



OTAGO

POLYTECHNIC

Te Kura Matatini ki Otago

Our Pathway to Excellence

2017 Annual Report

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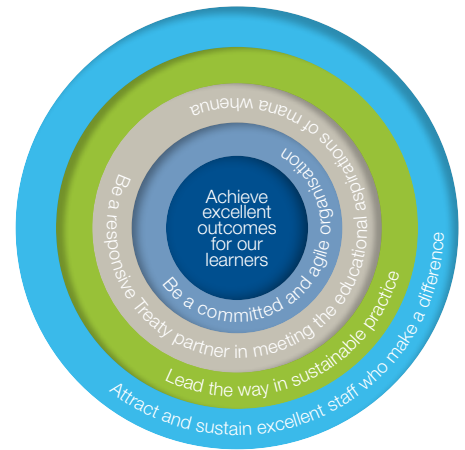
COVER

Students enjoying our new 231 bed Student Village, Te Pā Tauria. Story on page 29.

Photograph taken by Hayden Parsons



Our pathway to excellence



8,698

FULL- AND PART-TIME STUDENTS

5,125

EQUIVALENT FULL-TIME STUDENTS

729

PERMANENT AND FIXED-TERM STAFF

180+

PROGRAMMES, CERTIFICATES TO POSTGRADUATE

3

CAMPUSES IN DUNEDIN, CENTRAL OTAGO AND AUCKLAND

\$87m

IN REVENUE

At Otago Polytechnic, our vision is that our people make a better world.

With our roots in Dunedin, the city with New Zealand's richest educational history, we provide inspiring, career-focused education.

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

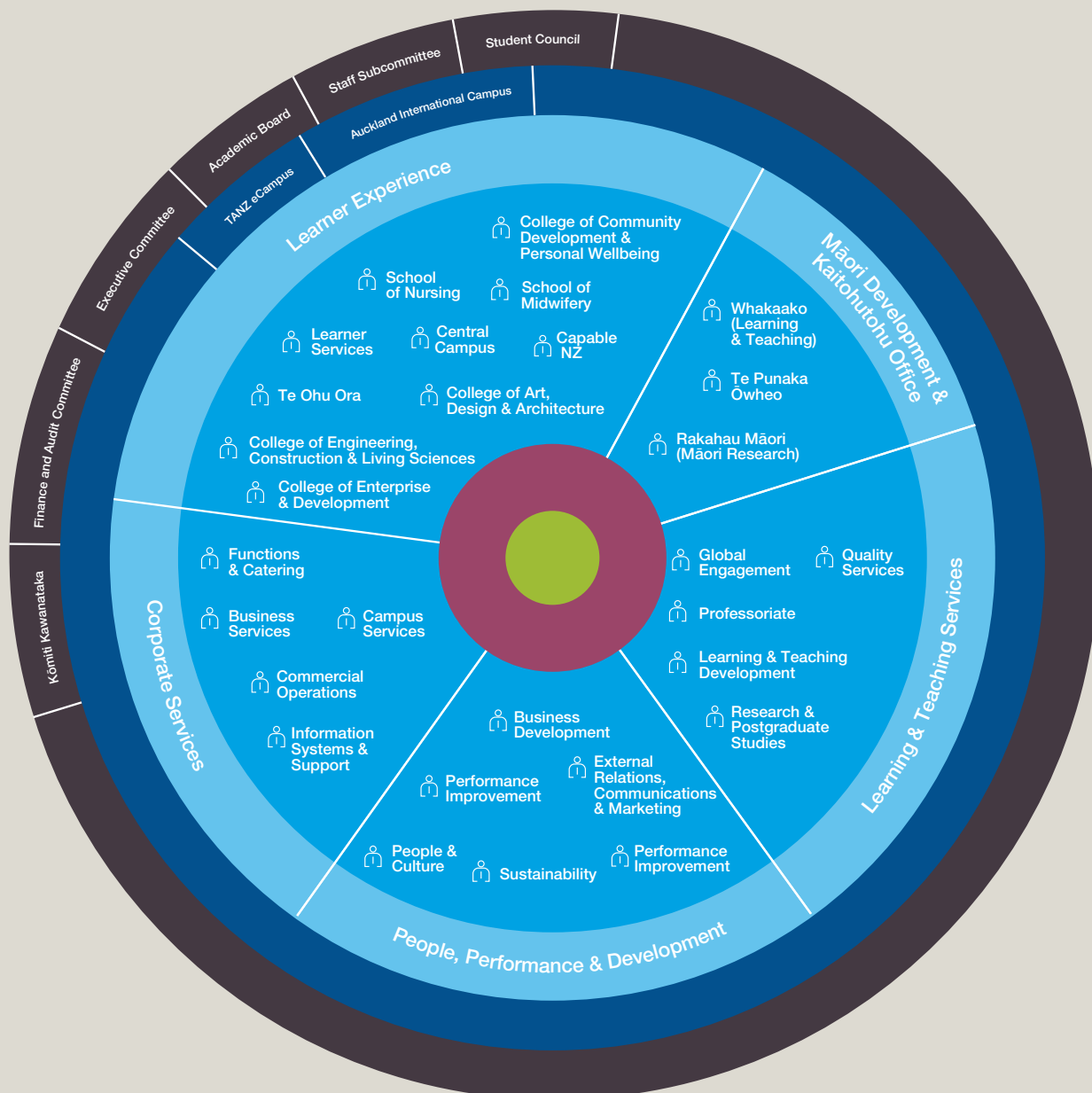
Our mission is to build capability and realise potential. This means preparing our graduates well for the sectors they serve – and those that New Zealand needs. We go beyond ensuring our graduates are capable practitioners in their chosen fields, also equipping them to make a real difference to their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

We share our skills and knowledge, undertaking research that matters and supporting and enriching the communities of which we are part.. Our values of accountability, caring, courage and empowerment inform the ways in which we teach, how we behave as an organisation and how we extend our influence into the community.

We have received the highest possible endorsement from the New Zealand Qualifications Authority for our educational performance and for our ability to assess our own performance. We lead the institutes of technology and polytechnics (ITP) sector in qualification completions. Our learner and graduate satisfaction ratings are consistently high, and 96 per cent of our graduates have moved into work, further study or both.

This report reviews our progress in 2017, and signals the next steps on our pathway to excellence.

Otago Polytechnic Organisation Structure



Council and Subcommittees

Chief Executive

Executive Leadership Team

Leadership Council

Staff

Learners

Governance and leadership

Governance and leadership at Otago Polytechnic are complementary teams that work together to promote excellence and accountability.

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

Komiti Kāwanataka

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

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

Finance and Audit Committee

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

Executive Committee

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

Executive Leadership Team

The Executive Leadership Team comprises five new Deputy Chief Executive roles which oversee 13 Directors and nine Heads of School/College. We implemented these new positions in 2017 as part of an organisational restructure to ensure we develop and maintain a high performance culture, future-proofing Otago Polytechnic for the years ahead.



EXECUTIVE LEADERSHIP TEAM 2017

From left to right: Oonagh McGirr, Janine Kapa, Philip Cullen, Phil Ker, Jo Brady and Chris Morland



OTAGO POLYTECHNIC COUNCIL 2017

Back row (left to right): Mike Horne, Neil Barnes, Daren Evans
Front row: Megan Potiki, Kathy Grant, Gillian Bremner, Paul Ellison
(absent: Dr Peter Coolbear)

REPORT FROM THE Chair and Chief Executive

2017 has been another very pleasing year for Otago Polytechnic. Once again, our educational performance has placed us amongst the top performers in our sector with our qualification completions and progression to higher-level study the best in the sector. Particularly pleasing were the improvements in qualification completion rates for Pacific learners and the course completion rates for both Māori and Pacific learners. Recognising the excellence of our teaching was also pleasing with two members of our staff awarded National Tertiary Teaching Excellence Awards. This brings to 20 the total of Otago Polytechnic teachers who have been recognised nationally for the outstanding quality of their teaching.

Our financial performance continued to be strong – achieving a surplus for the ninth consecutive year. Whilst the 3.4% surplus for the group fell short of our target, it was nevertheless a good result in the context of a national downturn in enrolments across the polytechnic sector. Maintaining strong financial performance is essential if the Polytechnic is to deliver on our aspirations for improved learning and teaching facilities. To this end we have focused on diversifying our revenue streams to lessen the financial risks associated with changing enrolment patterns.

Our primary diversification strategy, growing international student revenues, has been a resounding success with continued growth in enrolments at our Auckland International Campus and with that, increasing profitability and financial return. The success of the Auckland International Campus is particularly pleasing because it has occurred in the context of international student enrolment challenges facing the rest of the polytechnic sector.

We pride ourselves on our awareness of and responsiveness to the external forces which are impacting tertiary education worldwide. Amongst these forces is a strong demand from both employers and learners for smaller, just-in-time credentials. Our response was to launch in 2017 our new micro-credential service – EduBits. This service is a first in New Zealand and has the potential not only to be a significant income source for Otago Polytechnic but also to position the Polytechnic at the forefront of responsiveness to changing skill needs. Our leadership in the micro-credential field was recognised by NZQA which included us in their pilot, precursor to the official recognition

of micro-credentials as part of the vocational education landscape in New Zealand.

2017 saw considerable progress with our long term campus development plans. We completed the concept planning for the modernisation of the Dunedin campus and completed new student accommodation facilities in both Dunedin and Cromwell. The Dunedin student residence, the largest cross-laminated timber building in New Zealand, has set a new standard for student accommodation and strengthened our offering to our students. These new accommodation facilities will also underpin further growth in international student enrolments at Otago Polytechnic – particularly at the Central Campus.

2017 also saw the Polytechnic engaging in significant future focused activity with our staff and in particular the adoption of a new vision: “Our people make a better world”, supported by a refreshment of our organisational values to align with this vision. We also updated our strategic goals, around which this annual report is structured, and appointed three new external executive team members to a smaller executive team of six, formed with the future in mind. The external appointees have brought with them significant skills in business development, education development and Māori development – all vital to our future success.

A key aspect of “making a better world” is our commitment to being a socially responsible member of our communities. To this end we sponsor several important community events and raise money for local charities through our charity house auction. In 2017 we celebrated a significant milestone, the raising of \$1m for local charities. For this celebration we held a “Million Dollar Dinner” which itself was successful in launching our efforts to raise the next million dollars.

There were also some changes in Council membership, and we are pleased to welcome to the Council Neil Barns who brings experience as both a former chief executive within the polytechnic sector and as a council member. Neil was appointed by the Minister for Tertiary Education, at the expiration of John Christie’s term as a member of the Council. John had been appointed in 2010 and the Polytechnic benefitted significantly from the way in which he used his business networks within Dunedin to support this

Statement of Responsibility

Annual financial report for the year ended 31 December 2017

We hereby certify that:

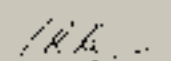
1. The Council and Management of Otago Polytechnic accept responsibility for the preparation of the financial statements and statement of service performance and the judgements used therein; and
2. The Council and Management of Otago Polytechnic accept responsibility for establishing and maintaining 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 2017.

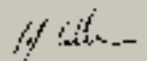
The financial statements were authorised for issue by Council on 18 April 2018.



K Grant
COUNCIL CHAIR



P Ker
CHIEF EXECUTIVE

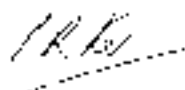


P Cullen
CHIEF OPERATING
OFFICER

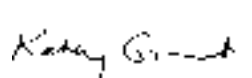
institution. We are also pleased to welcome Megan Potiki to the Council, appointed by the combined Rūnaka and we acknowledge the service provided by her predecessor David Higgins.

Otago Polytechnic has once again been successful on many fronts and could not have been so without the commitment, energy and innovation of our staff - we thank them sincerely. We also acknowledge our very many supporters in the community, from home stay parents to employers taking interns and a wide range of organisations providing practical learning experiences for our students.

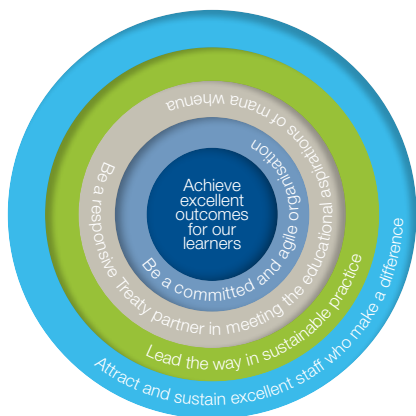
We look forward to 2018, keen to improve further on our achievements to date but with some trepidation given the expressed intentions of the Minister of Education to restructure the polytechnic sector in response to very real financial pressures which many institutions within the sector are facing. Otago Polytechnic is a strong, high performing and resilient organisation and even though we are budgeting for surpluses we, too, are facing financial pressures brought about by a funding system that is not fit for future purpose. We urge our owners to invest in the sector, and in a way which acknowledges the many successes of institutions like ours.



Phil Ker
CHIEF EXECUTIVE



Kathy Grant
COUNCIL CHAIR



Our strategy for success



These are our Strategic Goals. Achieving these goals demands an aligned strategy, interweaving our organisation's **Directions, Needs and Actions.**

Be a responsive Treaty partner in meeting the educational aspirations of mana whenua

Lead the way in sustainable practice

Attract and sustain excellent staff who make a difference

- > Improve engagement with industry and communities
- > Strengthen secondary tertiary partnerships

- > Embed sustainability in campus development
- > Embed education for sustainability in all of our programmes
- > Actively manage operations for improved sustainability

- > Strengthen our culture for improved staff engagement
- > Further strengthen the work environment to empower staff
- > Strengthen leadership
- > Recruit more Māori and Pacific staff

- > Develop a stakeholder and community engagement plan
- > Enhance relationships with Māori business
- > Advance Capable NZ partnership with Kāi Tahu

- > Implement our sustainability standards for new buildings
- > Reduce rate for landfill energy consumption, travel and IT footprints

- > Improve communications, especially with off campus staff
- > Address Priority 1 Work Environment Survey (WES) concerns
- > Develop emerging leaders
- > Implement our health and wellbeing strategy

Achieve excellent outcomes for our learners

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

Highlights

- > NZQA ranked us first in the ITP sector for qualification completions and progression to higher-level study, and second-equal for course completions and student retention
- > 96 per cent of our graduates are in work or further study, according to our latest Graduate Destination Survey
- > 92 per cent of our students are satisfied with Otago Polytechnic
- > Our Māori Centre, Te Punaka Ōwheo, had its first full year of operation, providing service and support for Māori, by Māori
- > 59 programmes were redesigned as part of our Designing for Learner Success initiative
- > Our Auckland Campus successfully piloted our new **i am capable** process which embeds transferable skills in the curriculum.

Pathway to excellence **FOR 2018**

- > Enhance self-assessment processes in all teams to maintain top NZQA quality rating
- > Embed **i am capable** at Auckland International Campus and pilot in Dunedin programmes
- > Further strengthen sustainable practice, experiential learning and learner capability in our curricula
- > Build academic staff capability in learning design, assessment practice and technology for learning
- > Assist all staff teaching on degrees and postgraduate programmes to be research engaged
- > Redesign support services for learners to enhance further academic and employment success
- > Strengthen our secondary-tertiary partnerships and delivery through new programmes and more engaging learning strategies
- > Implement our strategy for Pasifika success
- > Develop and strengthen our relationships with business, industry and international providers
- > Extend the Living Campus as a learning resource.

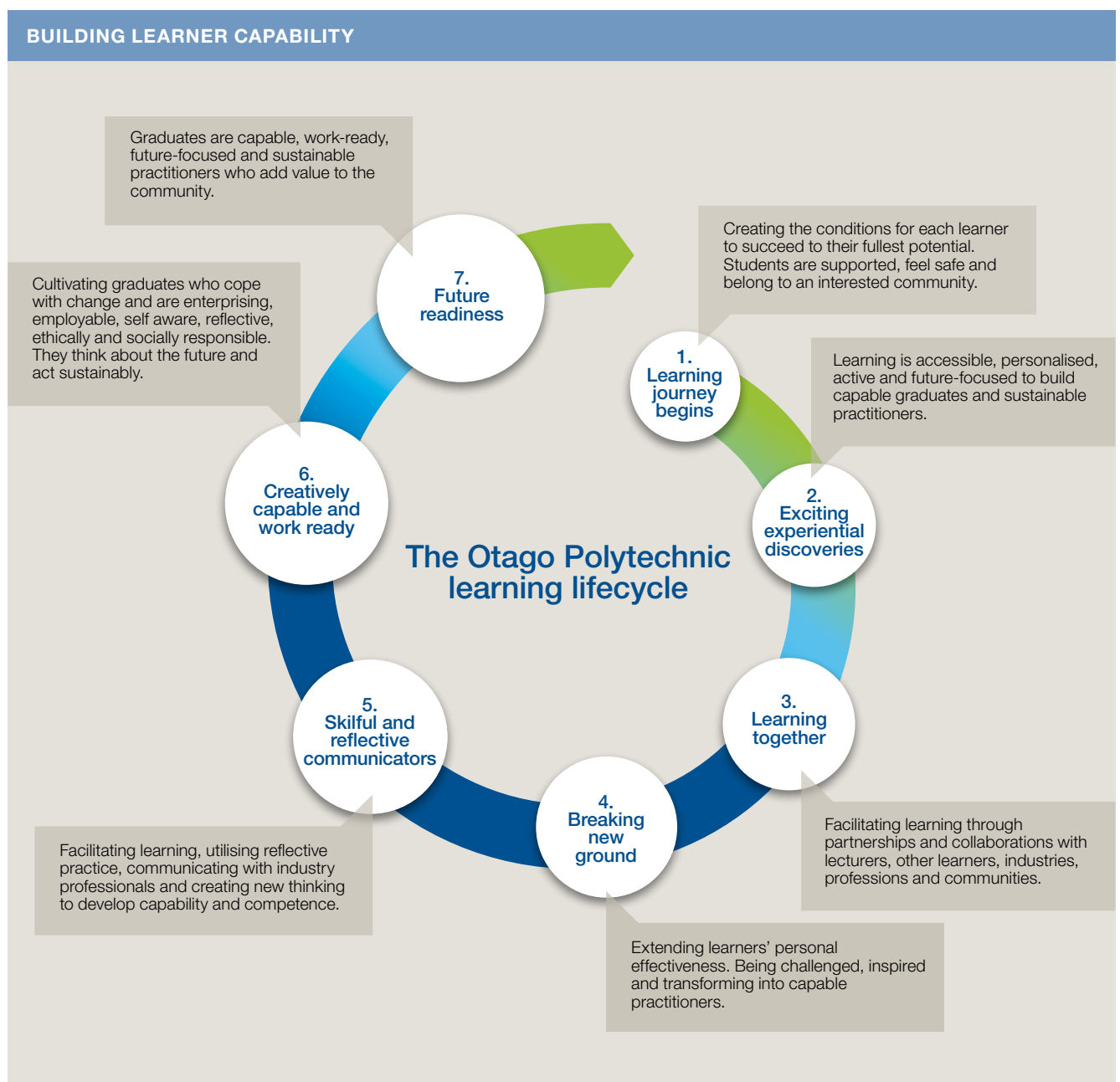
Aspirations **BY 2021**

- > A course completion rate of at least 90 per cent at degree level, and 80 per cent at lower levels, for all learner groups and courses
- > A qualification completion rate of 70 per cent for all learner groups and programmes
- > 100 per cent of permanent academic staff teaching on degrees are research engaged
- > Graduate employment rate 80 per cent.



