students from the Schools of Nursing and Social Services. May, August and September were the high peaks for use of this service due to exam pressures.

An additional member in our learning advisors team since 2012 led to a significant increase in the contact hours we were able to provide relating to literacy and numeracy. This enabled us to particularly support those looking to transition from lower level qualifications to further study.

The advisors once again ran a very successful Quick Start programme for 40 learners wishing to return to education. Working with students who study by distance was successfully supported this year with Adobe Connect, Skype, email and phone calls.

### Career guides

The Career Guides initiative has continued to grow this year, with third-year Bachelor of Social Services–Career Practice students providing workshops on CV writing, job skills and interview skills. As a team they have worked alongside the advisory team under the guidance of a graduate student from the Bachelor of Social Services programme.

Youth Trades students again had the opportunity to undergo “real life” interviews, in response to their feedback that this was very valuable preparation for the workforce.

	2013	2012
Student support contacts (overall)	3,080	1,823
Kaiarahi/kaitautoko contacts	690 (kaitautoko and kaiarahi)	326 (kaiarahi)
Learning advisors contacts (overall)	1,319	876
Literacy and numeracy support	1261	690
Career practitioner contacts	375	546



## Research and enterprise

Our research strategy was significantly reoriented during 2013, to reflect the increasing importance of our externally-focused research and enterprise services. The Research and Enterprise strategic framework focuses on developing income streams for the Polytechnic, as well as delivering research with tangible benefits to the businesses and communities we serve. As a result, we grew our external research income, worked with more than 80 external businesses and our students undertook more than 350 individual projects with firms and community groups. Our track record in externally-facing research and enterprise saw us lead a technology transfer workshop for the ITP sector.

To support this strategy, we have expanded our Research and Enterprise Office, combining it with our commercial research and enterprise services. We introduced an investment funding process for research and enterprise activities to support externally-focused, experiential and community-relevant activities. We have also implemented processes to improve our research database, streamline ethics approvals and ensure that consultation with Māori features effectively in all research and enterprise discussions.

The number of research outputs produced at Otago Polytechnic continues to rise. The increase of 35 outputs in 2013 from the previous year represents the largest increase in recent years and almost 10 per cent of total outputs. Research-active staff increased overall by 13, with much of this growth occurring in our commercial enterprise studios, Innovation workSpace and newSplash, reflecting our strategic investment in growing capacity for commercial research and enterprise services.

Numerous measures also point to the increasing quality of our research. Overall, 77 per cent of research outputs were quality assured (QA) via peer review, just below the 2012 level of 79 per cent. This slight decline appears to be the result of more presentations in community settings being counted among the outputs. While these do not require an academic peer review process, this activity reflects the considerable amount of



sharing of knowledge with local and relevant audiences undertaken by Otago Polytechnic staff, and contributes to our goal of undertaking research that matters to businesses and the community.

### Highlights from the PBRF evaluation announced in April 2013 include:

- > Substantial increase in PBRF income, to earn Otago Polytechnic \$1.14 million per year for the next six years, up from \$660,000 per year since the previous quality evaluation
- > Second highest income from PBRF in the ITP sector
- > Schools of Art and Design both ranked highly for the quality of their research outputs
- > Second most A and B rated researchers in the ITP sector (11 achieved a B rating in 2012, up from 3 in 2006)
- > 62 staff achieved a PBRF rating in 2012, compared with 45 in 2006
- > Second highest postgraduate degree completion rate in the ITP sector.

### RESEARCH

#### Target

Quality-assured research outputs (PBRF) increase annually

**Achieved** 373 outputs (338 in 2012)

#### Target

External research funding increases annually

**Achieved** \$1,245,926 (\$1,079,582 in 2012)



PROFILE : GLOBAL PARTICIPATION AND PARTNERSHIPS



## Hi-tech simulation suite for nursing students

**A partnership between Otago Polytechnic and two leading technology companies is blurring the boundaries between reality and simulation for nursing students.**

A new state-of-the-art simulation suite allows nursing students to train with high-tech manikins that replicate real medical conditions, created by United States simulation technology experts, Gaumard.

"This provides a safe environment for students to practise real life scenarios and make clinical decisions," says Senior Nursing Lecturer, Raewyn Lesā.

Dunedin technology firm, ADInstruments, has supplied resources to bring an extra dimension to the students' learning. Through its multimedia learning platform, LabTutor, the company provides students with case studies of real patients that can then be simulated by the manikins.

"This blend of two technologies offers an immersive style of learning; a model integrating patient simulation, hands-on science, and video case studies of real patients," says Mrs Lesā.

Gaumard and ADInstruments generously loaned \$280,000 of technological assistance and resources to establish this innovative learning experience.

## Senior lecturer shows at Venice Biennale

**On receiving an invitation to exhibit his work at the prestigious Venice Biennale 2013, award-winning artist Scott Eady admitted to being "excited and a little overwhelmed".**

The Senior Lecturer at the Dunedin School of Art showcased his work in the exhibition *Personal Structures* at Palazzo Bembo near the Rialto Bridge, as part of the Biennale's official collateral events.

Eady's installation was comprised of seven bronze sculptures painted in bubblegum colours; textured, round balls dotted within the Palazzo courtyard.

Head of the School of Art, Professor Leoni Schmidt, was "ecstatic" when she discovered Eady had been selected to show at the world-renowned event.

"We are wholeheartedly proud of Scott. By showing at the Venice Biennale, he has entered the echelons of New Zealand's most successful and significant artists. This elevates the whole Dunedin School of Art – our students are truly receiving the benefit of leaders in their discipline."







## PROFILE : MAKING A DIFFERENCE TO PEOPLE AND PLACES



### Stove prototype to benefit Pacific health

**An efficient and more environmentally-friendly cooking stove that aims to reduce chronic health issues caused by open fire cooking in the Pacific Islands, has been developed by a Bachelor of Engineering Technology student.**

John Eteuati received Otago Polytechnic funding to create a stove prototype to be manufactured for Pacific communities.

"It optimises burning efficiency, drastically reducing the amount of wood fuel required and curbing the emission of harmful gases and smoke produced through traditional Pacific Island cooking methods," he explains.

Eteuati received three Pacific Islands Scholarships during his degree studies, and the Polytechnic is funding the installation of the first operational stove in Samoa in 2014.

He says his innovation will be an easy addition to traditional Pacific life, in which cooking plays a major cultural role.

"It involves minimal capital cost, is adaptable to various situations and is simple to operate and maintain. Most importantly, the construction can be carried out locally using conventional building materials."

### Demolition presents seismic learning opportunity

**When Speight's Brewery embarked on a major upgrade of its buildings, Otago Polytechnic's School of Architecture, Building and Engineering saw an opportunity for collaboration.**

The brewery agreed for a cohort of Otago Polytechnic engineering students to conduct demolition and seismic-strengthening tests on one of its soon-to-be-demolished buildings.

"Unreinforced masonry buildings are the most earthquake prone," says Civil Engineering Lecturer, Dr Najif Ismail. "They do not collapse completely, but the external facades, parapets and chimneys pose a hazard to pedestrians below."

This risk can be eliminated at a fraction of the cost of retrofitting a whole building with a restraining intervention, and this approach motivated the testing at Speight's Brewery. Ismail's passion for this field developed as a result of witnessing the devastating 2005 Pakistan earthquake, after which he helped build earthquake-resistant hospitals and schools in affected communities.

"I have a passion to learn more about this practice area, and hope to continue developing this curriculum for engineering students."



# 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

- > Surplus achieved within the TEC target range of 3 to 5 per cent
- > EFTS exceeded 4,000 for the first time since 2005
- > International EFTS increase by 64 per cent to 376
- > Monetary assets exceed forecast at \$4.8 million
- > Established the Business Improvement Team to support improving systems and processes across the Polytechnic
- > Developed new strategy for Central Otago campus
- > Developed a strategy for fundraising and sponsorship for alumni.

### Pathway to great

#### FOR 2014

- > Achieve a 5 per cent surplus
- > Increase profitable revenue from international student enrolments by 10 per cent over 2013
- > Develop and implement a new international recruitment strategy, coordinating all of our campuses
- > Expand knowledge transfer services to increase profitable research and enterprise revenues by 20 per cent over 2013
- > Audit the research and enterprise activity of degree-teaching staff
- > Grow programmes and services offered through Capable NZ, increasing profitable revenue by 20 per cent over 2013
- > Develop and deliver online programmes and courses for the Tertiary Accord of New Zealand's eCampus
- > Provide personal development opportunities for staff, with at least 40 staff completing the Otago Polytechnic leadership development course
- > Implement fundraising strategy and achieve sponsorship objectives.

### Aspirations

- > Consistent budget surplus of 5 per cent or better
- > Diversify revenue base:
  - Grow profitable open learning
  - Grow profitable fee-for-service revenue
  - Grow profitable knowledge-transfer revenues
  - Grow profitable international revenues
- > Relaunch Otago Polytechnic Education Foundation to raise funds for development
- > 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
- > Strengthen Central Otago campus as a semi-autonomous institution.



#### FINANCIAL SUSTAINABILITY

##### Target

Budgeted surplus of \$3,103k is achieved

**Not achieved:** Actual surplus is \$2,064k

##### Target

Low risk Financial Modelling Framework status is achieved for 2013

**Achieved:** Financial Modelling Framework rating is Low.

Otago Polytechnic is growing strongly, with EFTS enrolments exceeding 4,000 for the first time since 2005, and high enrolments looking set to continue for 2014. Income diversification strategies focusing on international education and research and enterprise services are bearing fruit.

This amounted to an increase in our overall revenue, and our monetary assets at \$4.8 million exceeding forecast by close to \$300,000. Despite this, the net operating surplus of 3.2 per cent is \$354,000 less than forecast. This result is in part due to the costs of growth and development, including higher than budgeted employment costs as we develop the teams required to deliver our development objectives.

Operating and depreciation expense categories also contributed to this result. Achieving the right balance between operating results and investing in our future remains a core focus for Otago Polytechnic.

### International community expands

Our community of international students grew significantly in 2013, with a 64 per cent increase on 2012 to 376 EFTS.

The majority of our international students are from China and India, with growth in the number of Indian students in particular in business programmes. Engineering and Information Technology enjoyed a boost in international numbers as a cohort of scholarship students from Saudi Arabia began their degree studies. We also enjoyed increased enrolments from the Philippines, Germany, Malaysia and Thailand.

Consolidation of existing partnerships in Europe and South-East Asia was complemented by new relationships in Malaysia, Indonesia and the United States. Discussions with institutions in China, Taiwan and Indonesia have involved the shaping of specific programmes of learning in hospitality and engineering to meet the specific priorities of those partners.

The Shanghai University of Engineering Science (SUES) relationship in the field of fashion was extended into Dunedin city with the participation of six SUES student fashion models in the iD Dunedin fashion show, attracting both national and international media interest.

In recognition of the highly-valued educational collaboration that has been developed as a result of Dunedin's Sister City relationship with Shanghai, an invitation was 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 two-week study abroad scholarship programme to be offered in Dunedin in 2014.

Otago Polytechnic students studied abroad in the Cook Islands, China, Italy and the Czech Republic, and several students took up an internship programme offered by a partner institution in China.

2013 also saw the 10th anniversary of the programme English and Engineering for Kanazawa Technical College, which was celebrated with the president and senior leadership members here in Dunedin.

### Auckland International Campus grows

The success of Otago Polytechnic's expansion into the Auckland market has been confirmed with a significant increase in students studying at our Auckland campus in 2013.

In 2013, enrolments at the central city campus totalled 147 EFTS, exceeding the target of 50. Growth in 2014 is expected to meet a target of 277 EFTS.

Launched in 2012 in partnership with Future Skills Academy, our Auckland International Campus offers undergraduate and postgraduate business programmes and English language qualifications to international students.

### Campus development

In late 2013, progress commenced on a significant campus development at the Dunedin campus. The project will initially see the creation of a student hub, providing social, support and learning spaces, as well as refurbished open plan front and back of house and corporate office spaces. The next phase of the plan envisages development of a creative precinct bringing Art and Design together; and also a modernised trades facility. This follows the redevelopment of the historic Sargood Centre officially opened in 2013 to house the Institute of Sport and Adventure, assisted by a \$25,000 donation from the Community Trust of Otago.

PROFILE : INNOVATION FOR EDUCATION AND INDUSTRY

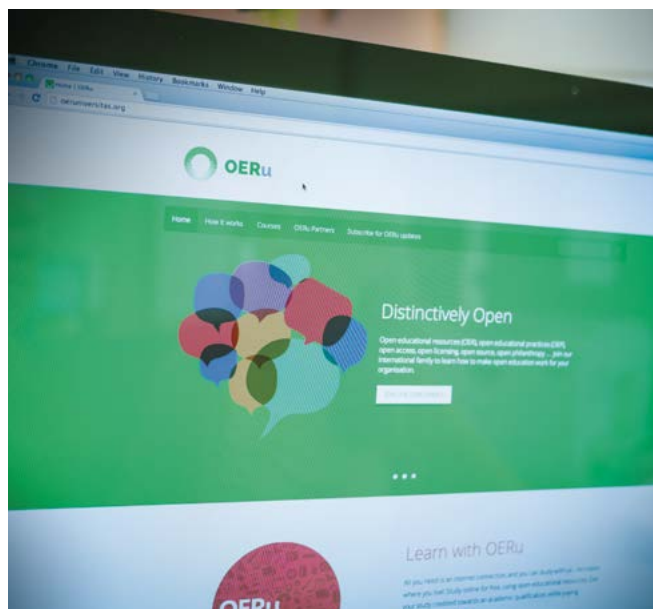
## Rock, paper, scissors

Hair salons throughout the world will soon be using new environmentally-sustainable hairdressing products developed at Otago Polytechnic's research and development centre, Innovation workSpace.

One Systema is a biodegradable paper made from rock that replaces the aluminium foil used when chemically colour-treating hair. The paper has a special moisturising coating to enhance the uptake of dye and improve hair health; an innovation developed in tandem with Future by Design Director, Dr Maggie Lawton. Pepa is a more cost-effective, uncoated form of the paper.

The products were the idea of Dunedin hairdresser Amanda Buckingham, who was troubled by the amount of hydrogen peroxide-coated tin foil her salon threw away each day. Teaming up with Innovation workSpace allowed her vision to be realised.

The project also drew on the capabilities of Otago Polytechnic's commercial design house, newSplash, which designed the branding, logos, packaging and stationery for the products.



## Leaders in free and open learning

Now it is possible to study world-class courses for free, only paying a fee if you wish to gain formal credits for your learning. Having founded the Open Education Resources Foundation two years ago, in 2013 we celebrated the launch of its flagship project, the Open Educational Resource universitas (OERu).

The OERu is an independent, international, not-for-profit network offering free online tertiary courses to students worldwide.

"All you need is an internet connection and you can study independently from home, with access to world-class courses from recognised institutions around the world," says OER Foundation Director, Dr Wayne Mackintosh.

And users can gain real credentials, paying reduced fees if and when they're ready to be assessed on their learning.

Users will receive peer-support from fellow learners, while some courses afford an opportunity to study with full-time registered students at one or more of OERu's network of partner academic institutions across five continents.














# Financial Performance Summary

	Actual 2013	Budget 2013	Actual 2012
Net Surplus / (Deficit) (000s)	\$2,064	\$3,103	\$3,704
Proportion of Government Grants to Total Income (%)	53.4%	54.6%	55.0%
Total Cost per EFTS (excluding redundancies)	\$15,345	\$14,655	\$14,950
Total Cost per EFTS (including redundancies)	\$15,442	\$14,718	\$15,108
Average Government Grant per EFTS	\$8,490	\$8,289	\$8,812
Debt (as a percentage of Total Assets)	0.0%	0.0%	0.0%
Debt per EFTS	\$0	\$0	\$0
Working Capital Ratio	0.8	0.7	0.7
Student Staff Ratio	18.3	18.3	17.7
Total Assets (000s)	\$99,960	\$101,346	\$96,145
EFTS	4,004	4,000	3,772
Academic FTE	218.8	218.1	213.2
Total FTE	489.0	473.3	460.8

## Financial Sustainability

### IMPROVE PRODUCTIVITY AND FINANCIAL PERFORMANCE

(measures improve over prior year)

	Surplus as % of income (actuals) <b>2013</b> 3.2% <b>2012</b> 6.1%		Teaching costs : Teaching revenue <b>2013</b> 52.0% <b>2012</b> 49.1%
	Working capital <b>2013</b> 76.7% <b>2012</b> 71.8%		Research costs : Research revenue <b>2013</b> 112.5% <b>2012</b> 172.1%
	Debt equity ratio <b>2013</b> 0.0% <b>2012</b> 0.0%		Total revenue : Total FTEs <b>2013</b> \$130,666 <b>2012</b> \$131,706
	Cash in/Cash out <b>2013</b> 113.8% <b>2012</b> 117.3%		Teaching revenue : Teaching FTEs <b>2013</b> \$208,060 <b>2012</b> \$183,066
	Total costs : Total revenue <b>2013</b> 96.8% <b>2012</b> 93.9%		Research revenue : Research FTEs <b>2013</b> \$107,815 <b>2012</b> \$65,503
	Personnel costs : Total revenue <b>2013</b> 59.7% <b>2012</b> 59.7%		





## BEING A RESILIENT ORGANISATION

### Innovators honoured

The growth and profile of our research and enterprise services received a boost with national acclaim for the Polytechnic's design and product development centre, Innovation workSpace. Their work on the Thinair turbine for client Powerhouse Wind saw the team win the Silver Award in Product Design at the Designers Institute of New Zealand Best Awards 2013. While conventional wind turbines are constructed with multiple blades attached to a fixed hub, Thinair's patented single-blade, teetering hub design allows the blade's angle to change in response to variations in wind speed. As a result, it makes more efficient use of strong and gusty wind, is protected from damage in extreme wind and is considerably quieter than traditional turbines.