Learning life cycles

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





Educational performance

TEC PRIORITY 3 Boosting achievement of Māori and Pasifika

Overall, Otago Polytechnic maintained its very high level of educational achievement placing us as one of New Zealand's top performing polytechnics. We maintained our top sector ranking for qualification completions in 2016, according to educational performance indicators released by the Tertiary Education Commission in 2017 – a 91 per cent qualification completion rate. The hPolytechnic also led the ITP sector for progression to higher-level study (49 per cent), and ranked second-equal for successful course completions (83 per cent) and student retention (77 per cent).

The overall course completion rate for 2017 showed a 0.3 per cent increase on 2016 figures, with the rates for Māori, Pasifika and under-25 students all improving on the previous year.

There was an overall decline in the 2017 qualification completion rate, which fell 9.8 percent from 2016 figures. This was partly due to the effects of the targeted review of qualifications, which resulted in us awarding 169 fewer certificates and diplomas than the previous year. Compared with 2016, we also awarded 70 fewer qualifications at Level 7 and above. However, there was a marked increase in the number of Pasifika students completing their qualifications – a 22.6 per cent jump at Level 3 and above, rising to 27 per cent at Level 4 and above.

Our 2017 SAC-funded participation rates remain similar to 2016, although there was a slight decrease in the participation rate for under-25s at Levels 3 and higher.

Despite an overall decline in the progression rate, Pasifika student progression increased by a pleasing 15.2 per cent, meeting our target of 50 per cent for this group of students.

Educational participation and achievement outcomes (% of total EFTS)

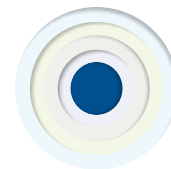
Student Achievement Component (SAC) funded students only; Provisional results

1. ACHIEVE PARTICIPATION RATES

Māori %	2017	2016	2015	Target
Level 3 and above	14	13.7	13.7	13.3
Level 4 and above	12.5	12.6	12.6	12.2
Pasifika %				
Level 3 and above	3.8	4.0	4.2	4.2
Level 4 and above	3.5	3.7	3.8	3.8
Under 25 %				
Level 3 and above	61.3	62.3	62.9	61.7
Level 4 and above	55.0	56.9	58.3	60

2. ACHIEVE SUCCESSFUL COURSE COMPLETION RATES

All students %	2017	2016	2015	Target
Level 3 and above	82.0	81.7	84	84.6
Level 4 and above	82.6	82.5	84.6	85.2
Māori %				
Level 3 and above	77.1	74.9	77.7	79.1
Level 4 and above	79.1	76	78.2	80
Pasifika %				
Level 3 and above	76.9	67.3	72.1	75
Level 4 and above	79.1	67.7	72.7	80
Under 25 %				
Level 3 and above	83.6	82.6	83.5	83.7
Level 4 and above	84.7	83.3	84	85



3. ACHIEVE QUALIFICATION COMPLETION RATES

All students %	2017	2016	2015	Target
Level 3 and above	72.9	82.7	79.4	89.4
Level 4 and above	74.6	84.4	80.5	90.9
Māori %				
Level 3 and above	75.4	81.4	72.5	85.9
Level 4 and above	80.0	83.7	73.6	87.8
Pasifika %				
Level 3 and above	84.6	62.0	58.6	75
Level 4 and above	89.4	62.4	59.7	75
Under 25 %				
Level 3 and above	65.8	67.9	73.7	77.6
Level 4 and above	66.9	68.0	74.3	78.2



4. ACHIEVE STUDENT RETENTION RATE

Overall %	2017	2016	2015	Target
Level 3 and above	79.6	80.2	75.9	76.7
Māori %				
Levels 3 and above*	74.4	75.4	72.8	71.5
Pasifika %				
Level 3 and above*	68	74.3	66.3	70



5. ACHIEVE STUDENT PROGRESSION RATE

Overall %	2017	2016	2015	Target
Levels 1-3, to a higher level	25.4	38.6	34.6	50
Māori %				
Levels 1-3, to a higher level	21.7	32.1	41.7	58.8
Pasifika %				
Levels 1-3, to a higher level	50	34.8	40	50

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





Student satisfaction

We employed a variety of methods to gather valid and reliable feedback from our student body in 2017. We used multiple platforms for students to engage, including pop-ups and apps. The response rates exceed the minimum requirement to be representative of the total student population.

Overall, we met or exceeded our target of a 90 per cent satisfaction rate in three reported categories in 2017. While it is disappointing we did not reach our targets in two of the reported categories, it is pleasing to note that overall student satisfaction is at 90 per cent.

Satisfaction with Otago Polytechnic

Student satisfaction				
	Target	2017	2016	2015
Overall	90%	90%	92%	93%
With services	90%	93%	93%	94%
With teaching	90%	89%	92%	91%
With programmes	90%	89%	91%	91%
With learning environment	90%	91%	93%	96%

Graduate satisfaction			
	2017	2016	2015
Graduate satisfaction with programme	94%	94%	94%
Target: 90% reported satisfaction with programme			



Graduate destinations

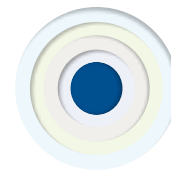
TEC PRIORITY 1 Delivering skills to industry

	2017	2016	2015
Graduates are satisfied with the quality of their programmes (Target: 90%)	94%	94%	94%
Graduates are working and/or self-employed (Target: 70%)	79%	74%	83%
Graduates are either working and/or studying	96%	94%	98%
Māori graduates are working and/or studying	99%	92%	100%
Pasifika graduates are working and/or studying	94%	95%	100%
Graduates are working in an area relevant to their qualifications	83%	82%	85%
Graduates are in full-time work	65%	62%	68%
Graduates whose post-graduation job is their first full-time job	32%	32%	34%

The Graduate Destination Survey was distributed in July 2017, approximately eight months after students completed their 2016 qualifications. It explored graduates' satisfaction with their experiences at Otago Polytechnic and how well they thought their qualifications prepared them for their careers. The survey reports on their activities as at 1 June 2017.

The number of graduates satisfied with the quality of their programme of study remained steady at a very positive 94 per cent, exceeding our target of 90 per cent. In addition, 92 per cent would recommend their programme to others, and 89 per cent considered their programme represented good value for money.

Results show that almost three-quarters of graduates were either working or self-employed. The median gross salary for these graduates was \$46,000, an increase from the \$41,200 reported in 2016. Graduates with a postgraduate degree had the highest median salary at \$61,000.



Female graduates earned an average of \$5,034 less per annum than their male counterparts, significantly better than the 2016 disparity of \$7,900. However, the biggest disparities were for those aged over 30 – the men were paid a median salary of \$71,000, with women sitting \$16,000 lower at \$55,000 – and at diploma level, where women took home a median salary more than \$15,000 lower than their male counterparts.

More than half of the employed graduates – 56 per cent – were working in Otago, with 7 per cent in Auckland and 8 per cent in Wellington. A further 11 per cent were employed in Canterbury.

In 2017, 96 per cent of graduates were in work or further study compared to 94 per cent in 2016.

Further study intentions of graduates

Results show 29 per cent of graduates were studying or had enrolled in further study at the time of this survey. An additional 10 per cent intended to study in the second semester of 2017. Overall, 38 per cent of graduates were undecided about their future study intentions.

Pasifika graduates were more likely than other graduates to be enrolled for further study, consistent with previous years' findings.

Of those students who had enrolled in study, 77 per cent were studying within the ITP sector compared with 17 per cent studying at a university. The vast majority – 65 per cent – were studying at Otago Polytechnic.

GRADUATE OUTCOME SURVEY								
	Employed earning wages or a salary		Self-employed		Not working or self-employed		TOTAL	
	n	%	n	%	n	%	n	%
Do not intend to do more study	141	16%	18	2%	35	4%	194	22%
Currently studying full-time or part-time	119	13%	11	1%	98	11%	228	26%
Currently enrolled to commence study	21	2%	0	0%	10	1%	31	3%
Intend to enrol in 2017 or 2018	70	8%	5	1%	13	1%	88	10%
Undecided at this stage	278	31%	29	3%	39	4%	346	39%
TOTAL	629	71%	63	7%	195	22%	887	100%





Designing for Learner Success (D4LS) initiative

Initiated in 2015, D4LS is an organisation-wide initiative to enhance the success of our learners by redesigning our academic programmes to better suit learners' needs, with a focus on experiential learning and learner capability development.

In support of this progressive redesign and redevelopment of our programmes, we are continuing to provide a series of upskilling and development opportunities for academic staff. The range of work has spanned core thematic areas within the tertiary learning and teaching domain of learning design, assessment and moderation and e-learning. Staff evaluation and feedback has demonstrated an increased capability in learning design and improved pedagogic competence and confidence.

Led by the Learning and Teaching Development Team in collaboration with the Quality Enhancement Centre (QEC), D4LS has managed the successful review and redesign of 59 programmes across nine Schools and Colleges between January 2015 and December 2017. A further 15 programmes will be redeveloped in 2018.



Student Support

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

TEC PRIORITY 3
Boosting achievement of Māori and Pasifika

TEC PRIORITY 4
Boosting adult literacy and numeracy

In 2017, we made a change to the way we record and report our student contacts. These are now defined as meaningful contacts of at least 15 minutes' duration with a student. For this reason, figures from 2017 are not usefully comparable with those of previous years.

Student contacts (appointments)	2017
Careers	1025
Māori/Kaitautoko	408
Pasifika	675
Disabilities and Well-being	1780
Learning Advisors	631
Student Advisor	996
Counsellors	681
International	1682
Total	7,878

Learning support

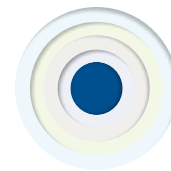
We provided 631 contacts with 449 students requiring learning support. Most of these students chose to access face-to-face support during regular opening hours, although Learning Advisors provided a range of options, including evening appointments, online support, small groups, in-class sessions, and pre-programme study skills workshops.

The teaching of academic writing skills remains the core part of the work of our Learning Advisors.

Student support

Our Student Advisors work with domestic students both on- and off-campus to ensure they are well-supported to participate fully in their studies.

As well as 996 contacts with 485 individual students, we facilitated 42 workshops and group sessions throughout the year focusing on study strategies and resilience.



Careers guidance

Our Careers team provided 1025 hour-long appointments to 671 students seeking support with decision making, career planning and employment preparation. In addition, the team worked with 492 prospective learners, offering careers and study advice and planning, and facilitated 89 workshops and seminars throughout the year.

We hosted 10 placement students from our Bachelor of Social Services who were specialising in career practice. These students engaged and participated in all aspects of Careers from individual appointments to facilitating workshops.

In a new initiative, we contacted all prospective learners who were not accepted into their chosen programme of study. We offered them career advice and other options for study that were aligned with their interests, both at Otago Polytechnic and other institutions. This process has now been permanently embedded into our work flow.

Māori students

Otago Polytechnic's Māori Centre, Te Punaka Ōwheo, continued to go from strength to strength in 2017. Te Punaka Ōwheo includes Poho, our Māori student common room, which continued to be well-utilised for breakfasts and lunches. Use of this space more than tripled to over 3700 visits. The Chief Executive has been a regular face on site, attending four different lunches during the year to hear feedback from our Māori students.

There were more than 400 individual appointments with Māori students in 2017, after all students were contacted during the application process to ask if any additional support was required. Once enrolled, they also received a welcome message from staff in Te Punaka Ōwheo, outlining our services. We held a number of workshops over the course of the year on topics such as scholarships, essays and exams, and living to a budget.

Pasifika students

A steady number of Pasifika students sought help relating to their studies and wellbeing concerns – approximately 15 per cent of our Pasifika student population. We provided 675 meaningful contacts to these students.

Otago Polytechnic joined the Polyfest as a way to promote our programmes and be more visible in the community. Otago Polytechnic and the University of Otago co-facilitated an APSTE-funded professional development event for Pasifika staff in in both institutions, which was well attended.

Shared lunches were held in the Pasifika Room each term and proved popular, and fortnightly homework evenings were also well supported by students.

Disability support and well-being support

We provided 1780 contacts for 418 students with a variety of concerns. Mental health challenges are the main reason students seek wellbeing support, and dyslexia is the most common disability identified.

Through a student placement project, we opened the Sensory Space on campus which was well-received by students and staff. This enhances our support and ensures our learners have the opportunity to broaden their skills in self-awareness, self-regulation and stress management.

Referrals into community agencies continued, with the main organisations being Workbridge, Mental Health Support Trust, Salvation Army and Otago Brain Injury Association.

Financial assistance and dyslexia assessments doubled from last year, and the funding gained from Inner Court Trust paid for three students to purchase Irlen lenses – which would have been out of their reach otherwise.

Counsellors

Our counsellors delivered a total of 828 appointments in 2017. This statistic is reflective of the new Wellbeing role created in 2016 with 1128 contacts recorded for 2017. This service complements counselling for its flexibility, responsiveness and accessibility for learners in a non-clinical environment. A general theme is students are presenting with significant anxiety issues, stress, depression, loneliness, uncertainty of employment, significant poverty while studying and uncertainty about the future.

A number of students experienced difficulty in their relationships with other students, either in class or in their flats. These relationship conflicts tended to be on top of their main presenting issue.

International support

Another increase in international students at Dunedin campus in 2017 made for another busy year for our International Support team.

In particular, our Study Abroad and exchange student numbers continue to climb in Business, Design and Art programmes.

Highlights included the Competency Assessment Programme for registered nurses, which had four international intakes totalling 109 students; we trialled a drop-in service for Engineering students; and our Work Ready Programme was well-attended with successful results.

We regularly monitored the progress and attendance of international students, to identify students at risk, and we provided advocacy for a number of health and academic issues. Continued assistance was given with visa renewals and medical insurance claims.



Research and Postgraduate studies

TEC PRIORITY 5 Strengthening research-based organisations

Research	Outcome 2017	2016	2015	Target 2017
The number of Research Degrees completed meets target of 30 for 2017-2018	32	29	17	30
The amount of external research income earned (\$000) meets target	\$53,739 Not achieved	\$496,920 Not achieved	\$892,111 Not achieved	\$800,000

The cornerstone for 2017 was a change in priorities and alignment with Otago Polytechnic's new Strategic Framework, shifting from 'Research and Enterprise' to 'Research and Postgraduate Studies' and a closer relationship between research and learning and teaching. This relationship was also newly embedded in the research terms of reference of the ITP sector. In addition, a focus on learner capabilities and staff research capabilities led to commencement of the Learner Capability Framework research at the Dunedin campus.

A new directorate was established and our enterprise focused workSpace studios transitioned into a student- and community-focused research facility, EPICentre. EPICentre has established itself as a valuable research hub for students and the community to come together to work on applied solutions to technical research problems. Over its initial 12 week launch period, 366 people visited the centre and 520 hours of support were provided by its two technicians.

In 2017, the Research and Postgraduate Studies Directorate prioritised the preparation of staff for the 2018 Performance Based Research Fund (PBRF) Quality Evaluation round. As a result, we had an unprecedented increase in research activity this year with a 45% increase in quality assured research outputs. This indicates that staff have been working on high quality research projects over the past few years in expectation of publication and other outputs for the PBRF round next year.

In order to increase our dissemination of research to our communities of interest, we published nine issues of our open access academic journal, Scope: Contemporary Research Issues. These included two special issues of Art and Design as an adjunct to the annual issue, a bi-annual issue of Kaupapa Kāi Tahu, two new themed issues of Health and Wellbeing and a re-launch of the Learning and Teaching and Flexible Learning

titles (three issues) which had previously been in hiatus. This was accompanied by an issue of our international publication, *Junctures: The Journal of Thematic Dialogue*. In addition to a plethora of open lectures and seminars we also hosted a number of significant research events including the Art and Revolution Symposium; Figuration, Feminism and Sculpture Symposium; iD Fashion Week's Metamorphosis Fashion Symposium; Powerful Assessment Conference and High Performance Conditioning for Rugby Workshop and Symposium.

There was a 10 per cent increase in postgraduate degree completions. Six candidates were accepted for the first intake of our Doctoral programme and more than 30 students for the new Applied Science postgraduate programme suite. This growth is signalling that postgraduate study is a developing area of focus for Otago Polytechnic, and an area we aim to grow further in the coming years.