Innovation workSpace managed the turbine's development for production and sale, which involved the review and further advancement of its mechanical, electrical, electronic and software components, and intensive testing of the product.

### Investing in our expertise

Recognising that many of the Polytechnic's best ideas come from staff, Otago Polytechnic's innovative internal investment scheme, the Pursuits Programme, was embedded in 2013. The scheme's aim is to empower staff to bring their ideas to life, while furthering the Polytechnic's goals of revenue diversification, sustainability, innovation and internationalisation.

In 2013, \$559,196 was committed to 31 projects, pulling together our in-house talents and offering opportunities for staff and students to boost their project management skills. The projects created and strengthened partnerships both within and outside of the Polytechnic; the majority involved collaboration with other organisations.

In one such project, three Bachelor of Information Technology students created a mobile app for Student Success, winning the Audacious Supreme Award. The Pursuits Programme also helped fund a staff visit to Chile, yielding a multi-year contract with its Ministry of Agriculture and a Memorandum of Understanding was signed with Santiago tertiary provider DUOC UC. As a result of these partnerships, 10 Chilean students arrived in November to embark on programmes in Horticulture and English.

### Empowering a resilient workforce

By assigning greater responsibility and authority to employees as they work to meet agreed outcomes, organisations can better their decision-making and improve staff, student and customer experiences. Otago Polytechnic is embracing this management approach in an effort to make best use of our skilled and capable staff through the development of "self-managing teams". 2013 has focused on building an organisational understanding of the concept and supporting implementation in the wide variety of teams across the organisation. It is through this approach we believe we can

gain further improvements on our already high performance. Research shows self-managed teams can be more productive, effective and creative as a result of a stronger motivational climate and as the amount of valuable staff time involved in managing other people unnecessarily is reduced.

### Our work environment

Key results from the 2013 Work Environment Survey show we have maintained a positive and engaged workforce.

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

Otago Polytechnic continues to provide equal employment opportunities for staff, and building diversity continues to be a high priority for 2014. Our gender mix of staff closely matches that of our student population, which is two-thirds female and one-third male. Our proportion of Māori staff is currently at similar levels to that of the local population, and we will continue building this proportion as part of our commitments under our Māori Strategic Framework.

#### ETHNIC DIVERSITY OF STAFF

Ethnicity	2013	2012
NZ European	71.9%	70.4%
Middle Eastern/Latin American	0.3%	0.8%
Māori	5.7%	5.5%
Asian	3.0%	3.6%
Pacific People	1.0%	1.2%
Other European	8.2%	7.4%
Other	3.3%	3.6%
Not Stated	6.6%	7.4%



## PROFILE : GOING INTO THE WORLD, AND BRINGING THE WORLD TO US

### An impressive internship

**While undertaking a sales internship at a top New Zealand magazine publisher, Thai student Honda Tangwongsujarit impressed.**

The Trends Publishing internship was part of Honda's Graduate Diploma in Applied Management studies at the Auckland International Campus.

His skills and work ethic drew praise from Trends Publishing President, Judy Johnson.

"Honda's come up absolutely trumps and it's been a pleasure to have him with us. I think he will be very well prepared for his career when he graduates.

"The unique experience that Trends has been able to offer him is to see how the theory of marketing actually translates into real business."

Honda agrees that his experience as an intern taught him things he couldn't learn in a classroom.

"It was a very important way for me to get ready for my future career," he explains. "It was good to take the knowledge and skills I've learned and apply them to real situations."



### Otago Volts partnership reaps benefits

**As an official partner of the Otago Volts cricket team, Otago Polytechnic garnered global exposure while establishing a mutually-valued relationship between the two organisations.**

The alliance was formed ahead of the Volts' participation in the international Champions League Twenty20 in India in September. The Otago Polytechnic logo featured on players' shirts, received television exposure during the T20 matches and has been displayed at all Otago Volts games this season.

There is also scope for the two to collaborate on ways of preparing professional athletes for life after cricket through tertiary education. Otago Cricket Chief Executive, Ross Dykes, says it is currently investigating flexible-learning programmes run through the Polytechnic's Capable NZ.

"We want to demonstrate that cricket can be a useful vehicle into education," he says. "Otago Polytechnic offers many flexible learning pathways, suitable for athletes who have demanding schedules and for those looking beyond their cricketing careers. There's the potential to be hugely innovative."



# 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

- > Re-signed Memorandum of Understanding with our four local runaka
- > Undertook a second Cultural Evaluation, to review the effectiveness of our implementation of our Māori Strategic Framework
- > Became Convenor of Dunedin-wide Export Education Uplift strategy
- > 1580 volunteer hours completed by staff and students through Scarfie Army
- > Implemented primary school partnership with North East Valley School
- > Sponsored secondary school social enterprise competition
- > Digital outreach strategy benefits communities
- > Raised \$75,000 through Charity House auction, reaching total of over \$600,000 over six years. This is distributed to charities throughout Otago by United Way.

## Pathway to great

FOR 2014

- > Develop strategic framework and implementation plan for Pacific learners
- > Develop Capable NZ as a dual cultural school, including a Māori service for Māori learners and iwi
- > Complete bilingual signage throughout our campuses
- > Review programmes for Māori knowledge and perspectives as part of annual programme review process
- > Conduct in-depth assessment of customer service
- > Increase active collaborations with industry and providers
- > Obtain employment feedback biennially on the perception of Otago Polytechnic and satisfaction with graduates.

## Aspirations

- > Recruit more Māori staff, especially to teaching and front-line positions, and develop more Māori staff to take on leadership roles at all levels
- > Provide effective leadership of the citywide Export Education Uplift strategy for Dunedin
- > Staff and student volunteering increases
- > Apply our research expertise in the interests of Kai Tahu/Māori
- > Contribute to implementation of Otago Digital Literacy Strategy
- > Contribute to community projects and needs
- > Provide leadership in developing sustainability solutions.





### Reaffirming relationships, reviewing strategy

Our commitment to the educational aspirations of Māori saw 2013 as a year of affirmation and reflection. Our Memorandum of Understanding with our four Arai te Uru Runaka was re-signed in November, almost a decade since our shared commitment was declared in the original Memorandum in January 2004.

The re-signing followed an organisation-wide review of our Māori Strategic Framework, which took place in consultation with our runaka partners and involving internal and external evaluators.

This identified the considerable progress Otago Polytechnic has made towards achieving its ambitions for Māori achievement in critical areas including strengthened student support and improved academic results for Māori students. It also made recommendations to better ensure the Māori Strategic Framework initiatives are comprehensive and aligned across the organisation, and better enable Māori students and staff “to live as Māori”.



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

**Achieved**

Satisfaction with overall consultation, decision-making and progress towards implementing the MSF.



### Leaders in international education

Otago Polytechnic has been appointed as Convenor of the Dunedin-wide international education strategy, Export Education Uplift.

The aim of this strategy is to position Dunedin as the export education hub of New Zealand. It will support Dunedin's education providers as they seek to attract international students, and also involves the Dunedin City Council, Tourism Dunedin, Education New Zealand, other local tertiary providers, and secondary and primary schools.

The strategy aims to further the export potential of local education businesses and providers by conducting marketing initiatives and through building community and employer support for international learners.

### Staff and student volunteering

346 Polytechnic staff and students participated in our Scarfie Army volunteering initiatives in 2013, undertaking a total of 31 projects benefitting the wider community. More than 1580 volunteer hours were completed, valued at almost \$21,730 if paid at the minimum wage.

The projects included fundraising, working bees, planting trees, weeding, painting, baking and/or cooking food, making bags, fun days, numbering toy ducks for novelty Leith Stream race and servicing cars.

There were 21 recipient charities, including Stopping Violence, Canteen, Dunedin Environment Trust and Special Olympics. All evaluation sheets received from the charities were very positive, appreciative and encouraging.



### PROFILE : PROMOTING WELL-BEING IN THE COMMUNITY

## Computers supplied to Blueskin Bay Library

**For some, a computer is an unaffordable luxury – let alone the expense of an internet connection.**

The Otago Polytechnic Digital Outreach pilot programme has provided two computers to the Blueskin Bay Library in Waitati, in an effort to allow patrons to hone their computer skills and complete free online courses.

"It's a nice way to connect with the community," says Digital Outreach Facilitator, Craig West. "We hope visitors to the Blueskin Bay Library will feel encouraged to give online learning a go."

Several free programmes are available, including the National Certificate in Computing, and free tutorials in Microsoft Office, Google, Facebook, reading and maths.

Blueskin Bay Librarian, Louise Booth, was thrilled to receive the computers and believes they will benefit locals enormously. "Travel to town is expensive and we have a high proportion of people on very limited incomes."



## Workplace health pilot celebrates many successes

**A student-devised pilot programme has attracted national attention for its innovative approach, after it markedly improved the health of workers at Otago Corrections Facility and the Otago Community Probation Service.**

After participating in the Workplace Health and Activity Management (WHAM) programme, a team of eight people lost a total of 32 kilograms, and three members stopped smoking.

Kirsty Currie and Hamish McDonnell are the creators of the initiative; both are Bachelor of Applied Science students from the Otago Institute of Sport and Adventure.

WHAM's success has led Kirsty to be employed by the Department of Corrections one day a week to continue working with staff.

And both students were selected for Live the Dream, a national social enterprise accelerator scheme. The pair spent 10 weeks working with some of New Zealand's leading entrepreneurs and business mentors to develop WHAM further.

"We'd like to turn this project into a viable business," says Currie. "This experience has reinforced how passionate we are about health and well-being, and we know this is exactly what we're meant to be doing."







## PROFILE : ENABLING OUTSTANDING IDEAS

## History informs bespoke seating designs

**Dunedin's Warehouse District will soon be home to designer seats that reference the varied and colourful past of the area.**

Innovation workSpace, Otago Polytechnic's commercial design and development centre, collaborated with the Dunedin City Council to create the bespoke seating for the area around Vogel and Bond Streets.

Once a key canoe mooring point for Māori, it later became a township hub where new arrivals entered Dunedin. In the '50s and '60s, government and insurance offices occupied the area, followed by musicians and artists in the '80s and '90s.

"We have drawn on its history as a place where land and sea met, and the industries that grew from the jetty and water transportation routes," explains Executive Project Manager, D'Arcy Dalzell.

The seating echoes the shape of ship sails and waves, while sleepers reference the historic jetty. Song lyrics are carved into the seats as a tribute to the musicians who once frequented the area.



## Book bins a winning concept

**We are all familiar with clothing bins, so why not have book bins in which pre-loved books could be deposited for distribution to families with young children?**

This was the prize-winning concept of the P3 Foundation Social Enterprise Competition, sponsored by Otago Polytechnic. The Otago Girls' High School team behind the idea was inspired by research that growing up with books is a key factor in academic achievement, regardless of parents' level of education.

Year 13 students Beth Chapman, Jisu Lee, Olivia Severins and Taryn Swete met the competition's requirement of using business strategies to address one of the Millennium Development Goals – in this case boosting education and literacy.

As well as providing the winning team with \$500 to help make their project happen, Otago Polytechnic sponsored its travel to Auckland to present the idea at the national final where they won the Save the Children Award for best New Zealand social innovation.

# 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; Sustainability is embedded in our curriculum.

### Highlights

- > Engaged in a wide range of sustainability-related research, from measuring our ecological footprint to considering opportunities for eliminating dairy-shed waste
- > Measured Otago Polytechnic's ecological footprint, including setting benchmarks against other institutions and developed a minimisation plan
- > Commissioned new woodchip boilers in March, immediately reducing our ecological footprint
- > Developed evaluation process for schools to review how well sustainability is integrated into their programmes
- > Provided "Adding Sustainable Value" programme for Otago Polytechnic teams, so they could develop strategic plans for sustainable development of their school or service area
- > Developed a preventative maintenance programme, and a plan to implement the recommendations of the energy audit
- > Ensured that sustainability was built into all building planning, for both new building and redevelopment
- > Developed a facility to reuse and recycle surplus furniture and equipment.

### Pathway to great

#### FOR 2014

- > Energy monitoring by floor/building to enable better management
- > Undertaking campus-wide energy efficiency initiatives
- > Develop plans to minimise travel, measure our IT footprint, and measure the footprints of three Otago Polytechnic academic schools
- > Evaluate how well Education for Sustainability is integrated into all degree and postgraduate programmes
- > Continue to actively manage supply chain for better environmental outcomes
- > Raise learner awareness of sustainability issues
- > Implement an internal carbon tax for air travel.

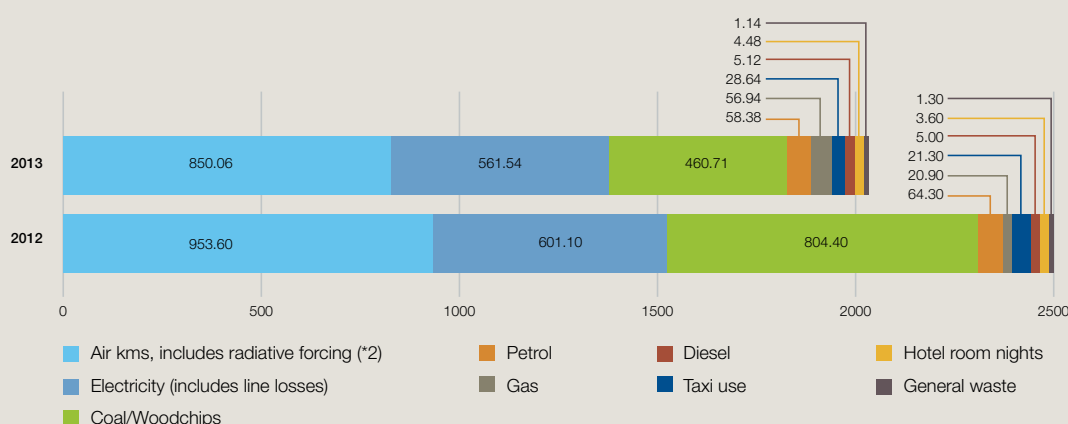
### Aspirations

- > 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 as they enter their careers
- > 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.

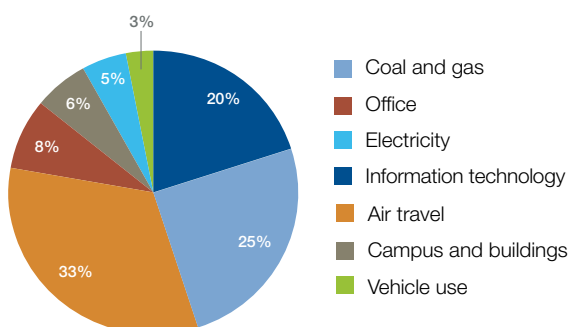


# Sustainability monitoring

Our focus on measuring and reporting our environmental impact shows ongoing improvement, including a substantial and pleasing reduction in our total carbon use. The replacement of our coal-fired boiler with a woodchip boiler, which is effectively carbon neutral, made a significant contribution to this result. We also saw critical improvements in other areas including a reduction in air kilometres and electricity use. Measures for gas and paper use have both increased, with improved processes likely to have contributed to more accurate reporting in these areas.



Carbon use by volume and type (tonnes CO<sub>2</sub> emissions)



## The distribution of Otago Polytechnic's ecological footprint in 2012

The completed replacement of the coal fired boiler with the woodchip boiler alone will reduce the footprint by 19 per cent to 291 hectares.

## Measuring our footprint

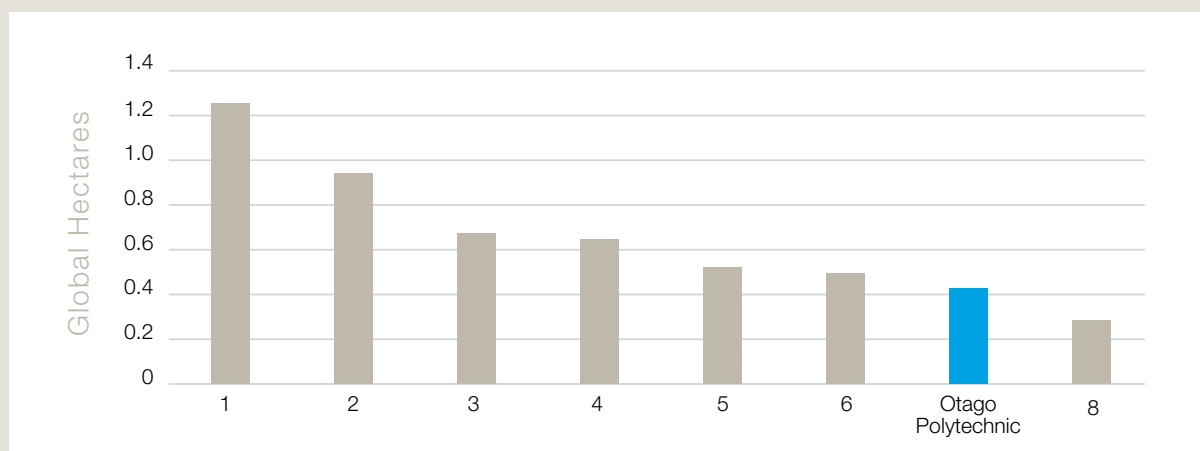
During 2013, Otago Polytechnic researcher Dr Ella Lawton developed an initial measurement of the ecological footprint of our Polytechnic. Using 2012 data, the Ecological Footprint resource accounting tool was used to calculate Otago Polytechnic's total resource use and waste production. This is the first time the footprint method has been used to show the organisation's resource use and the possible opportunities for reducing its footprint. Further work is planned to add more detail and increase the accuracy of the report. Future iterations will also measure the handprint, or community good, of Otago Polytechnic.