Key Performance Indicators

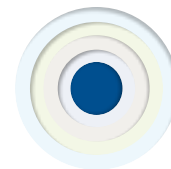
Performance Indicator(s)	2017	2016	2015
Number of research-active staff	168	150	160
Total number of quality assured outputs	523	361	355
Total number of master's degree completions	32	29	17
Total number of research outputs including quality assured outputs	642	Not reported	Not reported

Māori Research (staff)

The establishment and implementation of our Māori Research Plan has led to a very pleasing 57 per cent increase in the number of active Māori researchers in 2017 – and a more than four-fold increase in research outputs by these researchers. Another factor in this increase was a dedicated support programme for staff preparing for the 2018 PBRF round.

Researchers covered a wide range of subjects, including indigenous tourism, education and indigenous aspirations, physical activity in pregnancy, and immersive learning.

A major highlight for 2017 was the publication of the fourth edition of a Kaupapa Kāi Tahu edition of our research journal, Scope.



	2017	2016	2015	2014
Research-active Māori researchers	11	7	9	12
Research outputs by Māori researchers	46	17	15	21
Research outputs on Māori topics by Pākehā researchers	4	4	5	3

Delivering skills to industry

TEC PRIORITY 1 Delivering skills to industry

In response to continuing demand for skilled tradespeople both domestically and globally, we introduced several new programmes in 2017.

Designed to be undertaken as managed apprenticeships, the New Zealand Certificate in Light Automotive Engineering (Level 4) and the New Zealand Certificate in Automotive Engineering (Level 4) follow on from our Level 3 offering in this field. Our new New Zealand Certificate in Carpentry (Level 4) also follows this apprenticeship model.

Our New Zealand Certificate in Electrical Engineering Theory and Practice (Trade) (Level 4) is to be studied in conjunction with an apprenticeship, and learners attend weekly night classes, block courses and undertake some self-directed study.

For those employed as building surveyors by local authorities, we developed a work-based programme for those who need to meet Regulation 18 of the Building (Accreditation of Building Consent Authorities) Regulations 2006. The New Zealand Diploma in Building Surveying (Level 6) will be delivered in partnership with Future Skills, Building Officials' Institute of New Zealand and Skills Organisation.

Women continue to be under-represented in the fields of engineering and IT, and with this in mind, we awarded our inaugural Women in IT and Women in Engineering Scholarships in 2017. The recipients received \$1000 towards their fees for each year of study.

In its third year, Capable Training continued to build on its successes throughout 2017. It offered a suite of 19 programmes delivering leadership, business excellence and emotional intelligence development to 252 participants.

In 2017 we launched our new micro-credential service – EduBits, which we are developing as our principal means of delivering in-house training to industry and community organisations.





Pathways to higher learning

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

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

Farmhand

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

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

Otago Secondary-Tertiary College

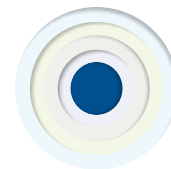
The Otago Secondary-Tertiary College is an active partnership between Otago Polytechnic and all Otago secondary schools. It provides a range of learning experiences that enable senior secondary students to have a taste of learning at Otago Polytechnic and working in a trade environment.

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

In 2017, its seventh year, we offered programmes in Hospitality, Cookery, Health and Well-being, Carpentry, Automotive Engineering, Agriculture, and Hair and Beauty. These were funded by TEC's Trades Academy channel. We also offered a new delivery in Dunedin – Manaaki Tauira – in collaboration with Kōkiri Training Centre. We recorded a pleasing 91 per cent attendance rate overall, up two per cent on the previous year.

There was a large increase in the number of Central students who did not complete the 2017 programme – 19 students compared with just five in 2016. However, this is primarily due to a marked increase in the number of students who took up employment or apprenticeships throughout the year, as opposed to at the end of the programme.

			2017	2016	2015
Number of enrolled students:	Central		59	66	67
	Dunedin		65	54	29
Results: Successful completion	Central		40	61	56
	Dunedin		51	42	27
Did not complete	Central		19	5	11
	Dunedin		14	12	2
Destinations: Further study	Central		7	12	13
	Dunedin		20	19	13
Employment/ Apprenticeship	Central		23	23	26
	Dunedin		11	17	3
Returned to school	Central		23	27	23
	Dunedin		26	11	11
Unknown/ Other	Central		6	4	5
	Dunedin		8	7	2



Connecting the generations

When Midwifery student Tyla-Jaide Jones learned Queen Mary Maternity Hospital needed knitted baby clothing, she mobilised a team of master knitters to come to the rescue.

She contacted retirement homes in Dunedin and supplied their avid resident knitters with wool and patterns, resulting in dozens of booties, singlets and hats for Dunedin's newest citizens.



Bringing theatre to life

A team of Communication Design students helped bring a vivid fantasy world to life for the Fortune Theatre's 2017 production, *Into the Woods* – the second such collaboration in as many years.

Lecturer Jon Wilson and a team of students worked with the director Jonathan Hendry to integrate animation with human actors to create an imaginary world.

Queen's honour for student

Nursing student and anti-bullying campaigner, Ashleigh Smith, travelled to London to receive a Queen's Young Leader Award from Queen Elizabeth II.

Ashleigh was recognised for her work with Sticks n Stones, a youth-led group devoted to empowering young people to recognise and stand up to bullying.





Design students among country's best

Nine Design students were named as finalists in the prestigious national Best Design Awards, established by the Designers' Institute of New Zealand.

The celebrated projects include a graphic campaign promoting the importance of voting; a series of Roller Derby-themed 'zines; a high-tech children's wheelchair; and a device for administering injections to livestock.

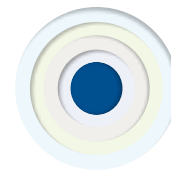


World first technology for students

Otago Polytechnic students were the first in the world to use the latest GPS sport technology, while Real Madrid, the Wallabies and Chelsea Football Club remained on the waiting list.

GPSports designed the micro-sensor units to reduce injury risk during training, and a certificate on how to use and monitor them has been built into our Graduate Diploma in Applied Science (Analysis and Conditioning Specialties).





Students to build a plane

In a New Zealand first, our Engineering students are preparing to build a kitset aeroplane as part of their studies.

The Van's RV-12 has a nine-metre wingspan, and will be built and supervised under Civil Aviation rules and regulations over the next three years.



Graduate wins Apprentice Challenge

Otago Polytechnic Carpentry graduate, Chris McLean, won the national 2017 NZ Certified Builders Apprentice Challenge, taking home the coveted Ken Reed Trophy.

Fourteen regional winners competed in the final, which involved building a go-kart, submitting a portfolio, being interviewed by a panel of experts, and delivering a presentation.

Be a committed and agile organisation

This goal means we are future-focused and highly adaptable, our operational processes are sustainable and our organisation and management is world class. We invest in appropriate innovation and development, make a consistent annual operating surplus to fund future investment and collaborate effectively to achieve our objectives.

Highlights

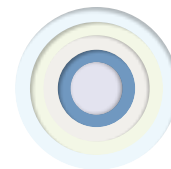
- > We achieved a financial surplus of 34% in what proved to be a challenging year for enrolments throughout the ITP sector
- > We launched our micro-credentials service, EduBits
- > We further embedded our new formal leadership positions and structures, and our self-leading teams
- > International student numbers grew overall by 57 per cent, to 1252.5 EFTS
- > Auckland International Campus student numbers increased 80 per cent, to 935 EFTS
- > 98 per cent of staff reported that Otago Polytechnic is a great place to work
- > We reviewed and implemented our refreshed vision, mission and strategic goals
- > Our value to the Otago economy is \$315 million a year, according to our latest Economic Impact Report
- > We supported 3079 FTE jobs nationally as a result of direct Otago Polytechnic expenditure
- > We completed new student accommodation at both Dunedin and Central campuses.

Pathway to excellence **FOR 2018**

- > Grow our EduBits service, including through fee for service training in industry
- > Diversify revenues at our Auckland International Campus
- > Further increase international student numbers and develop international fee for service initiatives
- > Respond to all Priority One actions from 2017 Work Environment Survey
- > Implement next stage of our Campus Redevelopment Plan
- > Introduce new programmes for all campuses, responding to industry demand and changing technologies
- > Improve the viability and sustainability of Central Campus
- > Establish a branch of CapableNZ in Auckland, to grow the North Island market.

Aspirations **FOR 2021**

- > Operating surplus 5 per cent before improvement investment
- > Teaching costs 55 per cent of total costs
- > SAC domestic fee revenue 62 per cent of total
- > NZQA Category 1 status maintained – double high confidence
- > NZBEF gold award.



Financial Sustainability

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



Target: Budgeted surplus \$4,214k for 2017 is achieved

2017	2016	2015
Not achieved: \$2,909k	Not achieved: \$3,269k	Not achieved: \$3,051k



Target: Low risk status is achieved

2017	2016	2015
Achieved	Achieved	Achieved

Otago Polytechnic achieved a sound financial result within the context of a challenging tertiary background, with increasing competition for a shrinking learner catchment. Our EFTS enrolments increased by six per cent on 2016 and were 1.7 per cent above budget overall.

Our net operating surplus of \$2.92 million was short of our goal of \$4.21 million. International student fee revenue exceeded budget, however domestic student fee revenue was behind budget targets. This was partly compensated for by other income which exceeded expectations. Expenses overall were unfavourable to budget, primarily within staffing expenses.

Capital expenditure at \$24.9 million is lower than budget by \$4.3 million, reflecting the timing of expenditure on our campus redevelopment and the construction of Te Pā Tauira – the Otago Polytechnic Student Village.

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

In 2017, we continued to focus on our metrics, both financial and non-financial, and used these to help drive further improvements.

Objectives

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





SSP – Financial Sustainability

(measures improve over prior year)

—	Surplus as % of income Actual 2017 3.4% Actual 2016 4.2%	✓	Teaching costs : Teaching revenue Actual 2017 53.6% Actual 2016 55.2%
—	Working capital Actual 2017 47.7% Actual 2016 50.2%	—	Research costs : Research revenue Actual 2017 179.6% Actual 2016 140.8%
—	Debt equity ratio Actual 2017 8.3% Actual 2016 0.0%	✓	Total revenue : Total FTEs Actual 2017 \$165,944 Actual 2016 \$151,437
—	Cash in/Cash out Actual 2017 115.3% Actual 2016 115.9%	—	Teaching revenue : Teaching FTEs Actual 2017 \$228,451 Actual 2016 \$223,461
—	Total costs : Total revenue Actual 2017 96.7% Actual 2016 95.8%	✓	Research revenue : Research FTEs Actual 2017 \$187,323 Actual 2016 \$85,038
✓	Personnel costs : Total revenue Actual 2017 50.3% Actual 2016 55.7%		

Internationalisation

TEC PRIORITY 6 Growing international linkages

Internationalisation is a process for diversifying our campuses and for differentiating our learner experience. 2017 was another busy year as we continued to position ourselves globally.

We aspire to produce graduates who can work effectively in other countries and cultural settings, and are well-placed to succeed in what is increasingly a global workplace.

Study Abroad

There were 44 Otago Polytechnic students who completed part of their study programmes abroad in 2017, a 22 per cent increase on 2016. In addition, 12 staff members availed themselves of the opportunity to share ideas and experiences with overseas partner institutions – 50 per cent more than in 2016.

The number of international students coming to Otago Polytechnic on Study Abroad programmes has also continued to rise, with 70 such students in 2017 compared to 67 the previous year.

We aspire in 2018 to achieve more equal numbers of outgoing and incoming Study Abroad students.

We were successful in securing Prime Minister's Scholarships to Asia (PMSA) for ten Design students to spend six weeks in China, where they attended the Shanghai Art and Fashion Exhibition and studied at a number of our Chinese partner institutions. One of our Bachelor of Information Technology students also won a PMSA, and spent a semester studying in Japan.

Consolidating relationships in China

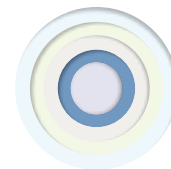
We again welcomed groups of students from Nanjing Institute of Technology and Shanghai Institute of Technology. Engagement with the latter institute also involved an Otago Polytechnic staff member teaching an intensive physical conditioning course.

We continued to deliver the Bachelor of Engineering Technology in China, in partnership with Dalian Ocean University. Three Dalian Ocean staff, who will work closely with our Engineering lecturers in China, undertook a semester of learning in our Engineering school.

Three staff from Xi'an University spent a semester at our Dunedin and Auckland campuses learning about the teaching practice in our Business and IT programmes. We identified opportunities for future partnership, particularly articulation into our undergraduate and postgraduate programmes, and teacher training.

We delivered a short teacher training course to 19 teachers from Guangdong Construction Vocational Technology Institute. Satisfaction with the programme was high, and the delegation expressed an intention to return to Otago Polytechnic in 2018.

In November, Dunedin welcomed the Deputy Mayor of Shanghai to the city. A visit to our Dunedin campus was affirmation that Otago Polytechnic is recognised as an active partner in the Dunedin-Shanghai sister city relationship. In acknowledgement of the support we have given the Shanghai Summer School, we were awarded a full scholarship from the Shanghai University of International Business and Economics to its master's programme in international business.



Japanese partnerships

A key objective for 2017 was the securing of new, quality business, primarily initially in the short course space. We achieved this with the establishment of five new institutional relationships, resulting in several inaugural cohorts of students studying at Otago Polytechnic throughout 2017.

We welcomed 153 short-course participants from Japan in 2017, a 50 per cent increase on the previous year, as well as 16 Kanazawa Technical College students for a full year of study.

Developments in North America

We have continued to support the efforts of Education New Zealand as it seeks to raise the profile of the New Zealand ITP sector in the United States. We see a lot of potential for articulation from the community college sector to our bachelor's degree programmes. A student from one of our oldest partner institutions, South Puget Sound Community College, was the highest achieving graduate in 2017.

We delivered a new, four-week credit-bearing course on sustainability and biculturalism to Humber College, Toronto. Students and staff from Saskatchewan Polytechnic and Central Community College, Nebraska, also attended, and participants evaluated the programme highly.

Our relationship with Humber College has evolved into the Global Polytechnic Alliance, along with a third partner, VIA University College in Denmark. The Alliance builds upon collective expertise to strengthen the profile of polytechnic education globally, and simultaneously advance the global and strategic objectives of the participating institutions.

International visits

In May, we were pleased to host a delegation representing nine Thai universities of technology who are seeking expertise in vocational education at tertiary level.

Later that month, the Mexican Ambassador to New Zealand visited us, conveying his government's interest in making connections with the ITP sector here.

Our international student numbers continued to expand with a 57 per cent increase overall in 2017, largely due to rapid growth at our Auckland International Campus. Pleasingly, all campuses exceeded their forecast EFTS targets. Our Dunedin and Auckland campuses each experienced a rise in international students, but Central declined from 47 students to 40. In part, this is attributable to a change in legislation regarding eligibility for the Post Study Work Visa.

INTERNATIONAL STUDENT NUMBERS BY EFTS

Campus	Target 2017	2017	2016	2015	2014
Dunedin		277	227	196	219
Central		40	47	31	14
Auckland International Campus		935	521	376	270
Total	800	1252	795	603	503

Launch of micro-credentials service

TEC PRIORITY 1 Delivering skills to industry

We launched our new micro-credentials service, EduBits. The service is one of three micro-credentials pilots being run by NZQA in response to the Productivity Commission's report on tertiary education.

Our EduBits launch in Dunedin in July was attended by 67 representatives from local industry, local government, the Otago Chamber of Commerce and TEC. The launch was followed by a briefing event in Wellington, co-hosted with Primary ITO, in August. This attracted 55 attendees from NZQA, TEC, the Ministry of Education and primary industry. Both events allowed us to hear directly from these interested parties and learn how EduBits can work for them for them.

Our 2017 initial offerings for individuals comprised EduBits for Microsoft Office skills, and in professional skills. For workplaces, we developed bespoke EduBits for the Primary ITO, created the first tailor-made credentials for the Southern District Health Board and developed three EduBits for electric vehicle maintenance. We will further develop our EduBits portfolio in 2018.

Te Pā Tauira – Otago Polytechnic Student Village

As part of our five-year, \$60 million Campus Redevelopment Plan, we continued construction of our \$20 million, 231-bed furnished residential village.

Te Pā Tauira – a name kindly gifted to us by Ōtākou Rūnaka – is set to open in 2018, offering fully-catered single rooms, self-catered studios and four-bedroom apartments.

Constructed with the environment firmly in mind, Te Pā Tauira uses sustainable materials throughout, including laminated timber within its unique structural frame. It will be managed by global student accommodation specialist Campus Living Villages who operate in prominent locations around the world.



BE A COMMITTED AND AGILE ORGANISATION

New developments at Central campus

The Central Otago region experienced rapid growth in 2017, and our Central campus continued its focus on trades training to support local industries.

Planning continued for the development of the Bannockburn Road site, where we will consolidate all three current Central campus sites. We obtained resource consent for the construction of a large trades building to house Automotive, Construction and Craft Brewing programmes, and building is expected to get underway early in 2018.

In October, we began the construction of our new 25 bed student accommodation complex on Molyneux Avenue. This is a crucial development in light of a worsening shortage of rental accommodation in the Central Otago region.

Throughout 2017, many staff undertook development work on the new NZ Certificates in Horticulture in readiness for delivery in 2018, along with Snowsports Instruction and Avalanche Risk Management programmes to be delivered for the first time in winter 2018.

Staff continued to work hard to develop external revenue streams and there was a pleasing increase in revenue from plant and fruit sales.

Education Foundation strengthened

TEC PRIORITY 5 Strengthening research-based organisations

The Otago Polytechnic Education Foundation funds development and community-involvement opportunities for staff and students, as well as educational technology and services, and sustainability initiatives.