This report shows that Otago Polytechnic's ecological footprint in 2012 was estimated at 359 hectares, and was predominantly made up of air travel, coal use and information technology equipment.



### TEFMA benchmarking

In order to develop benchmarks for environmental monitoring, Otago Polytechnic took part in the Tertiary Education Facilities Management Association survey, enabling a comparison with participating Australasian tertiary institutions. The results positioned Otago Polytechnic as having a far smaller carbon footprint than the average of the other institutions that completed the survey, when considered both on a per staff FTE or a per staff and student FTE rate. Air travel was also well below the sector average for the 24 institutions that provided travel data, with Otago Polytechnic reporting one tonne of carbon dioxide emissions per staff FTE, compared to the average of 2.44.



2012 TEFMA carbon footprint comparison of eight New Zealand tertiary institutions

### Pursuits programme for sustainability initiatives

The development of a sustainability stream for the Pursuits Programme (see page 24) enabled a range of social and environmental initiatives. This included developing a kitchen garden for the Cromwell campus hospitality programmes, supporting their “gate to plate” philosophy and ensuring students can experience – and taste – the benefits of local and sustainably grown produce. At the Dunedin campus, recycling centres for Otago Polytechnic furniture and e-waste were established, to allow surplus stock a new lease of life.

### Adding sustainable value

We’re an educational institution after all, and are well positioned to provide sustainability leadership through programmes of study. Our Adding Sustainable Value programme was developed for businesses, local government and public sector agencies seeking to make lasting sustainable transformations to their industries. In 2013, the programme was also offered within Otago Polytechnic schools and departments, to help drive these institutional changes internally.

With Education for Sustainability an important theme for Otago Polytechnic, an evaluation process was developed for schools to review how effectively sustainability is integrated into their programmes, preparing graduates to practise sustainably as they enter their careers.





PROFILE : HOW TO SEE OUR FOOTPRINT

## Advocating for the environment

**A desire to improve our health and well-being is leading us to use too many resources, according to the Otago Polytechnic's Sustainable Practice Advisor and Research Manager, Dr Ella Lawton.**

For the past three years, Ella has worked in collaboration with Wellington's Victoria University, the Auckland Council and the Central Otago District Council on the Footprint Project.

The project has determined the ecological footprint of five different communities and three local governments in New Zealand by examining aspects such as lifestyle choice, income, housing arrangements and food intake.

"In this country, 57 per cent of our ecological footprint is in food and beverages, and a lot of land goes into producing these," comments Ella. "My research looks at the availability of our land, and the environment's ability to produce the goods and services that New Zealanders consume."

She emphasises the importance of scaling back on resource consumption: "Finding a way to still have our well-being and quality of life, but by using less stuff."







PROFILE : RESOURCE AND ENERGY INTELLIGENCE

## Hi-tech electric car under development

**A revolutionary electric car with hi-tech capabilities is being developed at Otago Polytechnic's School of Architecture, Building and Engineering.**

Capable of driving sideways and pivoting 360 degrees to change direction, the vehicle is the brainchild of Engineering Research and Postgraduate Leader, Dr Ziming (Tom) Qi. Its development is an ongoing collaboration with China's Shenzhen Polytechnic and Taiwan National University of Science and Technology, with funding from the Chinese Government.

"This model uses four in-wheel motors as well as all-wheel steering," explains Tom. "The wheels can be controlled to move sideways making parallel parking much easier."

"But what really takes this car to the next level are the programmed buttons, which perform set manoeuvres. While the car's computer controls the manoeuvre, the driver still controls the accelerator."

Engineering students will be working on the wheel units, and staff and students from the School of Design will help ensure the car is visually unique.



## Tackling the numbers

**A more efficient and cost-effective way of monitoring inshore fishing has been developed by a team of Bachelor of Information Technology students.**

The students worked with the Ministry of Primary Industries to help eliminate the difficulties it faces when attempting to keep track of all inshore fishing, and devised Cameras on Boats.

"Traditionally, data is collected by hand on the boat using paper-based forms, and is occasionally verified by an observer," explains team member, John Maxwell.

The Cameras on Boats method of digital data collection employs a satellite and a camera system to gather the information. A process that once took four weeks now takes just one, resulting in up-to-date data for the Ministry to use as it makes decisions regarding New Zealand's fishing future.

In their third year of study, Bachelor of Information Technology students work to solve real business problems for real clients in innovative and creative ways, harnessing the latest technological advancements.



# Financial Statements

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For the year ended 31 December 2013

# 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 2013**

## 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, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the Polytechnic and group on her behalf.

We have audited:

- > the financial statements of the Polytechnic and group on pages 38 to 62, that comprise the statement of financial position as at 31 December 2013, 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 34.

## Opinion

In our opinion:

- > the financial statements of the Polytechnic and group on pages 38 to 62:
  - > comply with generally accepted accounting practice in New Zealand; and
  - > fairly reflect the Polytechnic and group's:
    - > financial position as at 31 December 2013; and
    - > financial performance and cash flows for the year ended on that date;
- > the non-financial performance information of the Polytechnic and group on pages 6 to 34 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 2013.

Our audit was completed on 11 April 2014. 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 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 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.

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



**Ian Lothian**  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand

# Financial Statements

## Statement of Financial Performance for the year ended 31 December 2013

POLYTECHNIC				GROUP			
	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
<b>Revenue</b>							
Government Grants	3 (a)	33,995	33,159	33,240	33,995	33,159	33,240
Student Tuition Fees		21,733	21,461	19,556	21,733	21,461	19,556
Other Income	3 (b)	7,399	6,677	7,145	7,631	6,885	7,357
Interest Received	3 (c)	276	250	269	276	250	269
<b>Total Revenue</b>		<b>63,403</b>	<b>61,547</b>	<b>60,210</b>	<b>63,635</b>	<b>61,755</b>	<b>60,422</b>
<b>Expenditure</b>							
Employment Expenses	3 (d)	37,954	36,983	36,043	38,147	37,176	36,262
Consumable Expenses	3 (e)	6,971	6,428	5,853	6,975	6,434	5,858
Operating Expenses	3 (e)	7,097	6,473	6,275	7,113	6,482	6,292
Occupancy Expenses	3 (e)	4,065	3,866	3,771	4,065	3,866	3,771
Interest Expense	3 (c)	0	0	0	0	0	0
Depreciation & Amortisation Expense	8 & 9	5,358	4,889	4,728	5,358	4,889	4,729
Loss on Disposal/Impairment of Assets		173	30	74	173	30	74
<b>Total Expenditure</b>		<b>61,618</b>	<b>58,669</b>	<b>56,744</b>	<b>61,831</b>	<b>58,877</b>	<b>56,986</b>
<b>Surplus/(Deficit) from Operations</b>		<b>1,785</b>	<b>2,878</b>	<b>3,466</b>	<b>1,804</b>	<b>2,878</b>	<b>3,436</b>
Share of Associate's surplus/deficit	7	0	0	0	260	225	268
<b>Net Surplus/(Deficit)</b>		<b>1,785</b>	<b>2,878</b>	<b>3,466</b>	<b>2,064</b>	<b>3,103</b>	<b>3,704</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 2013

	POLYTECHNIC			GROUP		
Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
Net Surplus/(Deficit) for the year	1,785	2,878	3,466	2,064	3,103	3,704
<b>Other Comprehensive Income</b>						
Increase/(Decrease) in Asset Revaluation Reserves	0	0	0	0	0	0
<b>Total Other Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Comprehensive Income</b>	<b>1,785</b>	<b>2,878</b>	<b>3,466</b>	<b>2,064</b>	<b>3,103</b>	<b>3,704</b>

## Statement of Changes in Equity for the year ended 31 December 2013

	POLYTECHNIC			GROUP		
Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
Public Equity at the start of the year	86,717	87,112	83,251	87,767	87,169	84,063
<b>Total Comprehensive Income</b>	<b>1,785</b>	<b>2,878</b>	<b>3,466</b>	<b>2,064</b>	<b>3,103</b>	<b>3,704</b>
<b>Public Equity at the end of the year</b>	<b>88,502</b>	<b>89,990</b>	<b>86,717</b>	<b>89,831</b>	<b>90,272</b>	<b>87,767</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 2013

POLYTECHNIC				GROUP			
	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	4	4,833	5,891	3,705	4,845	5,891	3,705
Trade and Other Receivables	5	1,892	1,600	1,517	2,039	1,600	1,578
Prepayments		601	250	413	601	250	413
Inventories	6	168	200	187	168	200	187
<b>Total Current Assets</b>		<b>7,494</b>	<b>7,941</b>	<b>5,822</b>	<b>7,653</b>	<b>7,941</b>	<b>5,883</b>
<b>Non Current Assets</b>							
Other Financial Assets	7	4,458	4,968	4,521	5,628	5,250	5,513
Property, Plant and Equipment	8	81,713	83,990	80,098	81,713	83,990	80,098
Intangible Assets	9	4,966	4,165	4,650	4,966	4,165	4,650
<b>Total Non Current Assets</b>		<b>91,137</b>	<b>93,123</b>	<b>89,269</b>	<b>92,307</b>	<b>93,405</b>	<b>90,261</b>
<b>Total Assets</b>		<b>98,631</b>	<b>101,064</b>	<b>95,091</b>	<b>99,960</b>	<b>101,346</b>	<b>96,144</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and Other Payables	10	7,724	8,350	6,006	7,724	8,350	6,009
Employee Entitlements	11	2,249	2,555	2,186	2,249	2,555	2,186
<b>Total Current Liabilities</b>		<b>9,973</b>	<b>10,905</b>	<b>8,192</b>	<b>9,973</b>	<b>10,905</b>	<b>8,195</b>
<b>Non Current Liabilities</b>							
Employee Entitlements	11	156	169	182	156	169	182
<b>Total Non Current Liabilities</b>		<b>156</b>	<b>169</b>	<b>182</b>	<b>156</b>	<b>169</b>	<b>182</b>
<b>Total Liabilities</b>		<b>10,129</b>	<b>11,074</b>	<b>8,374</b>	<b>10,129</b>	<b>11,074</b>	<b>8,377</b>
<b>NET ASSETS</b>		<b>88,502</b>	<b>89,990</b>	<b>86,717</b>	<b>89,831</b>	<b>90,272</b>	<b>87,767</b>
<b>EQUITY</b>							
Retained Earnings	13	56,462	57,928	53,676	57,791	58,210	54,726
Suspensory Loan	13	2,185	2,185	3,185	2,185	2,185	3,185
Asset Revaluation Reserve	13	29,375	29,377	29,375	29,375	29,377	29,375
Other Reserves	13	480	500	481	480	500	481
<b>Total Equity</b>		<b>88,502</b>	<b>89,990</b>	<b>86,717</b>	<b>89,831</b>	<b>90,272</b>	<b>87,767</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 2013

POLYTECHNIC				GROUP			
	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Cash was provided from:</b>							
Receipts from Government Grants		33,875	33,109	31,297	33,875	33,109	31,297
Receipts from Student Tuition Fees		23,525	21,811	20,702	23,525	21,811	20,702
Receipts from Other Revenue		7,025	6,571	8,542	7,253	6,779	8,759
Interest Received		276	250	269	276	250	269
		<b>64,701</b>	<b>61,741</b>	<b>60,810</b>	<b>64,929</b>	<b>61,949</b>	<b>61,027</b>
<b>Cash was applied to:</b>							
Payments to Employees		37,917	37,331	36,407	38,110	37,524	36,625
Payments for Consumables		7,383	6,465	5,802	7,388	6,471	5,806
Payments for Operating Expenses		7,720	6,505	6,392	7,737	6,514	6,410
Payments for Occupancy		4,496	3,904	3,750	4,497	3,904	3,750
Interest Expense		0	0	0	0	0	0
Goods & Services Tax (net)		(660)	(40)	(561)	(660)	(40)	(564)
		<b>56,856</b>	<b>54,165</b>	<b>51,790</b>	<b>57,072</b>	<b>54,373</b>	<b>52,027</b>
<b>Net Cash Flow from Operating Activities</b>	4	<b>7,845</b>	<b>7,576</b>	<b>9,020</b>	<b>7,857</b>	<b>7,576</b>	<b>9,000</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 2013

		POLYTECHNIC			GROUP		
	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'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		5,481	5,205	5,832	5,481	5,205	5,832
Purchase of Intangible Assets		1,386	850	1,271	1,386	850	1,271
<b>Net Cash Flow from Investing Activities</b>		<b>6,867 (6,717)</b>	<b>6,055 (5,905)</b>	<b>7,103 (6,953)</b>	<b>6,867 (6,717)</b>	<b>6,055 (5,905)</b>	<b>7,103 (6,953)</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)		1,128	1,671	2,067	1,140	1,671	2,047
Opening Cash Balance		3,705	4,220	1,638	3,705	4,220	1,658
<b>Closing Balance</b>		<b>4,833</b>	<b>5,891</b>	<b>3,705</b>	<b>4,845</b>	<b>5,891</b>	<b>3,705</b>
<b>Represented by:</b>							
Bank deposits and current account		4,833	5,891	3,705	4,845	5,891	3,705
		<b>4,833</b>	<b>5,891</b>	<b>3,705</b>	<b>4,845</b>	<b>5,891</b>	<b>3,705</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 2013

# Notes to the Financial Statements

for the year ended 31 December 2013

## 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 2013 were authorised for issue in accordance with a resolution of Council on 4 April 2014.

## 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 expected to be for reporting periods beginning on or after 1 July 2014. This means the Polytechnic expects to transition to the new standards in preparing its 31 December 2015 financial statements. As the PAS are still under development, the Polytechnic is unable to assess the implications of the new Accounting Standards Framework at this time.

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 2013

## (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 2013

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 are 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 2013

## (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 4.7% (2012: 3.6%) and a salary inflation factor of 1.6% (2012: 0.9%) 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 2013

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 2013:

### *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 2013

## 3. REVENUES AND EXPENSES

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>(a) Government grants</b>				
Student Achievement Component	30,578	30,757	30,578	30,757
Equity funding	151	141	151	141
Early Childhood Education Performance Based Research Fund	1,122	704	1,122	704
Modern Apprentices	298	285	298	285
Trades Academy	321	211	321	211
Youth Guarantee	969	544	969	544
Other government grants	5	123	5	123
	33,995	33,240	33,995	33,240
<b>(b) Other income</b>				
Revenue from other operating activities	7,399	7,145	7,631	7,357
	7,399	7,145	7,631	7,357
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	276	269	276	269
Total finance income	276	269	276	269
Interest paid on bank loan facilities	0	0	0	0
	0	0	0	0
<b>(d) Employment expenses</b>				
Wages and salaries	34,346	32,395	34,524	32,610
Post-employment benefits	757	533	762	535
Other employment expenses	2,851	3,115	2,861	3,117
	37,954	36,043	38,147	36,262
<b>(e) Consumable, Operating and Occupancy expenses</b>				
Audit fees – annual audit	89	88	101	90
Bad debts written-off	87	31	87	31
Donations	92	87	92	87
Minimum lease payments – operating leases	1,327	1,240	1,327	1,240
Administrative and other expenses	16,538	14,453	16,546	14,473
	18,133	15,899	18,153	15,921

## 4. CASH AND CASH EQUIVALENTS

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash at bank and in hand	104	45	116	45
Short term deposits	4,729	3,660	4,729	3,660
	4,833	3,705	4,845	3,705

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	4,833	3,705	4,845	3,705
	4,833	3,705	4,845	3,705

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

Net surplus/(deficit) for the year	1,785	3,466	2,064	3,704
<i>Adjustments for:</i>				
Depreciation and amortisation	5,358	4,728	5,358	4,728
Net (gain)/loss on disposal of property, plant and equipment	173	74	173	74
Movement in Trust & Special Funds	(1)	(11)	(1)	(11)
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and other receivables	(508)	370	(595)	359
(Increase)/decrease in prepayments	(188)	(138)	(188)	(138)
(Increase)/decrease in inventories	19	31	19	31
(Increase)/decrease in financial assets	(90)	(35)	(268)	(288)
Increase/(decrease) in trade and other payables	1,260	899	1,258	905
Increase/(decrease) in employee entitlements	37	(364)	37	(364)
Net cash from operating activities	7,845	9,020	7,857	9,000

# Notes to the Financial Statements

for the year ended 31 December 2013

## 5. TRADE AND OTHER RECEIVABLES

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Student fees receivables	894	792	894	792
Other receivables	904	731	1,051	792
Dunedin City Tertiary Accommodation Trust advance	150	150	150	150
Other related parties (note 16)	186	14	186	14
Provision for doubtful debts	(242)	(170)	(242)	(170)
	1,892	1,517	2,039	1,578

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

Current	861	898	986	950
30-60 days	380	111	380	113
60-90 days	65	298	68	302
90 days +	586	210	605	213
	1,892	1,507	2,039	1,578

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	170	139	170	139
Additional provisions made during the year	75	0	75	0
Receivables written off during the year	(3)	0	(3)	0
At 31 December	242	170	242	170

## 6. INVENTORIES

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Materials and consumables held for distribution	168	187	168	187
	168	187	168	187

The write-down of inventories held for distribution amounted to nil (2012: nil) and there have been no reversals of write-downs. No inventories are pledged as security for liabilities.