The Foundation was bolstered by two fundraising initiatives in 2017. Our annual Education Open golf tournament was popular once again with 23 teams taking part, raising \$15,000. A further \$30,000 was raised at our Million Dollar Dinner, a fundraising event in recognition of a special milestone for our long-running Charity House project – over its 11-year history, it has raised more than a million dollars for Otago charities and community groups.

Auckland International campus

Our Auckland International Campus piloted our learner capability framework, 'i am capable', which will eventually sit alongside the academic framework of all Otago Polytechnic programmes. Students are assessed transferrable skills that employers tell us they want to see in graduates, irrespective of their field of study. It is anticipated that in Auckland, we will complete approximately 1,000 **i am capable** profiles in 2018.

Our new Auckland International Campus web sub-site was launched successfully in 2017, providing a dedicated repository of information for our students and prospective learners and influencers.

Our campus environment was enhanced with a new design for our third level, with ultra-modern and well-equipped learning rooms. We also completed planning for improvements to our staff spaces, and the optimisation of space throughout the rest of the campus.

Throughout the year, we recruited staff to manage our African, Middle Eastern, Southeast Asian and South American channels. Further strengthening our team, we employed a new business development manager, a technology solutions specialist and a digital marketer.

In addition, we developed a new programme, the Bachelor of Construction, which we look forward to delivering from 2018.

Striving for improved business excellence

In support of our journey toward excellence, we adopted the Baldrige Framework in 2011 to ensure alignment of all of our 70 self-leading teams.

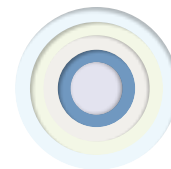
Three staff members were selected to take part in the 2017 Baldrige Study Tour – Deputy Chief Executives Jo Brady and Oonagh McGirr, and Director Learner Services, Brayden Murray – and gained insights into leading practices from five flagship Baldrige organisations in the United States: McCarthy Construction, Ingenium Charter Schools, Charleston Area Medical Centre, Don Chalmers Ford and Jaynes Corporation. The group also attended the Baldrige regional conference in Arizona, and visited organisations in the fields of education, health, sales and construction.

In May, we hosted an inbound Baldrige expert, Mary Searcy Bixby, founder, president, and CEO of the Charter School of San Diego and recipient of the 2017 Harry S. Hertz Leadership Award.

Together, these experiences informed a range of exciting improvement initiatives around performance excellence, lean improvement and the implementation of our new vision, mission and values.

Economic Impact Report

Otago Polytechnic's latest Economic Impact Report, released in 2017, revealed total expenditure of \$314,680,000 in the Otago region in 2016, a 24 per cent increase on the previous year. In Dunedin, the \$161,740,000 of total value added constituted 3.4 per cent of the city's gross domestic product.



Otago Polytechnic had 4807 EFTS in 2016 – an 11 per cent increase on 2015 – and noted strong domestic demand for programmes in health and wellness, community, trades, creative industries and information technology.

Approximately 57 per cent of 2016 students came from outside Otago: 32 per cent from the North Island; 16 per cent from overseas; and the remaining 9 per cent from elsewhere in the South Island.

We employed 674 staff for 519 FTE positions. In addition, 3079 FTE jobs were supported throughout the national economy as a result of direct Otago Polytechnic expenditure, 2596 of them in Dunedin.

Health and Safety

We continued to strengthen our safety and wellbeing culture throughout the year.

In testament to our efforts to improve our health and safety culture over recent years, there was a 30 per cent decrease in reported incidents, down to 179 incidents from 254 in 2016. We have noticed steady behavioural change due to our continued emphasis on reporting, as well as our promotion of corrective and preventive actions.

Reported incidents in 2017

Of the 179 reported incidents, 51 per cent resulted in minor injury or harm. The 90 harm-related incidents reflect a 38 per cent reduction from the 144 reported incidents in 2016.

The incidents involved 86 staff, 82 students, one contractor and 10 visitors/third parties. Wrist and hand injuries were the most prevalent, followed by leg and head injuries.

Regrettably, there was one notifiable event involving a student.

	Number of harm-related incidents		Percentage of harm-related incidents	
	2017	2016	2017	2016
Notifiable events (serious harm)	1	0	1	0
Incident requiring medical treatment	51	65	57	45
Incident requiring First Aid	35	65	39	45
Non-injury incident	3	14	3	10
Total	90 (179)	144 (254)	51	57

Risk management

We continued our review of risks at programme- and service-level with a focus on chemical and hazardous substance management, manual handling, ladder management and physical machinery assessments. This allowed us to further understand how staff and students interact with hazards and risks to ensure appropriate elimination or mitigation strategies are consistently in place.

It was satisfying that following the introduction of a poster campaign in one of our schools, there was a marked reduction in knife-related injuries during 2017.

Auditing

Otago Polytechnic reviewed the internal hazard and risk identification audit programme and introduced an electronic version. The revised audit programme is more sustainable and allows for a smooth feed into the larger annual reporting task.

We achieved significant benefits from being online, including the introduction of a compliance score which has not been available in the past. Importantly, each year's scoring can be reviewed to ensure continuous improvements are being made year on year. Reporting for 2018 will be reflective of this capability.

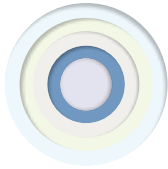
Health and Wellbeing Strategy

Our staff continued to have access to a variety of wellbeing initiatives via our Wellbeing Framework.

Our Springin2it programme was redeveloped and launched as WHAM – Workplace Health Activity Management. This differed from previous years as it wasn't solely focused on active minutes, number of steps, water intake, and fruit and vegetable consumption.

A number of employees with an interest in the area of mental health formed a group, featuring representatives from the People and Culture team, Student Success, Te Punaka Ōwheo and Nursing. This group will continue to develop in 2018.

The Polytechnic took part in Mental Health Awareness Week and ran a fun-day during Mental Health Awareness Day in October.



Japanese delegation welcomed

We hosted a group of 10 international directors and teaching professors representing several Japanese universities and colleges of technology.

The visit was organised by Education New Zealand and Air New Zealand, and the delegation spent half a day touring the Otago Polytechnic Dunedin campus.



Guangdong partnership flourishes

A delegation of 17 lecturers from Guangdong Construction Polytechnic spent three weeks in Dunedin, gaining insights into how Otago Polytechnic trains apprentices.

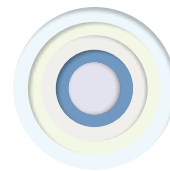
Among the top 100 vocational colleges in China, Guangdong Construction Polytechnic is looking to enhance its delivery of programmes in accordance with the Chinese Government's desire for a more practical, student-centred education model.

Student wins Scholarship

Otago Polytechnic student Oliver Johnston won a Prime Minister's Scholarship to Asia, and will travel to Malaysia in 2018.

The Bachelor of Applied Management student will spend 18 weeks studying international business at Taylor's University near Kuala Lumpur, gaining credits for his qualification.





Student Village Open Day

From the curious to the committed, more than 170 visitors enjoyed a tour of Otago Polytechnic's Student Village in November, ahead of its opening in 2018.

The purpose-built, 231-bed complex was constructed using sustainable principles, and includes a unique, cross-laminated timber structural frame.

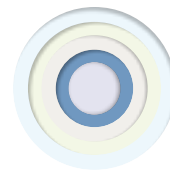




Spanning the generations

Three Central campus Cookery students enjoyed a unique master-class from one of the country's best-known chefs, as they catered to tourists aboard the vessel *Flightless* in Dusky Sound.

The trip was a joint venture between the Polytechnic, Moeraki chef Fleur Sullivan and tourism operator Pure Salt, to showcase New Zealand cuisine and scenery.



Distinguished Alumni Awards

We honoured 13 of our alumni for their notable contributions to society through their professions or through their community and social engagement.

Our 2017 Distinguished Alumni Award recipients included prominent artist, Kushana Bush, professional endurance athlete, Lisa Tamati, and project manager and community volunteer, Christian Erick.



Shanghai exhibition showcases Dunedin

A stunning exhibition was shown at Shanghai's YuYuan Garden Exhibition Hall in May and June, featuring contemporary art and fashion from 33 Dunedin artists and designers.

The result of a collaboration between Otago Polytechnic's School of Design and Enterprise Dunedin, Anything Could Happen was inspired by the sister-city relationship between Dunedin and Shanghai.



Be a responsive Treaty partner

in meeting the educational aspirations
of mana whenua

This goal means we engage effectively with our iwi partners to better understand their needs and expectations. We develop Otago Polytechnic to be a place where our Māori staff and students can work, learn and live as Māori. We support our Māori learners so that they succeed at the same or a higher rate than non-Māori learners.

Highlights

- > Our first full year of Te Punaka Ōwheo, our dedicated Māori Centre which provides support services, advice and guidance to Māori learners
- > Published our fourth edition of our research journal, Scope: Kaupapa Kāi Tahu
- > Developed EduBits for components of our Certificate in Mata ā Ao Māori
- > Presented at the World Indigenous People's Conference on Education in Canada
- > Conducted a short course on bicultural perspectives for US and Canadian students
- > Developed our AMA - Advancement of Māori – Otago Polytechnic's Māori Workforce Strategy.

Pathway to excellence **FOR 2018**

- > Increase the proportion of new staff who identify as Māori
- > Ensure staff have a baseline cultural competence (i.e. in Māori cultural practices, introductory Māori language, the Treaty of Waitangi, culturally inclusive pedagogies)
- > Foster Māori research and contribute to the advancement of mātauraka Māori
- > Grow Māori enrolments in Capable NZ through iwi partnerships.

Aspirations **FOR 2021**

- > Have an effective partnership with Kā Papatipu Rūnaka ki Araiteuru, Te Rūnanga o Ngāi Tahu in Te Waipounamu and Te Rūnanga o Ngāti Whātua in Auckland
- > Otago Polytechnic is recognised as a place where Māori can work and learn as Māori
- > Māori knowledge and perspectives are embedded in all programmes
- > The proportion of Māori staff at least matches the proportion of Māori learners
- > Māori learner success equals or exceeds the rate for non-Māori
- > Māori learner participation is 16 per cent of domestic EFTS.



Community Collaboration

Quadrant – Earning the confidence of our community

Annual feedback from Kāi Tahu – combined Rūnaka

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

2017	2016	2015
Achieved	Achieved	Achieved

Otago Polytechnic economic impact is reported

2017	2016	2015
Achieved	Achieved	Achieved

There were several notable appointments in 2017, not least that of our new Kaitohutohu/Deputy Chief Executive Māori Development, Janine Kapa. Janine has been involved in Māori education for more than 25 years, and joins us from the University of Otago Business School where she was the Associate Dean Māori. She succeeds Emeritus Professor Khyla Russell in the role, joining our Executive Leadership Team.

Megan Potiki joined our Council as Mana Whenua Representative, bringing with her a wealth of experience and knowledge in Māori education and te reo Māori.

We appointed Ron Bull as Tumuaki, Whakaako, a position that sits at Directorate-level and focuses on staff capability and culture, to ensure iwi Māori aspirations are woven into the culture of the organisation. Embedding Māori knowledge into all qualification areas and tikaka Māori within Otago Polytechnic's environment will ensure all of our graduates leave us better prepared to work within bicultural contexts in their future careers.

There are two other Tumuaki positions, also at Directorate-level: Rebecca Williams is Tumuaki, Te Punaka Ōwheo, with oversight of our Māori Centre and Māori student support; and the role of Tumuaki, Rakahau Māori, with the remit of Māori research, was appointed at the end of 2017.

Māori Strategic Framework (MSF)

One of our core priorities is to see our Māori Strategic Framework embodied in all Colleges, Schools and Service Areas throughout the Polytechnic. We are guiding academic staff through the process of redesigning their programmes through Designing for Learner Success (D4LS), assisting them to build more industry-specific Māori knowledge into their teaching.

With this goal in mind, in 2017 we awarded our inaugural Staff Awards for Excellence in the implementation of the MSF. The recipients were Kaitautoko, Rebecca Swindells; Nursing Principal Lecturer, Mereana Rapata-Hanning; and People and Culture Administrator, Catherine Lindsay. These Awards recognise staff who foster excellence in Māori participation and learning success; Kāi Tahu/Māori leadership; the development or delivery of programmes where Māori values are understood and recognised; or who undertake research with outcomes that benefit or meet the development aspirations of Kāi Tahu/Māori. Up to three of these Awards can be given in any year, each to the value of \$2,000 to be spent on professional development.

Our Kaitohutohu Office and People and Culture team developed a strategy and action plan, Advancement of Māori (AMA), aimed at attracting and sustaining a Māori workforce at Otago Polytechnic in line with our MSF goal to ensure the proportion of Māori staff is reflective of that of the wider population.

In addition, we formed a collective of Māori academics and research-active staff, called Te Kāhui Rakahau Māori. The group is working to increase the profile of Māori research being undertaken across the organisation, and will host a Māori research symposium in 2018.

Increasing Māori educational opportunities

In 2017, 281 qualifications were awarded to 267 Māori learners, and our Māori Pre-graduation Ceremonies held at Te Punaka Ōwheo were well attended.

Building on three previous years of success, Capable NZ again offered a specialist service to iwi and hapū business and community leaders wishing to gain formal qualifications in recognition of their skills and knowledge.

Of the 25 students who began their learning in 2017, 18 identified as Kāi Tahu, 24 undertook the Bachelor of Applied Management and one began a Bachelor of Social Services. None of the cohort members completed their study in 2017, but all have re-enrolled for 2018.



Certificate in Mata ā Ao Māori

The courses within this Certificate continue to provide our staff with the opportunity to advance their knowledge and awareness of tikaka Māori in order to apply or embed their learning in their teaching or professional practice.

Throughout 2017, we developed a framework for a set of micro-credentials in Te Ao Māori, which will be delivered under our EduBits brand in 2018. These will eventually replace our Certificate in Mata ā Ao Māori in 2019.

Te Pā Tauira

We consulted closely with Kā Papatipu Rūnaka ki Araiteuru to ensure Kāi Tahu knowledge was integrated in the process of developing Te Pā Tauira, our new Otago Polytechnic Student Village.

The concept of ara honohono – multiple interconnecting pathways – is central to the design focus and originated from discussions with Tahu Potiki and Emeritus Professor Khylla Russell. Ara honohono captures elements of the history of the area in and around Otago Polytechnic's Dunedin campus. It was not previously a place of permanent dwelling, but an intersection point for journeys on foot and in waka, and even bird migration pathways. The concept also embodies the nature of our students' journeys in education at Otago Polytechnic and in their lives beyond our walls.

Scope: Kaupapa Kāi Tahu

The fourth iteration of our research journal, Scope: Kaupapa Kāi Tahu, was published in 2017, with contributions from members of Te Kāhui Rakahau Māori and other local Māori academics.

The publication was inspired by an exhibition held at COCA gallery in Christchurch, curated by Paemanu – the Ngāi Tahu Contemporary Visual Arts. The exhibition, Nohoaka Toi, took visitors on a journey of Kāi Tahu art, from rock art to the present day.

Scope: Kaupapa Kāi Tahu provided a record of that exhibition and reflections on its contents, providing reference points for further exploring the concept of ara honohono.





The story behind the storeys

Te Pā Tauri – Otago Polytechnic Student Village has connections that reach back through generations: each of its five storeys is named after local iwi.

Hawea, the name of the ground floor, refers to the oldest tribe in the southern Kāi Tahu rohe. Moving up through each level – likened to a midden – offers a chronological reference to subsequent inhabitants of this area: Rapuwai, Waitaha, Māmoë and Tahu.



Cultivating relationships

Our Kaitohutohu and Tumuaki, Whakaako have been developing relationships with indigenous communities in Canada, after accepting invitations to visit partner institutions and attend two significant First Nations cultural events in Saskatoon and Vancouver Island.

The connections were forged via the Post-Secondary International Network (PIN), to which each of the respective institutions affiliate.

Following presentations at the World Indigenous People's Conference on Education in Toronto in 2017, Janine Kapa and Ron Bull visited Colleges and Institutes of Canada (CICan), Saskatchewan Polytechnic and Medicine Hat College, meeting with and presenting to members of the leadership teams to explore synergies and opportunities to work together. Visits were also made to Humber College and Algonquin College.



Constructing cultural understanding

A group of 14 learners travelled to Otago Polytechnic from Canada and the United States to undertake a month-long short-course, **Constructing Culture: Understanding a Bicultural Perspective**.

The students undertook field trips, participated in putting down a hāngi for a local primary school and attended a two-day wānaka at Puketeraki Marae.

A successful redesign

Our NZ Certificate in Health and Wellbeing was redesigned in 2017 with tikaka Māori at its foundation, and already its teachers are seeing a difference in student engagement and outcomes.

“If our Māori students are not achieving, that says to me that we are failing to provide a learning environment for those students,” says Principal Lecturer, Jenny Rudd. “We are seeing that bicultural programme content and delivery is of benefit to all students.”





Doctorate in sights for educator

Life is busy for Mawera Karetai (Kāi Tahu; Kāti Māmoe; Waitaha), but that's the way she likes it.

The business owner, educator and mother of four is one of the first students undertaking Otago Polytechnic's new Doctorate of Professional Practice. Hers is a sociological focus. "I'm driven by the lack of social justice in legislation," she says. "I want to play a part in fixing that and making a difference."



An unexpected journey

Kinder Kara (Ngāti Kahungunu; Rongomaiwahine; Te Arawa) never thought he would complete his Certificate in Creative Studies and go on to study a Bachelor of Visual Arts: "I had no confidence in myself or my skill, and it turns out I am quite good at a lot of things."

Kinder has a background in Māori carving and art, but he wanted to learn how to paint. "I was really shy before I started at Otago Polytechnic, but the lecturers helped show me that I can do what I set my mind to," he says.