## 7. OTHER FINANCIAL ASSETS

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Advance to Dunedin City Tertiary Accommodation Trust	850	1,000	850	1,000
Investment in associate – Dunedin City Tertiary Accommodation Trust	3,332	3,332	4,706	4,446
Other	276	189	72	67
	4,458	4,521	5,628	5,513

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 2013.

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.

	2013 \$'000	2012 \$'000
Investment in Dunedin City Tertiary Accommodation Trust		
Movements in the carrying amount of the investment in associate:		
Balance at 1 January	4,446	4,178
New investments during the year	0	0
Disposal of investments during the year	0	0
Share of total comprehensive income	260	268
Dividend	0	0
Balance at 31 December	4,706	4,446

Summarised financial information of associate presented on a gross basis:

Assets	9,365	9,300
Liabilities	3,268	3,982
Revenues	2,876	2,834
Surplus/(Deficit)	781	805
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 2013

## 8. PROPERTY, PLANT AND EQUIPMENT

<b>POLYTECHNIC</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 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	71	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 expense	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
<b>At 1 January 2012</b>								
Cost or fair value	18,090	51,627	8,948	720	14,401	5,743	71	99,600
Accumulated depreciation and impairment	0	(43)	(4,839)	(539)	(11,224)	(4,396)	0	(21,095)
Net carrying amount	18,090	51,584	4,055	181	3,177	1,347	71	78,505
<b>Year ended 31 December 2012</b>								
Balance at 1 January	18,090	51,584	4,055	181	3,177	1,347	71	78,505
Additions	0	2,468	988	172	1,526	225	6	5,385
Revaluations	0	0	0	0	0	0	0	0
Disposals	0	0	(5)	(19)	(1)	0	0	(25)
Depreciation charge for the year	0	(1,516)	(666)	(85)	(1,246)	(254)	0	(3,767)
Balance at 31 December	18,090	52,536	4,372	249	3,456	1,318	77	80,098
<b>At 31 December 2012</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)	(12,395)	(4,650)	0	(24,714)
Net carrying amount	18,090	52,536	4,372	249	3,456	1,318	77	80,098

# Notes to the Financial Statements

for the year ended 31 December 2013

GROUP	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Library Collection \$'000	Artworks \$'000	Total \$'000
<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	71	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 expense	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
<b>At 1 January 2012</b>								
Cost or fair value	18,090	51,627	8,948	720	14,401	5,743	71	99,600
Accumulated depreciation and impairment	0	(43)	(4,893)	(539)	(11,224)	(4,396)	0	(21,095)
Net carrying amount	18,090	51,584	4,055	181	3,177	1,347	71	78,505
<b>Year ended 31 December 2012</b>								
Balance at 1 January	18,090	51,584	4,055	181	3,177	1,347	71	78,505
Additions	0	2,468	988	172	1,527	225	6	5,386
Revaluations	0	0	0	0	0	0	0	0
Disposals (net)	0	0	(5)	(19)	(1)	0	0	(25)
Depreciation charge for the year	0	(1,516)	(666)	(85)	(1,247)	(254)	0	(3,768)
Balance at 31 December	18,090	52,536	4,372	249	3,456	1,318	77	80,098
<b>At 31 December 2012</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

# Notes to the Financial Statements

for the year ended 31 December 2013

## *Valuation*

The most recent valuations of land and buildings were performed by J Dunkley FPINZ, an independent registered valuer, of DTZ New Zealand Ltd with an effective date of 31 December 2011.

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

Depreciated replacement cost is determined using a number of significant assumptions, which 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 \$2,448k (2012: \$2,441k).

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

Land and buildings with a carrying amount of \$56,396k (2012: \$57,413k) 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 2013

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 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
<b>At 1 January 2012</b>						
Cost (gross carrying amount)	4,388	6,875	11,263	4,388	6,875	11,263
Accumulated amortisation	(2,791)	(4,132)	(6,923)	(2,791)	(4,132)	(6,923)
Net carrying amount	1,597	2,743	4,340	1,597	2,743	4,340
<b>Year ended 31 December 2012</b>						
Balance at 1 January	1,597	2,743	4,340	1,597	2,743	4,340
Additions	317	960	1,277	317	960	1,277
Impairments	(6)	0	(6)	(6)	0	(6)
Amortisation expense	(448)	(513)	(961)	(448)	(513)	(961)
Balance at 31 December	1,460	3,190	4,650	1,460	3,190	4,650
<b>At 31 December 2012</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



# Notes to the Financial Statements

for the year ended 31 December 2013

## 10. TRADE AND OTHER PAYABLES

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade payables	4,284	4,068	4,284	4,071
Income in advance	3,437	1,808	3,437	1,808
Other related parties (note 16)	3	130	3	130
Interest payable	0	0	0	0
	7,724	6,006	7,724	6,009

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Employee Entitlements</i>				
Annual and discretionary leave	1,225	1,399	1,225	1,399
Long-service leave	159	173	159	173
Retirement leave	80	112	80	112
Sick leave	76	74	76	74
Other entitlements	865	610	865	610
	2,405	2,368	2,405	2,368
Current portion	2,249	2,186	2,249	2,186
Non-current portion	156	182	156	182
	2,405	2,368	2,405	2,368

## 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 2013

## 13. EQUITY

	POLYTECHNIC		GROUP	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Retained Earnings</i>				
At 1 January	53,676	49,199	54,726	50,011
Net surplus/(deficit)	1,785	3,466	2,064	3,704
Net change in Trust and Special Funds	1	11	1	11
Conversion of suspensory loan (refer note 15 below)	1,000	1,000	1,000	1,000
At 31 December	56,462	53,676	57,791	54,726
<i>Suspensory Loan</i>				
At 1 January	3,185	4,185	3,185	4,185
Conversion of suspensory loan (refer note 15 below)	(1,000)	(1,000)	(1,000)	(1,000)
At 31 December	2,185	3,185	2,185	3,185
<i>Asset Revaluation Reserve</i>				
At 1 January	29,375	29,375	29,375	29,375
Revaluation gains/(losses)	0	0	0	0
Reduction in reserve on disposal/transfer	0	0	0	0
At 31 December	29,375	29,375	29,375	29,375
<i>Trust Funds</i>				
At 1 January	398	410	398	410
Receipts to funds	79	86	79	86
Payments from funds	(81)	(98)	(81)	(98)
At 31 December	396	398	396	398
<i>Special Funds</i>				
At 1 January	83	82	83	82
Receipts to funds	4	5	4	5
Payments from funds	(3)	(4)	(3)	(4)
At 31 December	84	83	84	83
Total equity	88,502	86,717	89,831	87,767

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 2013 had fluctuated by plus or minus 0.5 per cent, the effect would have been to decrease/increase the surplus by \$0 (2012: \$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 2013

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

	Carrying amount	Current	1-3 months	3-12 months	More than 12 months
<i>Polytechnic 2013</i>					
Cash and cash equivalents	4,834	4,834	0	0	0
Trade and other receivables	1,892	861	445	586	0
Total financial assets	6,726	5,695	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	7,724	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>Polytechnic 2012</i>					
Cash and cash equivalents	3,705	3,705	0	0	0
Trade and other receivables	1,517	898	409	210	0
Total financial assets	5,222	4,603	409	210	0
Trade and other payables	6,006	6,006	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	6,006	6,006	0	0	0
<i>Group 2012</i>					
Cash and cash equivalents	3,705	3,705	0	0	0
Trade and other receivables	1,578	950	415	213	0
Total financial assets	5,283	4,655	415	213	0
Trade and other payables	6,009	6,009	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	6,009	6,009	0	0	0

# Notes to the Financial Statements

for the year ended 31 December 2013

## 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 three 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Within one year	705	664	705	664
After one year but not more than five years	1,782	1,992	1,782	1,992
More than five years	2,643	2,978	2,643	2,978
	5,130	5,634	5,130	5,634

### Capital commitments

At 31 December 2013 the Polytechnic had total commitments of \$1,212k for the major building upgrades at the Forth Street campus (2012: \$198k relating to the boilers replacement project 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 first \$3.8m of the loan was converted to equity in four tranches between 2010 and 2013 and the remaining balance will be converted during 2014 providing the Polytechnic can demonstrate it has met the required objectives of the loan. Any objectives not met will result 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 2013, the Government Superannuation Fund had an after tax surplus of \$493.3m (2012: \$16.8m deficit). 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 2013

## 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 \$205k (2012:\$123k) 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.

	2013				2012			
	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>	63	38	3	0	0	0	0	0
<i>John Christie (T)</i>								
<i>Ako Aotearoa</i>	0	12	0	5	0	1	0	0
<i>Tom Prebble (D)</i>								
<i>Biz Otago Ltd</i>	0	30	0	0	0	0	0	0
<i>John Christie (D)</i>								
<i>Centennial Health</i>	2	0	0	0	2	0	0	0
<i>Malcolm Macpherson (D)</i>								
<i>Dunedin City Council</i>	249	152	0	50	218	26	1	13
<i>Rebecca Williams (SM)</i>								
<i>Chris Staynes (DM)</i>								
<i>Dunedin International Airport Ltd</i>	1	3	0	0	1	1	0	1
<i>Kathy Grant (A)</i>								
<i>Galloway Cook Allan</i>	1	0	0	0	1	0	0	0
<i>Kathy Grant (D)</i>								
<i>Leslie Groves Home &amp; Hospital</i>	3	0	0	0	0	0	0	0
<i>Kathy Grant (SBM)</i>								
<i>Otago Chamber of Commerce</i>	36	14	0	0	22	7	0	0
<i>John Christie (CE)</i>								
<i>Chris Staynes (D)</i>								
<i>Otago Community Hospice</i>	1	0	0	0	2	0	1	0
<i>Malcolm Macpherson (BM)</i>								
<i>Presbyterian Support Otago</i>	5	3	0	3	11	1	4	0
<i>Gillian Bremner (CE)</i>								



# Notes to the Financial Statements

for the year ended 31 December 2013

	2013				2012			
	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>Research and Education Advanced Network New Zealand Ltd</i> Susie Johnstone (BM)	48	0	0	0	63	0	16	0
<i>Scott Technology Ltd</i> Chris Staynes (D)	0	0	0	0	10	0	0	0
<i>Southern District Health Board</i> Malcolm Macpherson (BM)	181	10	0	1	213	6	94	0
<i>Sport Otago</i> Kathy Grant (BM)	7	0	0	0	5	2	0	0
<i>Tertiary Accord of New Zealand</i> Phil Ker (D)	78	197	0	127	78	15	0	0
<i>Te Tapuae O Rehua Ltd</i> Phil Ker (D)	50	0	0	0	50	0	0	0
<i>Universal College of Learning</i> Tom Prebble (CM)	0	31	0	0	25	7	14	0
	725	490	3	186	701	66	130	14

A = Associate, BM = Board Member, CE = Chief Executive, CM = Council Member, D = Director, DC = Deputy Chair, DM = Deputy Mayor, SM = Staff Member, SBM = Spouse Board 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

	2013 \$'000	2012 \$'000
<b>Key management personnel compensation</b>		
Salaries and other short-term employee benefits	1,975	1,929
Post-employment benefits	71	58
	2,046	1,984

Key management personnel includes all members of Council, 11 members of Leadership Team and the Director of Open Education Resource Foundation Ltd. Councillor fees of \$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 2013

## 17. EVENTS AFTER THE BALANCE SHEET DATE

There were no post-balance date events (none as at 31 December 2012).

## 18. COUNCILLOR FEES

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

	POLYTECHNIC AND GROUP	
	2013 \$	2012 \$
Paul Allison	4,167	0
Gillian Bremner	10,000	10,000
John Christie	10,000	10,000
Kathy Grant	28,800	28,800
Susie Johnstone	18,000	18,000
Malcolm Macpherson	5,833	10,000
Tom Prebble	10,000	10,000
Chris Staynes	10,000	10,000
Rebecca Williams	14,400	14,400
	111,200	111,200

## 19. CHILDCARE CENTRE

### POLYTECHNIC AND GROUP

	Actual 2013 \$000	Budget 2013 \$000	Actual 2012 \$000
<b>Revenue</b>			
Ministry grants	551	528	475
Guardians and student income	289	299	245
Total revenue	840	827	720
<b>Expenditure</b>			
Employment costs	732	740	722
Other operating costs	109	121	111
Total expenditure	841	861	833
Surplus/(deficit)	(1)	(34)	(113)

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

	2013 hours	2012 hours
<b>Statistics</b>		
Under two year olds	18,992	16,644
Over two year olds	18,847	16,039
Free funded three years and over	25,140	21,475

The increase in hours is the result of the first complete year of operations after the major building alterations were completed in 2012. The alterations allowed the Otago Polytechnic Childcare Facility to operate at the maximum number of children the facility is licensed for.

## 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 2013

## 21. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

### Group statement of financial performance

#### *Government grants*

Government grants were higher than budgeted by \$836k due to additional Performance Based Research and Youth Guarantee funding being secured from TEC during the year.

#### *Other income*

Other income was \$746k more than expected through better than expected research, consultancy and commercial activities across the Polytechnic.

#### *Employment expenses*

Employment expenses were above budget by \$971k due to additional staffing for the increased commercial, consulting and teaching activities enabled by the increased revenue and funding. There was also restructuring and targeted investment in staffing for the new strategic directions approved by Council.

#### *Consumable expenses*

Consumable expenses include additional resourcing to meet the increased demand at the Auckland International Campus, partially offset by some savings in class materials and field trips through greater operational efficiencies as well as less restaurant activity.

#### *Operating expenses*

Operating expenses also reflect further investment on the internationalisation strategy (overseas travel, liaison and agents fees) especially with regard to the Auckland International Campus, and investment in additional commercial and online activities.

### Group statement of financial position

#### *Cash and cash equivalents*

Cash and cash equivalents are \$1,046k less due to the lower than expected cash position at the end of 2012, and the early expenditure on a major IT project initially planned for 2014.

#### *Property, plant and equipment*

Construction on Stage One of the major building project (Learning Link) did not commence until later in the year, pushing the bulk of the 2013 activity into 2014 and meaning the significant expected work-in-progress accruals were much less than expected at year end.

#### *Intangible assets*

Greater expenditure on software (student management, financial, web and telephone system projects) was only partly offset by less course development and library expenditure.

#### *Trade and other payables*

Trade and other payables were \$626k lower than budgeted mostly as a result of the late start to the building project. Income in advance reflected increased activity at the Auckland International Campus and this partially offset the reduction in accrued capital expenditure.

### Group statement of cash flows

#### *Net cash flows*

Better than expected operating cashflows were used to support additional and earlier than planned cash capital expenditure on IT projects.

# 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 services	Total
<i>Revenue</i>											
Compulsory student service fees	99	37	495	71	33	517	116	0	18	400	1,786
Other	0	0	145	0	0	78	0	788	0	0	1,011
Total revenue	99	37	640	71	33	596	116	788	18	400	2,797
Expenses	106	40	548	81	29	461	58	788	15	469	2,596
Total expenses	106	40	548	81	29	461	58	788	15	469	2,596
Surplus/(deficit)	(8)	(4)	92	(10)	4	135	59	0	2	(69)	201

## *Compulsory Student Services Levy Fees per EFTS*

The compulsory student services levy fee charged by Otago Polytechnic per Equivalent Full Time Student in 2013 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

### 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 =

$$\frac{\text{EFTS delivered for the total number of successfully completed course enrolments ending in year N}}{\text{EFTS delivered for the total number of course enrolments ending in year N}}$$

### 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 =

$$\frac{\text{Sum of qualification completions in year N x the EFTS value of the qualification}}{\text{EFTS delivered for the total number of course enrolments ending in year N}}$$

### 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 =

$$\frac{\text{Students re-enrolled in year N+1 or completed in year n or year N+1}}{\text{Students with some portion of an enrolment in year N}}$$

### 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 =

$$\frac{\text{Number of students enrolled at a higher qualification level within 12 months following the completion}}{\text{Number of students completing a qualification at each level in year N}}$$

### 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 =

$$\frac{\text{Total EFTS delivered for a specific group of interest in year N}}{\text{Total EFTS delivered in year N}}$$





# Keeping it green

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