Lead the way in sustainable practice

This goal means our environmental footprint is minimised, our leadership encourages others to embrace sustainable practices and we apply the principles of sustainability to our business practices and to our relationship with the wider community.

Highlights

- > Introduced new sustainability resources for staff inductions
- > Advanced plans for a Wildlife Hospital at our School of Veterinary Nursing
- > Improved visibility and communication of sustainability initiatives through signage
- > Te Pā Tauira – our student accommodation village – completed as a highly sustainable building
- > Challenged staff to use public transport, bikes or car-pool throughout our second Transport Yourself Month
- > Hosted a suite of events for staff throughout Plastic-free July
- > Celebrated \$1million raised for local charities through our Charity House auction.

Pathway to excellence **FOR 2018**

- > Improve on all 2017 sustainability metrics
- > Reduce waste to landfill in our café and cookery operations
- > Enhance the ecosystem and native biodiversity of the Dunedin campus
- > Run more sustainability-focused events on campus
- > Encourage and support students to get involved with sustainable initiatives on campus
- > Continue to establish new and robust partnerships with industry and communities
- > Include Education for Sustainability in learning redesign.

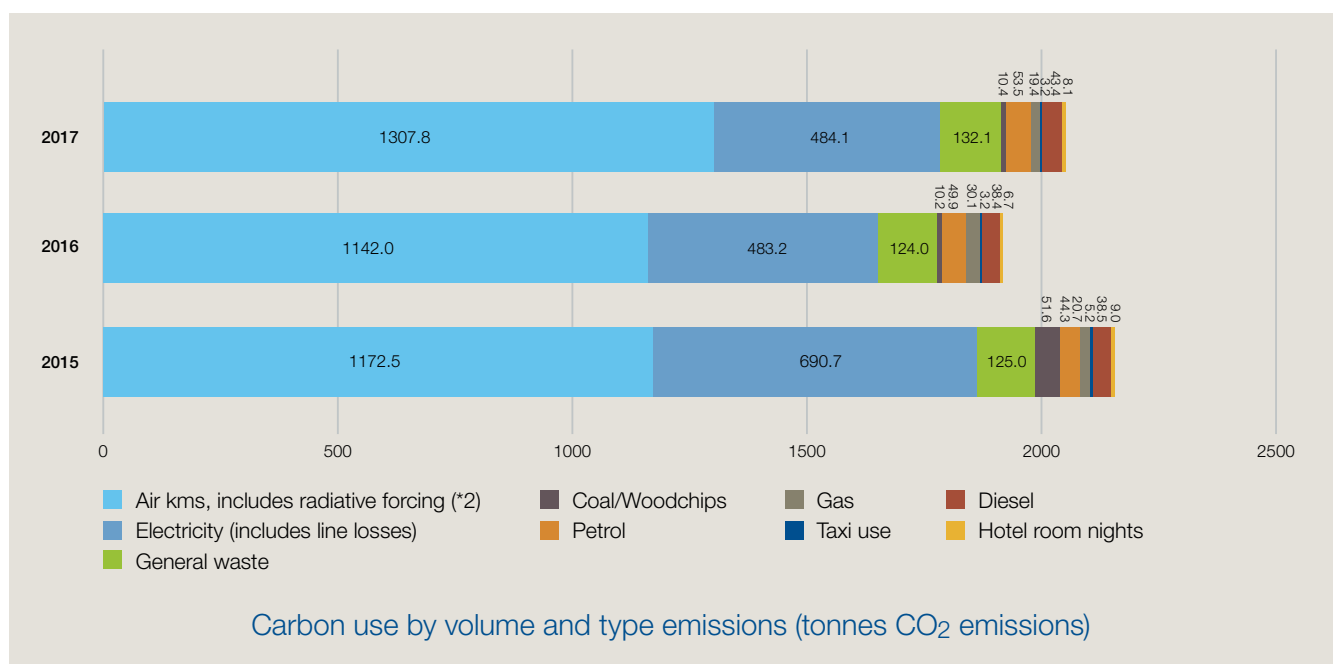
Aspirations **FOR 2021**

- > 100 per cent of undergraduate programmes address Education for Sustainability
- > 80 per cent reduction in waste to landfill (base 2017)
- > 30 per cent reduction in energy consumption/square metre for existing buildings; 80 per cent for new builds (base 2017)
- > Zero lost time injuries.



Sustainable practice at Otago Polytechnic is a holistic concept – we seek not only to improve the environment but also the health and wellbeing of our people and our communities.

Sustainability monitoring



Our overall carbon footprint increased by 174 tonnes – or nine per cent – in 2017, largely due to an increase in travel-related expenses such as petrol, diesel and air kilometres.

The rise in air travel is driven by the continued growth in the number of research-active staff producing outputs of international standard and presenting at conferences around the world, and our continued focus on the development of key international partnerships with a view to further building our international student numbers.

It is especially pleasing to note that our 2017 electricity usage has remained low, consistent with that of 2016.

Cardboard recycling remained comparable to 2016 levels, which reflects the use of multi-use packaging by suppliers. Paper usage has decreased notably, but not by as much as it appears. One of our suppliers misreported ream volumes in 2016, overstating the amount consumed that year.

Resource	2017	2016	2015
Electricity (kW hours)	3,761,554	3,754,464	3,830,691
Paper (A4 reams)	5,095	7,883	4,861
Water (m3)	71,027	71,220	74,100

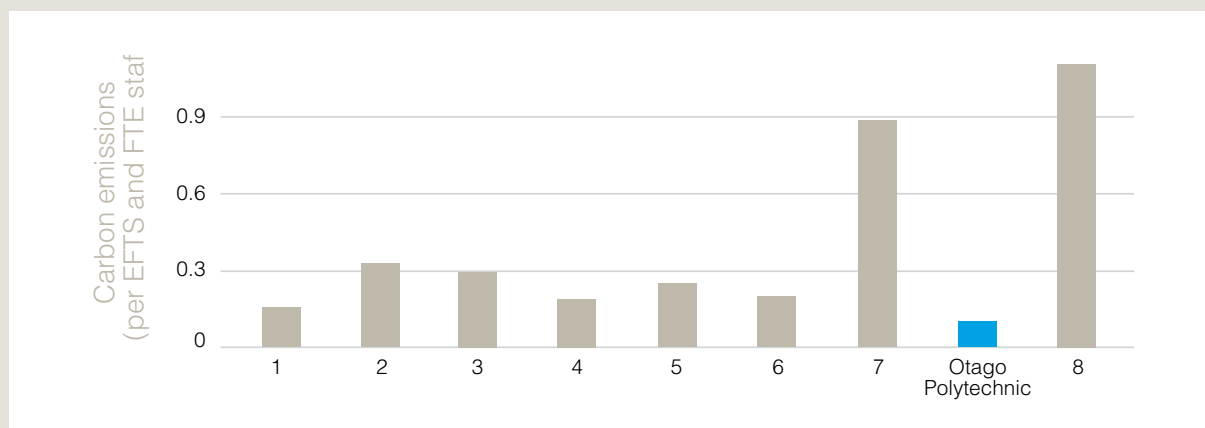


TEFMA benchmarking

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

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

Total carbon emissions from Otago Polytechnic were 0.11 compared to the New Zealand average of 0.45 and the Australian average of 1.48.

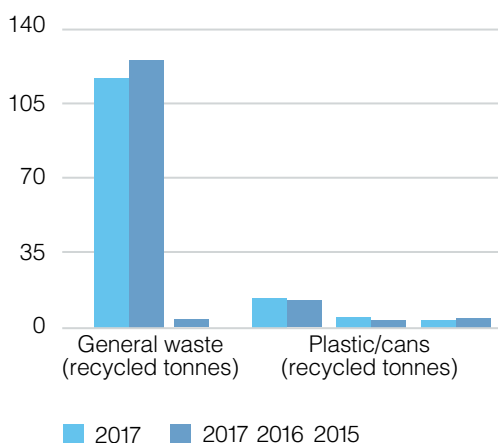


2017 TEFMA carbon footprint comparison of nine New Zealand tertiary institutions

Waste management

Otago Polytechnic produced 117 landfill tonnes of waste in 2017, a very slight increase on the 112 landfill tonnes in 2016.

There was a doubling of ash to landfill – from two tonnes to four tonnes – due to increased boiler use as a result of particularly cold temperatures throughout most of 2017.

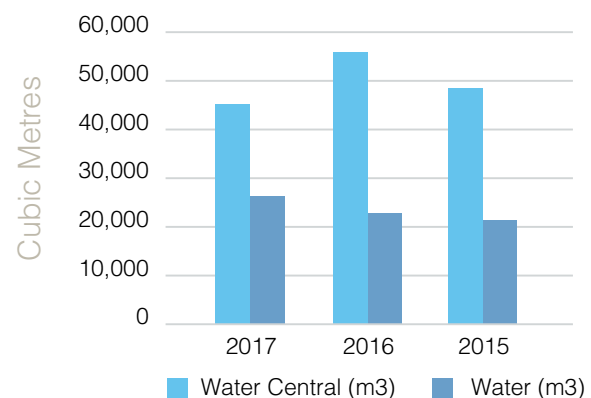


Water and gas usage

We noticed a considerable decrease in the amount of gas used in 2017, down 36 per cent to sit at 12,081 litres. This was largely due to our major gas user, our School of Hospitality, replacing all of its gas ovens with electric models.

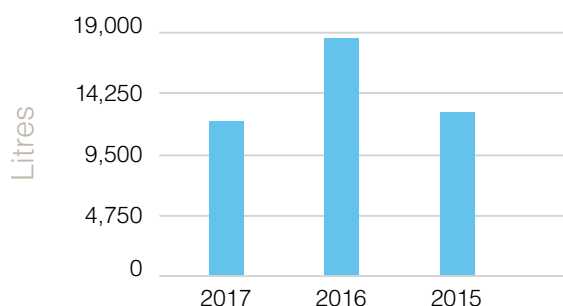
There was also a pleasing drop in overall water consumption in 2017, down to 71,027 cubic metres from 78,485 in 2016.

Water Usage in Cubic Metres





Gas Usage in Litres



Sustainable development and engagement

We are committed to leading the way in sustainable practice, and 2017 saw an intensified focus on sustainability development and practice within the organisation.

As a result of a review of the Strategic Framework and input from the Leadership Council, we developed a refreshed and refocused sustainability strategy to support our organisational sustainability priorities. We have agreed that by 2021:

- > 100% of undergraduate programmes will contain Education for Sustainability so graduates may practise sustainably in their chosen vocation
- > we will have zero lost-time injuries, maximising staff and student wellbeing
- > we will minimise our environmental footprint through an 80 per cent reduction in waste to landfill, and a 30 per cent reduction in energy consumption per square metre in existing buildings and 80 per cent in all new builds
- > we will expand our environmental handprint by planting 3000 trees in sustainable forestry.

Energy-saving initiatives

Across our Dunedin campus, we are replacing fluorescent lamps with LED bulbs, with a total of 1400 already installed. Work will continue in this space in 2018.

We have reduced our peak load by 80kW which will equate to annual savings of \$23,000 and a 4.2 per cent reduction in annual energy expenditure. Simple payback of investment is around 18 months.

In addition, the installation of small-wattage, under-desk heaters in 130 locations, and the removal of high energy use oil-filled and fan heaters, is expected to reduce energy consumption by 106,000 kWh per year.

We are undertaking a review of our building management system (BMS) which controls scheduling on- and off-times for our heating and ventilation. This review has highlighted a

number of areas where we can reduce consumption even further in 2018 and beyond.

We continue our commitment to Te Ao Tūroa, a joint initiative with the Dunedin City Council and the University of Otago, in which we have agreed a common environment strategy. We have been exploring opportunities for learners to develop as sustainable practitioners through experiences with partner organisations. This coincides with the launch of our Bachelor of Leadership for Change programme and the relocation of our Centre for Sustainable Practice from our Central campus to Capable NZ.

Staff and student engagement

We continued to engage in activities across campuses and communities throughout the year, with challenges and events such as Plastic-free July and Transport Yourself Month, the annual Fairtrade Breakfast and the continuation of our Student Sustainability Group.

Charity House milestone

Otago Polytechnic's celebrated Charity House project clocked up its 11th year in 2017 with a record sale price of \$270,000 – \$61,000 higher than the previous record.

Of this, \$100,000 was donated to Otago charities and community groups through the distributor, United Way. This contribution meant that since its inception, the project has raised more than \$1,000,000 for local causes. This milestone was celebrated with a fundraising dinner in aid of the Education Foundation and the Wildlife Hospital Dunedin.

The project sees Carpentry students build a house with input from lecturers and local businesses, which is then subject to a public auction.

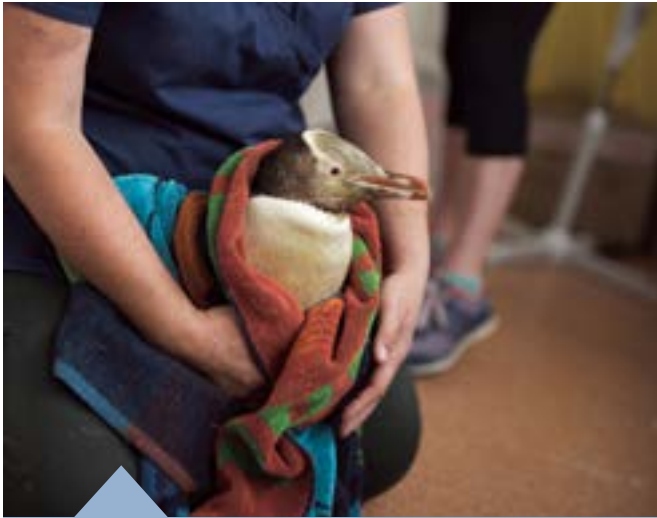
Plans for Wildlife Hospital

The Department of Conservation has issued a permit for a Wildlife Hospital at our School of Veterinary Nursing in Dunedin, capable of treating up to 500 sick and injured wild animals a year.

The initiative, which will launch in 2018, comes after the success of a pilot Hoiho Hospital early in 2017 which saved the lives of 34 penguins.

World-renowned wildlife veterinarian, Dr Lisa Argilla, will operate the Wildlife Hospital, and students of the School of Veterinary Nursing will gain valuable education and work experience under her expert guidance.

The Hospital will be a joint partnership between Otago Polytechnic and the Dunedin Wildlife Hospital Trust.



Pop-up Hoiho Hospital

A pop-up penguin hospital at our School of Veterinary Nursing made such a positive impact on the local hoiho (yellow eyed penguin) population, that a permanent Wildlife Hospital will be established at the School in 2018.

Our Dunedin on-campus students will be able to gain hands-on experience with sick and injured wild animals alongside renowned wildlife veterinarian Dr Lisa Argilla and her team.



Ceramic cups a conscious choice

Ceramics student Rye Senjen created 108 beautifully-glazed, hand-thrown cups for the Polytechnic's Eden café.

Eden only serves takeaway drinks in reusable cups, preventing 1000 disposable cups from heading to landfill each week.



Back to basics

Otago Polytechnic's Living Campus team has reverted to a non-motorised push mower in high-traffic areas, reducing fuel consumption and noise while providing a workout for users.

The Living Campus is an onsite communal garden producing fruits, nuts and vegetables for students and staff to pick and enjoy.



Foraging for fine food

Mouth-watering mushrooms, tantalising thyme, flavoursome figs were among the goodies foraged for by our Central campus Cookery students.

They partnered with Amisfield Bistro to learn which wonderful weeds are worth foraging for – and then created a four-course fine dining experience with the spoils

Students go against the grain

Waste products can become highly desirable consumables if the 2017 product pitches from Bachelor of Culinary Arts students are anything to go by.

The students designed ways to repurpose spent grain from Emerson's Brewery, which included innovative food products like high fibre energy clusters, bar snacks and fermented lemon barley water.



Plastic-free July

Staff enjoyed a full calendar for Plastic-free July, with a series of popular workshops and film screenings promoting sustainability and careful consumerism.

The programme included making lunch packs to use instead of plastic wrap, making reusable shopping tote bags and creating homemade cosmetics and skincare products.



Attract and sustain exceptional staff who make a difference

This goal means we have an outstanding work environment which is empowering of staff to pursue and achieve excellence, and which makes Otago Polytechnic highly satisfying as a place to work; and we invest in the capability of staff, both personal and professional.

Highlights

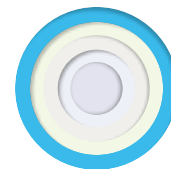
- > Our Work Environment Survey results revealed that we have a highly-engaged workforce, with 100% of staff really caring about the success of Otago Polytechnic
- > Two of our educators won prestigious Ako Aotearoa Tertiary Teaching Excellence Awards bringing the total Excellence Awards to 20
- > We developed our new vision, mission and values
- > We refined our strategic goals for 2017-2021
- > We gained the Rainbow Tick, recognising Otago Polytechnic as a safe place to work regardless of gender identity or sexuality.

Pathway to excellence **FOR 2018**

- > Strengthen processes for recruiting Māori and Pasifika staff
- > Implement our Health and Wellbeing Strategy
- > Respond effectively to all Priority 1 opportunities for improvement from the WES
- > Provide more opportunities for staff to upskill
- > Support leadership development, especially for new emerging leaders.

Aspirations **FOR 2021**

- > 90 per cent staff satisfaction
- > 90 per cent permanent academic staff tertiary teaching qualified and internationally recognised
- > Our workforce reflects our learner profile
- > All employees live Otago Polytechnic values in their daily work.



New Executive Leadership Team

In 2017 we embedded our new Executive Leadership team, which comprises Chief Executive Phil Ker and five Deputy Chief Executives. The new structure was designed to ensure better alignment of the activities in the Polytechnic with our strategy. Three of our Deputy Chief Executives are new to Otago Polytechnic. They bring new expertise that is needed for future development.

Jo Brady, Deputy Chief Executive, People, Performance and Development joins us from Lincoln University where she was the Director of Development and the Executive Director of the University Foundation.

Jo is an experienced leader with a broad experience base in the education sector with expertise in Business Development, Organisational Development, Marketing, Communications, External Relations, Campus Development, Alumni and Philanthropy. Jo has held numerous Governance and Industry Advisory Board roles. Jo is a Fellow of Educate Plus and a trustee of the Otago Polytechnic Education Foundation and the Dunedin Wildlife Hospital Trust.

Janine Kapa, Deputy Chief Executive Māori Development / Kaitohutohu, joins us from the University of Otago Business School where she was the Associate Dean Māori. Janine has been involved in Māori education for over 25 years, and has worked in Government agencies including ETSA (now the TEC) and NZQA. Janine is the Director of the following Boards: A3Kaitiaki Ltd, Otago Youth Wellness Trust, Te Kupeka Umaka Māori ki Araiteuru (KUMA), the Southern Māori Business Network, Te Tapuae o Rehua and Otago Boys' High School.

Oonagh McGirr, Deputy Chief Executive Learning and Teaching Services, joins us from Bahrain Polytechnic where she was Head of Teaching and Learning. Oonagh's experience encompasses teaching methodologies, quality enhancement, e-learning, sustainability and diversity for higher education. A research-active academic, Oonagh is a Fellow of the Royal Society of the Arts.

Vision, mission and values

Over 2016 and 2017 our staff, learners, external stakeholders and executive leaders worked together to co-create a new vision, mission and set of values for Otago Polytechnic. Many staff felt we had achieved our previous vision of being recognised nationally and internationally as New Zealand's leading polytechnic, and during our vision and mission workshops we realised we have an appetite to aim higher. Together we constructed a new vision: Our people make a better world. The term 'our people' encompasses our students, our staff and the wider community, and the idea that we are 'making a better world' applies the work we all do – whether it's anti-bullying campaigning like our nursing student Ashleigh

Smith, or fundraising for hospice like staff member Vicki Yarker-Jones. Underpinning our vision is our mission: build capability, realise potential. Our new values: accountability, caring, courage and empowerment, sum up the culture we aspire to have at Otago Polytechnic.

In July we launched our vision, mission and values at a staff event beneath an albatross wing sculpture where we shared a video, gave attendees a wallet card that also includes our waiata, and encouraged staff to write a message on a laser-cut 'albatross feather' and add it to our korowai (cloak) installation.

Educational and employment equity

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

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

Attracting and sustaining excellent staff

Otago Polytechnic continued its strong tradition of attracting and retaining high-quality and engaged staff, and providing excellent employee benefits within an equitable and safe workplace.

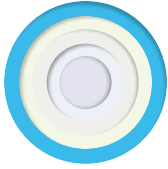
We continued our journey in proving an inclusive environment for all through excellence in recruitment practices, capability development and salary review mechanisms.

Key initiatives from our People and Culture team included optimising employee performance through a concerted focus on performance and career planning. Our staff awards processes for employees once again proved to be popular.

Developing staff capability

An ongoing commitment and priority for Otago Polytechnic is development of staff capability, and 2017 was no exception. We provided considerable development opportunities focused on high performance outcomes and our core values.

We took a fresh look at the ways capability is identified, developed, valued and reflected in performance outcomes. From this, a new Staff Capability Framework provided structure, a common language and a shared understanding to ensure we can continue to deliver exceptional learner outcomes.



ATTRACT AND SUSTAIN EXCEPTIONAL STAFF WHO MAKE A DIFFERENCE

Our work environment

The 2017 Work Environment Survey was the thirteenth annual survey of staff satisfaction and engagement at Otago Polytechnic, designed to provide insights into the perceptions of all staff working at the institution.

The 630 Otago Polytechnic staff who were available during the survey period were invited to participate in the survey. A total of 513 responses were received resulting in a response rate of 81 per cent. Although down on the participation rate of 2016, for surveys of this nature in similar-sized organisations, this response rate is considered excellent.

Otago Polytechnic continues to enjoy very high levels of agreement to key drivers, and indeed improved or stayed the same in all of these categories. All 2017 respondents agreed they really care about the success of Otago Polytechnic, as in 2016. Overall staff satisfaction rose by two per cent to 91 per cent, and 98 per cent of staff said Otago Polytechnic is a great organisation to work in – also an increase of two per cent from 2016. In addition, 98 per cent of staff are proud to tell others they are part of Otago Polytechnic.

The results show we continue to have a positive and engaged workforce with 65 per cent of staff engaged, 33 per cent neutral and just two per cent disengaged.

Work Environment Survey	2017	2016	2015
Participation rates	81%	87%	87%
Staff are satisfied at Otago Polytechnic, overall	91%	89%	96%
Staff really care about the success of Otago Polytechnic	100%	100%	99%
Staff are proud to tell others they are part of Otago Polytechnic	98%	97%	97%
Staff say Otago Polytechnic is a great organisation to work in	98%	96%	96%

Diversity of staff

TEC PRIORITY 3 Boosting achievement of Māori and Pasifika

Our commitment to diversity and equity is cornerstone to being an employer of choice and fits very well with our values of caring and accountability, and being inclusive in our interactions with both staff and students.

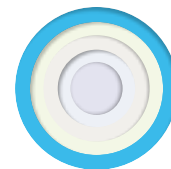
A notable achievement reinforcing our commitment to achieving pay equity, was our pay equity gap of 4.8 per cent – well below the national average of around 11 per cent. During 2017, we sought to address any imbalances in recruitment, promotion and reward mechanisms. Work will continue in this space as we work towards our target of pay equity.

Total workforce (headcount)	2017
Total permanent staff	543
Permanent new starters	37
Total permanent staff who ended employment (we call this Staff turnover)	42

Ethnicity

We continue to provide a specific and concerted approach to improving Māori staff numbers, which declined very slightly in 2017. Attracting and retaining Pasifika staff remained a challenge throughout the year. Strategies to improve both Māori and Pasifika recruitment and retention will be strengthened in 2018.

Staff Ethnicity	2017	2016	2015
Asian	2.4%	3.3%	2.9%
Māori	5.5%	5.7%	5.2%
Middle East/Latin/America/Africa	0.4%	0.4%	0.7%
Not Stated	0.0%	0.0%	0.0%
NZ European	70%	68.7%	69.5%
Other European	11.4%	11.3%	11.1%
Other	9.4%	9.6%	9.1%
Pasifika	0.9%	1%	1.5%



Roles by gender

The gender makeup of our workforce again remained largely unchanged in 2017. However, following key appointments, the Executive Leadership team now comprises three male and three female members.

Role Type	Female (n)	Female (%)	Male (n)	Male (%)
Leadership Team	3	50%	3	50%
Academic	183	60.4%	120	39.6%
General Staff	154	73.4%	56	26.7%
Managers	11	45.8%	13	54.2%
TOTAL	351	64.6%	192	35.4%

Recruitment

A total of 62 roles – both permanent and fixed term – were advertised during the 2017 year, resulting in the employment of 57 people. This number included 37 permanent staff members, with three to start in 2018.

We continued to enjoy strong interest from applicants in general positions. Overall, the average was 17 applications per position. Five positions were advertised twice due to specialist experience required.

	Academic	General	Executive	Total
Total number of jobs advertised	31	25	6	62
Total applicants	419	586	47	1052
Total number of people hired	28	23	6	57
Average number of applicants per job	13	23	8	17

Permanent staff turnover

Once again, the turnover rate was below eight per cent and represents a significant positive difference to the corresponding national education figure.

Turnover Year	Voluntary (%)	Involuntary (%)	Total (%)
2014	7.3%	0.8%	8.1%

Turnover Year	Voluntary (%)	Involuntary (%)	Total (%)
2015	6.6%	1.6%	8.2%
2016	6.1%	1.5%	7.6%
2017	6.4%	1.5%	7.8%

Salary and promotion review

Fewer staff members applied for promotion in 2017 compared with the previous year. In total, 70 per cent of applicants were female and 30 per cent were male, a similar split to the year's workforce mix of 65 per cent female and 35 per cent male.

	2017	2016	2015	2014
General staff	13	20	20	15
Academic staff	47	53	36	33
Total applications	60	73	56	48

Employment issue resolution

We noticed a significant drop in the number of employment issues, down from 22 in 2016 to just 10 in 2017. It is pleasing these continue to be resolved largely in-house.

Year	2017	2016	2015	2014
Internal formal resolution	8	21	16	21
External resolution	2	1	2	3

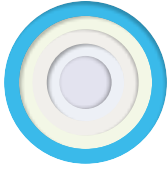
Rainbow Tick awarded

In February 2017, Otago Polytechnic became the first ITP and the second tertiary institution in New Zealand to be awarded the Rainbow Tick – recognition we are an inclusive and supportive employer, regardless of a staff member's gender identity or sexuality.

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

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

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



Teachers scoop prestigious awards

Two principal lecturers in Nursing, Dr Liz Ditzel (top) and Mereana Rapata-Hanning (bottom), were honoured for their dedication and excellence with national Ako Aotearoa Tertiary Teaching Excellence Awards.

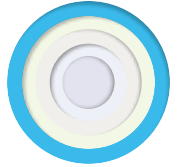
A total of 20 Otago Polytechnic teachers have received these prestigious Awards since 2007.



Bird Dog Hot Dog

A tītī hotdog with horopito pickled onions and mānuka smoked chilli relish was Dunedin's entry in *Savoir Faire*, a literary cookbook with recipes and words from the Cities of Literature around the world.

Otago Polytechnic Food Design Lecturers, Adrian Woodhouse (left) and Richard Mitchell (right), created the dish, taking inspiration from the music of Dunedin band The Verlaines and the beer of local brewer Richard Emerson. Verlaines band member, Graeme Downes is pictured at centre.



Hops for Hospice

Otago Community Hospice was \$6000 better off after a hopping great initiative from Nursing senior lecturer and brewer, Vicki Yarker-Jones.

Vicki, Otago Polytechnic and the Hospice collaborated to create a unique craft beer to release and sell for Hospice Awareness Week – a ginger-infused Vienna lager.

Academic's Fulbright scholarship

Our Academic Leader: Communication Design, Caroline McCaw, won a prestigious Fulbright Scholar-in-Residence Award to teach and undertake research at the State University of New York (SUNY) Canton campus.

SUNY Canton applied to secure the 10-month residency for Caroline, where she implemented an Arts of Oceania course within their Graphic and Multimedia Design degree programme, and taught courses on interaction design and design principles.

Bringing veterinary care to Rarotonga

For the first time, Rarotonga now has its own veterinary clinic – Te Are Manu – thanks in no small part to Veterinary Nursing lecturer Holly Kendrick who is on the clinic's board.

Several Otago Polytechnic Veterinary Nursing students travelled to Rarotonga in 2017 to gain work experience in the clinic, with more such opportunities planned for 2018.





Financial Statements

For the year ended 31 December 2017

Independent Auditor's Report

To the readers of Otago Polytechnic and group's financial statements and statement of service performance for the year ended 31 December 2017

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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

Opinion

We have audited:

- > the financial statements of the Polytechnic and group on pages 55 to 77, that comprise the statement of financial position as at 31 December 2017, the statement of financial performance, the statement of other comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- > the statement of service performance of the Polytechnic and group on pages 6 to 47, and 54.

In our opinion:

- > the financial statements of the Polytechnic and group on pages 55 to 77:
 - > present fairly, in all material respects:
 - > the financial position as at 31 December 2017; and
 - > the financial performance and cash flows for the year then ended; and
 - > comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards.
- > the statement of service performance of the Polytechnic and group on pages 6 to 47, and 54 presents fairly, in all material respects, the Polytechnic and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2017.

Our audit was completed on 18 April 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

For the budget information reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the Polytechnic and group's investment plan.

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

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

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

group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Council is responsible for the other information. The other information comprises the information included on pages 1 to 7 and pages 78 to 79, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

Independence

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

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



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

Financial Performance Summary

	Actual 2017	Budget 2017	Actual 2016
Net Surplus / (Deficit) (000s)	\$2,909	\$4,214	\$3,269
Proportion of Government Grants to Total Income (%)	44.2%	46.7%	48.4%
Total Cost per EFTS (excluding redundancies)	\$16,599	\$15,845	\$15,539
Total Cost per EFTS (including redundancies)	\$16,660	\$15,870	\$15,699
Average Government Grant per EFTS	\$7,488	\$7,729	\$7,914
Debt (as a percentage of Total Assets)	6.4%	16.2%	0.0%
Debt per EFTS	\$1,813	\$4,582	\$0
Working Capital Ratio	0.5	0.6	0.5
Student Staff Ratio	19.8	19.7	19.4
Total Assets (000s)	\$144,165	\$142,236	\$119,103
EFTS	5,125	5,041	4,801
Academic FTE	258.5	255.4	247.7
Total FTE	532.1	533.5	519.3

Financial Statements

Statement of Financial Performance for the year ended 31 December 2017

POLYTECHNIC				GROUP			
	Notes	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Revenue							
Government Grants	4 (a)	38,378	38,961	37,997	38,378	38,961	37,997
Student Tuition Fees	4 (b)	38,906	36,872	31,762	38,906	36,872	31,762
Other Revenue	4 (c)	8,683	7,114	7,957	9,386	7,510	8,456
Interest Received	4 (d)	147	100	226	150	100	227
Total Revenue		86,114	83,047	77,942	86,820	83,443	78,442
Expenditure							
Employment Expenses	4 (e)	44,087	43,574	43,339	44,443	43,869	43,796
Consumable Expenses	4 (f)	22,907	18,535	11,833	22,914	18,562	11,852
Operating Expenses	4 (f)	7,106	6,965	9,363	7,380	7,044	9,447
Occupancy Expenses	4 (f)	4,451	4,319	4,207	4,453	4,319	4,212
Interest Expense	4 (d)	134	0	0	134	0	0
Depreciation & Amortisation Expense	9 & 10	6,033	6,170	6,028	6,033	6,170	6,028
Loss on Disposal/Impairment of assets		27	35	37	27	35	37
Total Expenditure		84,745	79,598	74,807	85,384	79,999	75,372
Surplus/(Deficit) from Operations		1,369	3,449	3,135	1,436	3,444	3,070
Share of Associate's surplus/deficit	7	1,383	770	0	1,473	770	199
Net Surplus/(Deficit)		2,752	4,219	3,135	2,909	4,214	3,269
Surplus %		3.2%	5.0%	4.0%	3.4%	5.0%	4.2%

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

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

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

Financial Statements

Statement of Other Comprehensive Revenue and Expense for the year ended 31 December 2017

POLYTECHNIC				GROUP			
	Notes	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Net Surplus/(Deficit) for the year		2,752	4,219	3,135	2,909	4,214	3,269
Other Comprehensive Revenue and Expense							
Distribution to Beneficiaries		0	0	0	(78)	0	0
Increase/(Decrease) in Asset Revaluation Reserves		3,118	0	2	6,087	0	2
Total Other Comprehensive Revenue and Expense		3,118	0	2	6,009	0	2
Total Comprehensive Revenue and Expense		5,870	4,219	3,137	8,918	4,214	3,271

Statement of Changes in Equity for the year ended 31 December 2017

POLYTECHNIC				GROUP			
	Notes	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Public Equity at the start of the year		101,183	103,763	98,046	103,112	103,823	99,841
Total Comprehensive Revenue and Expense		5,870	4,219	3,137	8,918	4,214	3,271
Public Equity at the end of the year		107,053	107,982	101,183	112,030	108,037	103,112

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 as at 31 December 2017

POLYTECHNIC				GROUP			
	Notes	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
ASSETS							
Current Assets							
Cash and Cash Equivalents	5	372	104	2,894	372	162	2,952
Trade and Other Receivables	6	5,596	5,393	4,245	5,720	5,500	4,352
Non Current Assets Held for Sale	7	3,332	0	0	8,227	0	0
Prepayments		541	500	399	541	500	398
Inventories		343	235	207	343	235	207
Total Current Assets		10,184	6,232	7,745	15,203	6,397	7,909
Non Current Assets							
Other Financial Assets	8	2,218	6,295	4,565	2,229	6,295	6,417
Property, Plant and Equipment	9	119,836	122,572	98,533	119,836	122,572	98,533
Intangible Assets	10	6,897	6,972	6,245	6,897	6,972	6,245
Total Non Current Assets		128,951	135,839	109,343	128,962	135,839	111,195
Total Assets		139,135	142,071	117,088	144,165	142,236	119,104
LIABILITIES							
Current Liabilities							
Trade and Other Payables	11	19,117	7,890	12,347	19,170	8,000	12,434
Employee Entitlements	12	3,443	2,913	3,328	3,443	2,913	3,328
Loans and Borrowings	13	9,292	0	0	9,292	0	0
Total Current Liabilities		31,852	10,803	15,675	31,905	10,913	15,762
Non Current Liabilities							
Employee Entitlements	12	230	186	230	230	186	230
Loans and Borrowings	13	0	23,100	0	0	23,100	0
Total Non Current Liabilities		230	23,286	230	230	23,286	230
Total Liabilities		32,082	34,089	15,905	32,135	34,199	15,992
NET ASSETS		107,053	107,982	101,183	112,030	108,037	103,112
EQUITY							
Retained Earnings	14	71,822	75,884	69,103	73,831	75,939	71,032
Asset Revaluation Reserves	14	34,717	31,598	31,599	37,686	31,598	31,599
Other Reserves	14	514	500	481	514	500	481
Total Equity		107,053	107,982	101,183	112,030	108,037	103,112

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 2017

		POLYTECHNIC			GROUP		
	Notes	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash was provided from:							
Receipts from Government Grants		38,396	38,962	37,933	38,396	38,962	37,933
Receipts from Student Tuition Fees		43,458	37,172	33,323	43,458	37,172	33,323
Receipts from Other Revenue		7,561	7,714	8,190	8,199	8,110	8,829
Interest Received		147	100	226	147	100	227
		89,562	83,948	79,672	90,200	84,344	80,312
Cash was applied to:							
Payments to Employees		43,970	43,514	42,592	44,327	43,809	43,050
Payments for Consumables		22,012	18,095	12,283	22,137	18,122	12,321
Payments for Operating Expenses		6,970	6,888	9,688	7,172	6,967	9,792
Payments for Occupancy		4,251	4,265	4,351	4,276	4,265	4,363
Interest expense		134	0	0	134	0	0
Goods & Services Tax (net)		172	(244)	(223)	159	(244)	(241)
		77,509	72,518	68,691	78,205	72,919	69,285
Net Cash Flow from Operating Activities	5	12,053	11,430	10,981	11,995	11,425	11,027

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 2017

	POLYTECHNIC			GROUP		
Notes	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from Sale of Property, Plant & Equipment	3	0	17	3	0	17
Repayment of advance by Associate	150	150	150	150	150	150
	153	150	167	153	150	167
Cash was applied to:						
Purchase of Property, Plant & Equipment	21,617	27,601	9,683	21,617	27,601	9,683
Purchase of Intangible Assets	2,403	1,600	1,800	2,403	1,600	1,800
Transfers to Subsidiaries & Associates	0	5,180	0	0	5,180	0
	24,020	34,381	11,483	24,020	34,381	11,483
Net Cash Flow from Investing Activities	(23,867)	(34,231)	(11,316)	(23,867)	(34,231)	(11,316)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
Loan Finance Received	21,042	31,700	0	21,042	31,700	0
	21,042	31,700	0	21,042	31,700	0
Cash was applied to:						
Loan Finance Repaid	11,750	8,900	0	11,750	8,900	0
	11,750	8,900	0	11,750	8,900	0
Net Cash Flow from Financing Activities	9,292	22,800	0	9,292	22,800	0
Cash Increase/(Decrease)	(2,522)	(1)	(335)	(2,580)	(6)	(289)
Opening Cash Balance	2,894	105	3,229	2,952	168	3,241
Closing Balance	372	104	2,894	372	162	2,952
Represented by:						
Bank deposits and current account	372	104	2,894	372	162	2,952
	372	104	2,894	372	162	2,952

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

Notes to the Financial Statements

For the year ended 31 December 2017

Notes to the Financial Statements

for the year ended 31 December 2017

1. REPORTING ENTITY

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

The Polytechnic and group consists of Otago Polytechnic and its subsidiaries, Open Education Resource Foundation Limited (100% owned) and Otago Polytechnic Education Foundation Trust (100% interest). The 33% equity share of its associate Dunedin City Tertiary Accommodation Trust is equity accounted. The 50% share of its associate OPAIC Ltd Partnership is equity accounted. The 16.67% share of its associate TANZ eCampus Limited is equity accounted. The Otago Polytechnic Education Foundation Trust was resettled into the OP Education Foundation Trust on 31 December 2017. The OP Education Foundation Trust is an independent trust that is not controlled by Otago Polytechnic therefore is not included in the consolidated Otago Polytechnic financial statements.

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

The financial statements of the Polytechnic and group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of council on 13 April 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

(b) Statement of compliance

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

(c) Basis of consolidation

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

Associate entities are consolidated on an equity accounting basis, which shows the share of the surpluses/deficits in the group's statement of financial performance and the share of

post-acquisition increases/decreases in net assets in the group's statement of financial position.

(d) Changes in accounting policy

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

PBE IPSAS 21 Impairment of Revalued Assets was issued April 2017 and is not effective until reporting period starting January 2019 and the Polytechnic and group have chosen not to early adopt.

(e) Revenue

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

Government grants

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

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

Student tuition fees

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

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

Other grants received

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

Other Revenue

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

Notes to the Financial Statements

for the year ended 31 December 2017

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.

Commitments and contingencies are disclosed exclusive of GST.

(h) Foreign currency transactions

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

(i) Cash and cash equivalents

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

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

(j) Trade and other receivables

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

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

(k) Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted where

applicable, for any loss of service potential. Where inventories are acquired at no cost or for minimal consideration, the cost is the current replacement cost at the date of acquisition.

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

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

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

(l) Non-current assets held for sale

Non-current assets held for sale are held at the lower of the lower of carrying amount and fair value less costs to sell.

(m) Other financial assets

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

Purchases and sales of financial assets are recognised on trade-date, the date on which the Polytechnic and group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Polytechnic and group has transferred substantially all the risks and rewards of ownership.

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

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

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

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

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

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

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated as fair value through other comprehensive revenue and expense or are not classified in any of the other categories above. They are

Notes to the Financial Statements

for the year ended 31 December 2017

included in non-current assets unless the Polytechnic intends to realise the investment within 12 months of balance date. The Polytechnic and group designates in this category:

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

After initial recognition, these investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

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

(n) Impairment of financial assets

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

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

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

Financial assets at fair value through other comprehensive revenue and expense

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

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

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

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

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

(o) Property, plant and equipment

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

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

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

Additions

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

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

Disposals

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

Subsequent costs

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

Depreciation

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

Class of assets	Useful lives	Rate
Buildings	2-80 years	1.25% - 50%
Plant and equipment	2-30 years	3.33% - 50%
Motor vehicles	5 years	20%
Computer hardware	4-10 years	10% - 25%
Library collection	10 years	10%

Notes to the Financial Statements

for the year ended 31 December 2017

Revaluations

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

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

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

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

(p) 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 - 10 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.

(q) 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.

(r) 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.

Notes to the Financial Statements

for the year ended 31 December 2017

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

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 2.75% (2016: 3.36%) and a salary inflation factor of 1.02% (2016: 1.01%) 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.

(s) Superannuation schemes

Defined contribution schemes

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

Defined benefit schemes

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

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

(t) Loans and borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless the Institute or group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

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

(u) 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.

(v) 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.

(w) 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.

(x) 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 2017:

Crown owned land and buildings

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

Distinction between revenue and capital contributions

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

(y) Taxation

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

Notes to the Financial Statements

for the year ended 31 December 2017

3. NON-GAAP UNDERLYING NET SURPLUS (DEFICIT)

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

The revenue for domestic students is classified as non-exchange. Due to this being accounted for under PBE IPSAS 23, all domestic student fee and government funding revenue must be recognised in full as soon as the withdrawal with refund period has passed. This means that if a student enrolls towards the end of a financial year, all

of the revenue for the student has to be accrued into the year of enrolment while the delivery costs will be split over that year and the following year. Due to the nature of the flexible start dates for some students, for example those studying at CapableNZ, the number of students studying over the financial year end can (and does) change from year to year. These changes result in the variances in revenue recognition as set out below. The Polytechnic considers these variances to be timing in nature and not reflective of the underlying financial performance for the year.

	POLYTECHNIC			GROUP		
	2017 Actual \$'000	2017 Budget \$'000	2016 Actual \$'000	2017 Actual \$'000	2017 Budget \$'000	2016 Actual \$'000
Net Surplus/(deficit)	2,752	4,219	3,135	2,909	4,214	3,269
Adjustments						
less PBE non-exchange revenue adjustment	(654)	0	688	(654)	0	688
Underlying Net Surplus (deficit)	2,098	4,219	3,823	2,255	4,214	3,957
Underlying surplus %	2.4%	5.0%	4.9%	2.6%	5.0%	5.0%

4. REVENUES AND EXPENSES

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) Government Grants				
Student Achievement Component	34,576	34,224	34,576	34,224
Equity Funding	223	220	223	220
Early Childhood Education	484	517	484	517
Performance Based Research Fund	1,123	1,122	1,123	1,122
Modern Apprentices	48	55	48	55
Trades Academy	436	428	436	428
Youth Guarantee	1,256	1,289	1,256	1,289
Other Government Grants	232	142	232	142
	38,378	37,997	38,378	37,997
(b) Student Tuition Revenue				
Student Fees Domestic	20,932	20,686	20,932	20,686
Student Fees International	20,246	12,480	20,246	12,480
Fee Subsidies & Discounts	(2,480)	(1,743)	(2,480)	(1,743)
Other Student Fee Revenue	208	339	208	339
	38,906	31,762	38,906	31,762
(c) Other revenue				
Revenue from other operating activities	8,683	7,957	9,386	8,456
	8,683	7,957	9,386	8,456

Included in revenue from other operating activities are grants and donations from the following community organisations: Bendigo Valley Sports and Charity Foundation \$1.5k (OPEF charity golf event), Community Trust of Otago \$15k (Refugee youth resettlement), Inner Court Trust \$3k (Dyslexia Support and tinted lenses) Pacific Island Polynesian Education Foundation \$20k (PI student scholarships). (2016: Community Trust of Otago \$15k (Refugee resettlement), Bendigo Valley Sports and Charity Foundation \$1.5k (OPEF charity golf event), Pacific Island Polynesian Education Foundation \$20k (PI student scholarships), Inner Court Trust \$2k (Dyslexiac Support).

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(d) Finance revenue/costs				
Interest earned on bank deposits	147	226	150	227
Total finance revenue	147	226	150	227
Interest paid on bank loan facilities	134	0	134	0
Total finance costs	134	0	134	0
(e) Employment expenses				
Wages and salaries	40,173	39,016	40,480	39,295
Employer contributions to defined contribution schemes	1,159	1,063	1,168	1,072
Other employment expenses	2,755	3,260	2,795	3,429
	44,087	43,339	44,443	43,796

Notes to the Financial Statements

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

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(f) Consumable, Operating and Occupancy expenses				
Audit fees – annual audit	100	97	108	112
Trade and other receivables impairment	50	92	76	109
Donations	14	108	124	108
Operating lease payments	2,019	1,834	2,021	1,839
Administrative and other expenses	32,281	23,272	32,418	23,343
	34,464	25,403	34,747	25,511

5. CASH AND CASH EQUIVALENTS

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at bank and in hand	366	149	366	207
Short term deposits	6	2,745	6	2,745
	372	2,894	372	2,952

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

Net surplus/(deficit) for the year	2,752	3,135	2,909	3,269
<i>Adjustments for:</i>				
Depreciation and Amortisation	6,033	6,028	6,033	6,028
Net (gain)/loss on disposal of property, plant and equipment	24	21	24	21
(Increase) / decrease in financial assets	163	(734)	167	(785)
Share of Associates (Surplus) Deficit	(1,383)	0	(1,473)	(199)
Movement in Trust & Special Funds	33	27	33	27

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Changes in working capital items</i>				
(Increase)/decrease in trade and other receivables	(1,771)	(219)	(1,788)	(6)
(Increase)/decrease in prepayments	(142)	230	(143)	230
(Increase)/decrease in inventories	(136)	(45)	(136)	(45)
Increase/(decrease) in trade and other payables	6,365	1,791	6,254	1,740
Increase/(decrease) in employee entitlements	115	747	115	747
Net cash from operating activities	12,053	10,981	11,995	11,027

6. TRADE AND OTHER RECEIVABLES

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Student fees receivables	3,047	2,679	3,047	2,679
Other receivables	2,374	1,693	2,498	1,811
Dunedin City Tertiary Accommodation Trust advance	400	150	400	150
Provision for doubtful debts	(225)	(277)	(225)	(288)
	5,596	4,245	5,720	4,352

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

Current	3,404	244	3,501	257
30-60 days	1,338	3,017	1,350	3,084
60-90 days	295	383	296	383
90 days +	559	601	573	628
	5,596	4,245	5,720	4,352

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	277	188	288	194
Additional provisions made during the year	24	91	24	101
Receivables written off during the year	(76)	(2)	(87)	(7)
At 31 December	225	277	225	288

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for the year ended 31 December 2017

7. NON CURRENT ASSETS HELD FOR SALE

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Dunedin City Tertiary Accommodation Trust	3,332	0	8,227	0
	3,332	0	8,227	0

As at 31 December 2017 DCTAT had signed an unconditional agreement to sell City College and to distribute the funds to the beneficiaries. The sale will settle during 2018.

8. OTHER FINANCIAL ASSETS

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Open Education Resource Foundation	(11)	23	0	0
Dunedin City Tertiary Accommodation Trust - advance	0	400	0	400
Dunedin City Tertiary Accommodation Trust - Investment in associate	0	3,332	0	5,168
TANZ Investment	0	771	0	771
TANZ eCampus Limited	757	0	757	0
OPAIC Limited Partnership	1,386	0	1,386	0
Other	86	38	86	78
	2,218	4,564	2,229	6,417

Investment in Dunedin City Tertiary Accommodation Trust

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. This advance will be repaid in full in 2018 therefore it has been reclassified as a current asset.

Dunedin City Tertiary Accommodation Trust owns and runs a student hall of residence (City College). Otago Polytechnic holds a 1/3 share of Dunedin City Tertiary Accommodation Trust and Otago University holds a 2/3 share. As at 31 December 2017 Dunedin City Tertiary Accommodation Trust had signed an unconditional agreement to sell City College and to distribute the funds to the

beneficiaries. The investment was reclassified to a non-current asset held for sale at time of signing of the agreement for sale. It is valued at fair value which is equal to the Otago Polytechnic share of the agreed sale price.

	2017 \$'000	2016 \$'000
Movements in the carrying amount of the investment in associate:		
Balance at 1 January	5,167	4,968
Revaluation of DCTAT	2,971	0
Share of net surplus	89	199
Reclassification to non current asset held for sale	(8,227)	0
Balance at 31 December	0	5,167

Summarised financial information of associate presented on a gross basis:

Assets	9,186	9,468
Liabilities	1,532	2,017
Revenues	2,967	2,937
Surplus/(Deficit)	268	597
Group's interest	33.33%	33.33%
Share of associate's contingent liabilities incurred jointly with other investors	0	0
Contingent liabilities that arise because of several liability	0	0

Investment in TANZ eCampus Limited

The TANZ unincorporated joint venture has been converted to share capital in TANZ eCampus Ltd during the year.

TANZ eCampus Limited is jointly owned by six New Zealand Polytechnics one of which is Otago Polytechnic. TANZ eCampus was set up to develop and run an on-line e-learning platform. TANZ offers a variety of programmes that are delivered 100% on-line. Otago Polytechnic has equity accounted for TANZ eCampus Limited and the investment is shown at the cost price of the shares less a 1/6 share of the deficit to date.

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Movements in the carrying amount of the investment in associate:				
Balance at 1 January	771	0	771	0
Investment	(11)	771	(11)	771
Share of total comprehensive revenue and expense	(3)	0	(3)	0
Balance at 31 December	757	771	757	771

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for the year ended 31 December 2017

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Summarised financial information of associate presented on a gross basis:				
Assets	7,013	0	7,013	0
Liabilities	2,472	0	2,472	0
Revenues	2,540	0	2,540	0
Surplus/(Deficit)	(17)	0	(17)	0
Polytechnic's interest	16.67%	0	16.67%	0

Investment in OPAIC Limited Partnership

OPAIC Ltd Partnership is a collaborative venture between Otago Polytechnic and Future Skills Academy Ltd. OPAIC delivers tertiary education from an Auckland Campus to international students. Otago Polytechnic has equity accounted for OPAIC Ltd Partnership and the investment is shown as the share of surplus to date (the initial cost being nil).

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Movements in the carrying amount of the investment in associate:				
Balance at 1 January	0	0	0	0
Share of total comprehensive revenue and expense	1,386	0	1,386	0
Balance at 31 December	1,386	0	1,386	0

Summarised financial information of associate presented on a gross basis:				
Assets	4,963	0	4,963	0
Liabilities	3,359	0	3,359	0
Revenues	15,192	0	15,192	0
Surplus/(Deficit)	2,772	0	2,772	0
Polytechnic's interest	50.00%	0	50.00%	0

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

Notes to the Financial Statements

for the year ended 31 December 2017

9. PROPERTY, PLANT AND EQUIPMENT

	POLYTECHNIC AND GROUP							
	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Library Collection \$'000	Artworks \$'000	Total \$'000
At 1 January 2017								
Cost or fair value	23,021	69,478	14,912	1,162	19,736	6,728	149	135,186
Accumulated depreciation and impairment	0	(4,204)	(8,767)	(804)	(17,274)	(5,604)	0	(36,653)
Net carrying amount	23,021	65,274	6,145	358	2,462	1,124	149	98,533
Year ended 31 December 2017								
Balance at 1 January	23,021	65,274	6,145	358	2,462	1,124	149	98,533
Additions	0	19,827	1,381	67	1,228	201	20	22,724
Revaluations	3,114	4	0	0	0	0	0	3,118
Disposals (net)	0	0	(6)	0	(4)	0	0	(10)
Depreciation expense	0	(2,176)	(1,023)	(128)	(986)	(214)	0	(4,527)
Balance at 31 December	26,135	82,929	6,497	297	2,700	1,111	169	119,836
At 31 December 2017								
Cost or fair value	26,135	83,480	15,963	1,221	6,116	6,929	169	140,012
Accumulated depreciation and impairment	0	(551)	(9,467)	(924)	(3,416)	(5,818)	0	(20,176)
Net carrying amount	26,135	82,929	6,497	297	2,700	1,111	169	119,836
At 1 January 2016								
Cost or fair value	22,465	65,591	14,664	1,067	18,843	6,532	123	129,285
Accumulated depreciation and impairment	0	(2,042)	(8,196)	(747)	(16,063)	(5,380)	0	(32,428)
Net carrying amount	22,465	63,549	6,468	320	2,780	1,152	123	96,857
Year ended 31 December 2016								
Balance at 1 January	22,465	63,549	6,468	320	2,780	1,152	123	96,857
Additions	556	3,888	798	175	1,015	196	26	6,654
Revaluations	0	0	0	0	0	0	0	0
Disposals (net)	0	0	(123)	0	(9)	0	0	(132)
Depreciation charge for the year	0	(2,163)	(997)	(137)	(1,325)	(224)	0	(4,846)
Balance at 31 December	23,021	65,274	6,146	358	2,461	1,124	149	98,533
At 31 December 2016								
Cost or fair value	23,021	69,478	14,912	1,162	19,736	6,728	149	135,186
Accumulated depreciation and impairment	0	(4,204)	(8,767)	(804)	(17,274)	(5,604)	0	(36,653)
Net carrying amount	23,021	65,274	6,145	358	2,462	1,124	149	98,533

Notes to the Financial Statements

for the year ended 31 December 2017

Valuation

The most recent valuations of land and buildings were performed by J Dunkley FNZIV and Praveen Menon MPINZ, registered valuers, of Crighton Anderson Property & Infrastructure Ltd with a valuation date of 31 December 2017.

Land

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

Buildings

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

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

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

Restrictions on title

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

Work in progress

Buildings in the course of construction total \$24,020k (2016 \$3,536k) while Plant, Equipment, Motor Vehicles and Computers total \$726k (2016 \$207k).

Legal ownership of land and buildings

Legal title to land and buildings, previously in the name of the Crown, was transferred to Otago Polytechnic on 8 September 2016.

10. INTANGIBLE ASSETS

POLYTECHNIC AND GROUP

	Course Development costs \$'000	Computer Software \$'000	Total \$'000
At 1 January 2017			
Cost (gross carrying amount)	6,598	9,832	16,430
Accumulated amortisation	(4,231)	(5,954)	(10,185)
Net carrying amount	2,367	3,878	6,245

Year ended 31 December 2017

Balance at 1 January	2,367	3,878	6,245
Additions	1,673	502	2,175
Impairments (net)	(17)	0	(17)
Amortisation expense	(721)	(785)	(1,506)
Balance at 31 December	3,302	3,595	6,897

At 31 December 2017

Cost (gross carrying amount)	7,225	10,225	17,450
Accumulated amortisation	(3,923)	(6,630)	(10,553)
Net carrying amount	3,302	3,595	6,897

At 1 January 2016

Cost (gross carrying amount)	5,801	9,165	14,966
Accumulated amortisation	(4,057)	(5,222)	(9,279)
Net carrying amount	1,744	3,943	5,687

Year ended 31 December 2016

Balance at 1 January	1,744	3,943	5,687
Additions	1,080	666	1,746
Impairments (net)	(6)	0	(6)
Amortisation expense	(451)	(731)	(1,182)
Balance at 31 December	2,367	3,878	6,245

At 31 December 2016

Cost (gross carrying amount)	6,598	9,832	16,430
Accumulated amortisation	(4,231)	(5,954)	(10,185)
Net carrying amount	2,367	3,878	6,245

Work in progress

Course Development projects not yet completed total \$1,797k (2016 \$124k) while Software projects total \$471k (2016 \$468k).

Notes to the Financial Statements

for the year ended 31 December 2017

11. TRADE AND OTHER PAYABLES

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables	5,661	4,006	5,714	4,033
Income in advance	13,456	8,341	13,456	8,401
Interest payable	0	0	0	0
	19,117	12,347	19,170	12,434

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

12. EMPLOYEE ENTITLEMENTS

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Employee Entitlements</i>				
Annual and discretionary leave	1,547	1,394	1,547	1,394
Long service leave	240	222	240	222
Retirement leave	107	93	107	93
Sick Leave	136	100	136	100
Other Entitlements	1,643	1,749	1,643	1,749
	3,673	3,558	3,673	3,558
Current portion	3,443	3,328	3,443	3,328
Non-current portion	230	230	230	230
	3,673	3,558	3,673	3,558

13. LOANS AND BORROWINGS

The Westpac Bank loan facility is secured with a negative pledge and operates as a multi-option credit line facility. The balance drawn down on the multi option credit facility was 8,000k as at 31 December 2017. The interest rate was 3.23% per annum.

The loan from University of Otago is an unsecured, interest-free advance related to the sale of City College by Dunedin City Tertiary Accommodation Trust. The balance as at 31 December 2017 was \$1,292k.

14. EQUITY

	POLYTECHNIC		GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Retained Earnings</i>				
At 1 January	69,103	65,996	71,032	67,791
Resettlement of Trust	0	0	(78)	0
Net Surplus/(Deficit)	2,752	3,135	2,909	3,269
Net change in Trust and Special Funds	(33)	(28)	(33)	(28)
At 31 December	71,822	69,103	73,830	71,032
<i>Asset Revaluation Reserve</i>				
At 1 January	31,599	31,597	31,599	31,597
Revaluation gains/(losses)	3,118	0	6,087	0
Change in reserve on disposal/transfer	0	2	0	2
At 31 December	34,717	31,599	37,686	31,599
<i>Trust Funds</i>				
At 1 January	397	370	397	370
Receipts to funds	88	73	88	73
Payments from funds	(55)	(46)	(55)	(46)
Transfer to OPEF subsidiary	0	0	0	0
At 31 December	430	397	430	397
<i>Special Funds</i>				
At 1 January	84	83	84	83
Receipts to funds	0	1	0	1
Payments from funds	0	0	0	0
At 31 December	84	84	84	84
Total Equity	107,053	101,183	112,030	103,112

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.

Notes to the Financial Statements

for the year ended 31 December 2017

15. FINANCIAL INSTRUMENT RISKS

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

Market risk

Currency risk

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

The Polytechnic has transactional currency exposures arising from overseas purchases that include capital equipment, software licences, library books and other expenditures 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 longterm debt obligations, refer to note 13 for interest rates and loan balances of any Otago Polytechnic borrowings.

Credit risk

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

The Polytechnic has no significant concentrations of credit risk other than the Tertiary Education Commission, 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.

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 \$20m. 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 2017

Maturity analysis of financial assets and liabilities

	Carrying amount	Current	1-3 months	3-12 months	More than 12 months
<i>Polytechnic 2017</i>					
Cash and cash equivalents	372	372	0	0	0
Trade and other receivables	5,596	3,404	1,633	559	0
Other financial assets	74	74	0	0	0
Total financial assets	6,041	3,849	1,633	559	0
Trade and other payables	19,117	19,117	0	0	0
Loans and borrowings (current)	9,292	0	9,292	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	28,409	19,117	9,292	0	0
<i>Group 2017</i>					
Cash and cash equivalents	372	372	0	0	0
Trade and other receivables	5,720	3,501	1,646	573	0
Other financial assets	85	85	0	0	0
Total financial assets	6,177	3,958	1,646	573	0
Trade and other payables	19,170	19,170	0	0	0
Loans and borrowings (current)	9,292	0	9,292	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	28,462	19,170	9,292	0	0
<i>Polytechnic 2016</i>					
Cash and cash equivalents	2,894	2,894	0	0	0
Trade and other receivables	4,245	244	3,400	601	0
Other financial assets	438	438	0	0	0
Total financial assets	7,577	3,576	3,400	601	0
Trade and other payables	12,347	12,347	0	0	0
Loans and borrowings (current)	0	0	0	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	12,347	12,347	0	0	0
<i>Group 2016</i>					
Cash and cash equivalents	2,952	2,952	0	0	0
Trade and other receivables	4,352	257	3,467	628	0
Other financial assets	478	478	0	0	0
Total financial assets	7,782	3,687	3,467	628	0
Trade and other payables	12,434	12,434	0	0	0
Loans and borrowings (current)	0	0	0	0	0
Loans and borrowings (non-current)	0	0	0	0	0
Total financial liabilities	12,434	12,434	0	0	0

Notes to the Financial Statements

for the year ended 31 December 2017

16. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

These leases have an average life of 5 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Within one year	1,235	1,026	1,235	1,026
After one year but not more than five years	3,417	3,237	3,417	3,237
More than five years	4,936	2,773	4,936	2,773
	9,588	7,036	9,588	7,036

Capital commitments

At 31 December 2017 the Polytechnic had total commitments of \$3.0m for the major building works at the Forth St and Central campuses (OP Student Village and Central Student Accommodation). (2016: \$18.5m for the major building works (OP Student Village) at the Forth St campus).

Legal claim

Otago Polytechnic has one unresolved contingent matter in the pre litigation stage as at balance date, the claim is for \$565k, it is anticipated that this will go to mediation. This relates to a dispute over construction costs.

Contingent assets and liabilities

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

Unquantifiable contingencies

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

Otago Polytechnic is joint and several guarantor for property leases relating to the Polytechnic's Auckland Campus. There is no certainty that any liability under the leases would arise, in addition the Polytechnic is unable to quantify any potential contribution. (The position was the same in 2016)

17. RELATED PARTY DISCLOSURE

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

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

Inter-group transactions

The Otago Polytechnic Education Foundation Trust paid \$36,783 to Otago Polytechnic for event catering (2016: \$4,010). Otago Polytechnic provides accounting, secretarial and trustee services to the Otago Polytechnic Education Foundation Trust at no cost.

The Open Education Resource Foundation Limited paid \$7750 to Otago Polytechnic for administrative services for Creative Commons Aotearoa New Zealand operations (2016: \$8,000). Otago Polytechnic provides accounting, secretarial and director services to the Open Education Resource Foundation Limited for no charge in lieu of payment of membership fees of \$6,630 (US\$4,000) annually. Monies owed between the parties are held in a current account, being \$11,507 (2016: -\$23,449).

OPAIC Ltd Partnership paid \$800,345 to Otago Polytechnic as reimbursement for expenses paid by Otago Polytechnic on behalf of the Partnership. These expenses were on-charged at original cost without any margin. OPAIC Ltd Partnership paid Otago Polytechnic \$166,667 for an operating lease on assets owned by Otago Polytechnic but used by OPAIC Ltd Partnership. Otago Polytechnic paid \$15,385,428 to OPAIC Ltd Partnership for Contracted Education Services delivered to students who are enrolled in Otago Polytechnic programmes delivered by the Limited Partnership. The fees are paid on a service delivered basis. Until payment is transferred to the Limited Partnership, Otago Polytechnic pays interest on the balance of fees paid in advance of services delivered.

Key management personnel compensation

	POLYTECHNIC AND GROUP	
	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	1,264	1,783
Post employment benefits	65	515
	1,329	2,298

Key management personnel included 7 members of the Executive Leadership Team and the Director of Open Education Resource Foundation Ltd, totalling 7 FTE (2016: 10 FTE).

Notes to the Financial Statements

for the year ended 31 December 2017

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.

18. EVENTS AFTER THE BALANCE SHEET DATE

Post balance date events as at 31 December 2017 are the purchase of City College by the University of Otago. The Dunedin City Tertiary Accommodation Trust is expected to be wound up and distributed to beneficiaries early in 2018. (Post balance date events as at 31 December 2016 involved the registration of OPAIC Limited Partnership).

19. COUNCILLOR FEES

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

POLYTECHNIC AND GROUP		
	2017 \$	2016 \$
Paul Allison	14,120	14,120
Neil Barns	9,413	0
Gillian Bremner	21,400	21,400
John Christie	4,707	14,120
Peter Coolbear	14,120	14,120
Darren Evans	14,120	5,883
Kathy Grant	35,952	35,952
David Higgins	7,133	17,120
Mike Horne	17,120	17,120
Megan Potiki	9,987	0
Chris Staynes	0	9,413
	148,072	149,248

20. CHILDCARE CENTRE

POLYTECHNIC AND GROUP			
	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Revenue			
Ministry grants	484	527	517
Guardians and Student income	286	311	311
Total Revenue	770	838	828

Expenditure

Employment costs	696	702	707
Other Operating costs	112	108	110
Total Expenditure	808	810	817
Surplus/(Deficit)	(38)	28	11

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

	2017 hours	2016 hours
Statistics		
Under two year olds	16,926	17,226
Two year old and over	18,957	18,202
Free funded 3 years and over	19,265	23,104

Higher numbers of 0-2 year olds in 2016 is evident in the increased funded hours for 2 year olds in 2017. Families leaving the area, children transitioning to school or choosing to attend kindergarten has contributed to the reduction of '20 Hours ECE' funding for 2017.

21. CAPITAL MANAGEMENT

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

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

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

22. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Group statement of financial performance

Government Grants

Government grants were \$583k lower than budgeted. This was due to not achieving budgeted SAC L3+ funding by \$662k and various smaller funding pools also not achieving budget creating an unfavourable variance of \$369k. This was offset by a favourable variance in the timing of revenue recognition due to the PBE non-exchange revenue accounting requirements found in PBE IPSAS 23. For further details about this adjustment see Note 3.

Notes to the Financial Statements

for the year ended 31 December 2017

Student tuition fees

Student tuition fees were a net \$2,034k higher than budgeted, international EFTS at the OPAIC Auckland Campus were higher than expected with marketing efforts bearing fruit. This was partly offset by lower domestic fee revenue due to an unfavourable price/volume shift to lower cost programmes combined with lower EFTS numbers.

Employment expenses

Employment expenses were \$574k higher than budgeted. Net academic staffing costs were overspent, this was due to some budget errors, as well as additional staffing due to increased student numbers in low revenue generating programmes. This also included the last of the redundancy and recruitment costs arising from the Leadership Team restructure late in 2016. Also contributing were an increase in staff leave liabilities and superannuation costs.

Consumable Expenses

Consumable expenses are a net \$4,351k higher than budgeted. Additional costs of \$3,961k were incurred in Contracted Educational Services for the increased OPAIC EFTS activity plus subcontract with Moana House was not known at budget time. TANZ subscriptions of \$317k were paid but not budgeted.

Group statement of financial position

Cash and cash equivalents

Cash and Cash Equivalents are \$210k higher than budgeted. This is mainly due to student deposits for accommodation at the Campus Living Village.

Trade and other receivables

Trade and other receivables are \$220k higher than budgeted. This is due to the loan to OPAIC Limited Partnership being reclassified due to payment being made early 2018.

Property, plant and equipment

Property, plant and equipment is \$2,736k lower than budgeted. The Student Village and Cromwell Accommodation building complex projects ended with a lower spend than originally anticipated due to changes in budget timing. In addition, Plant & Equipment provisions were underspent across the Polytechnic.

Trade and other payables

Trade and other payables were \$11,170k higher than budgeted. This is the result of a much higher Income in Advance liability due to OPAIC increased EFTS along with a change in accounting methods for OPAIC income in advance compared with what was expected when the budget was prepared. Also includes significant accrual of build costs across Otago Polytechnic projects.

Group Statement of Cash Flows

Net cash flows

Net operating cash flows were slightly up on budget, this was due to increased OPAIC student fee activity noted above which was offset by increased contractor costs. Net investing cash outflows were also under budget, due to a lower building spend than budgeted and as a result of a change in the timing of payments to OPAIC for contracted education. As a result of this the Polytechnic ended up not requiring the full budgeted Financing cash flows loan drawdown.

Compulsory Student Service Fees

	2017					2016				
	Compulsory Student Services Fees \$'000	Other \$'000	Total Revenue \$'000	Total Expenses \$'000	Surplus/ (Deficit) \$'000	Compulsory Student Services Fees \$'000	Other \$'000	Total Revenue \$'000	Total Expenses \$'000	Surplus/ (Deficit) \$'000
Advocacy and Legal Advice	77	0	77	109	-33	86	0	86	113	-27
Careers Information Advice and Guidance	47	0	47	70	-23	48	14	62	66	-4
Counselling and Pastoral Care	683	208	891	805	86	721	213	934	790	144
Employment Information	25	0	25	39	-14	22	0	22	32	-10
Financial Support and Advice	35	0	35	33	2	33	0	33	29	4
Health Services	383	131	514	560	-46	417	118	535	550	-15
Media	64	0	64	77	-13	101	0	101	72	29
Childcare Services	0	723	723	759	-36	0	781	781	770	11
Clubs and Societies	9	0	9	8	1	9	0	9	8	1
Sports, Recreational and Cultural Activities	413	0	413	451	-38	427	0	427	467	-40
Total	1,735	1,062	2,797	2,911	-114	1,865	1,126	2,991	2,897	94

Compulsory Student Services Levy

Otago Polytechnic has consulted with the students on the student services levy. In 2017 this consultation included presenting to and directly engaging with students on the type of services to be delivered, seeking student feedback on these services and how the student services levy would be spent. The fee charged by Otago Polytechnic per Equivalent Full Time Student in 2017 was \$656, for Central Otago Students \$576, and for distance students \$266 (all GST inclusive). These fees have remained unchanged since 2012. Otago Polytechnic accounts separately for all revenue and expenditure related to the provision of each of the student services listed here.

Advocacy and legal advice

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

Career information, advice and guidance

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

Counselling services

Five counsellors (2.06 FTE) are available for one-on-one appointments to provide students with counselling and pastoral care. Workshops are also held to support students to cope with anxiety and prepare for exams. A Chaplain is also available to provide pastoral care and counselling.

Employment information

This service is undertaken by Careers Service, and is developing within the Polytechnic. Strong links to industry and the workplace have been well fostered with an ongoing focus of development. Industry representatives are brought onto the campus to provide a workplace perspective as part of an interview panel for practice

interviews and to provide industry focus through information evenings and fairs.

Financial support and advice

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

Health services

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

Media

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

Communications channels are also enabled through the Student Subcommittee of Council and the OPSA Advisory Board.

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 Otago University Students' Association Clubs and Societies. The OUSA Recreation Centre provides amenities including meeting rooms, exercise space and equipment for hire. It organises tournaments, and is the base of student sports, religious and cultural clubs.

Sports and recreation facilities

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

Appendix

TEC educational performance definitions and formulas

Participation definition

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

Formula =

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

Total EFTS delivered in year N

Course completion definition

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

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

Formula =

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

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

Qualification completion definition

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

Formula =

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

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

Student retention definition

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

Formula =

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

Students with some portion of an enrolment in year N

Student progression definition

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

Formula =

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

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





Keeping it green

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