

Creating
BETTER
Together

Tai Poutini
Polytechnic
NEW ZEALAND

ANNUAL REPORT 2017



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He Mihi

He mihi tēnei ki ka tini mate o te motu, mai i te Muriwhenua ki te Murihiku, rātou katoa,
kua karangahia e Tahu Kumea e Tahu Whakairo ki te pō nui, tukuna, rātou kia okioki
rā i te moeka roa. E pōua mā, e tāua mā, haere atu rā, moe mai rā. Kāti rā, rātou, ki a rātou,
tātou te huka ora ki a tātou, tēnā anō tātou katoa.

“He aha te mea nui o te ao?

He tangata! He tangata! He tangata!”

“What is the most important thing in the world?

It is People! It is People! It is People!”

Purpose of Report

This Annual Report has been produced to fulfil two main functions:

To meet the requirements of the Public Finance Act 1989, Education Act 1989, and Crown Entities Act 2004 by providing annual financial statements and non-financial information for significant activities; and

To provide information to Tai Poutini Polytechnic's (TPP) stakeholders about its performance against financial and service performance indicators; and in compliance with Tertiary Outcomes Framework reporting and associated performance reporting commitments.

This Annual Report has both accountability and information functions. It is related to a number of other documents including the 2015-2017 Investment Plan.

The 2016 Annual Report was not completed in line with the statutory deadline due to delays with Audit and going concern. The 2016 Report was audited and concluded in early 2018 and prior year comparatives relate to this report.

Tai Poutini Polytechnic Overview

Tai Poutini Polytechnic provides quality tertiary education that meets the needs of students and industry on the West Coast and at campuses around New Zealand.

Popular West Coast programmes include tourism and hospitality training, outdoor education training, dairying and agriculture, extractive/mining, and specialist jade and hard stone carving programmes. TPP also offers specialist training in niche areas from campuses around the country; our students come to us to prepare for jobs in construction, including scaffolding, ropes, rigging and cranes, and across the civil construction sector, emergency services and ski patrol industry.

Established in 1989, the Polytechnic now trains around 6,400 students every year in full or part-time study options. Our aim is to get our students into real jobs in the community, so we work closely with our industry partners and employers to make sure we're delivering training that is relevant and in-demand.

Right now, the Polytechnic is preparing for a sustainable future on the West Coast and across other campuses. We're working closely with the Government and community partners to establish a new way of working that secures the ongoing availability of quality, sustainable tertiary education and vocational training in the region.

Tai Poutini Polytechnic Future

Tai Poutini Polytechnic is working with the West Coast community, our industry partners and the Government to secure the future of tertiary education and vocational training in the region. It's well-known that TPP faces some real financial and strategic challenges. Our focus is on meeting the training needs of Coast students and Coast businesses while we come up with a new way of working that ensures the ongoing delivery of quality, sustainable tertiary education on the Coast.

The Government has shown its commitment to providing tertiary training on the West Coast, with the appointment of a Crown Manager in late 2016 to assist TPP and ongoing financial support to ensure operations continue while plans for the future are progressed. We expect to continue this partnership into the future as we work through the challenges ahead.

The appointment of the Crown Manager in 2016, and expectations that this would result in changes to the Polytechnic's operations, meant the usual audit process and an Annual Report for 2016 was not completed during 2017. This report will be published in 2018.

2017 Highlights

2017 was a busy year for Tai Poutini Polytechnic, as the focus remained on providing quality training that led students into jobs or new career pathways. At the same time, our work to address underlying financial issues and future planning processes was also going full steam ahead.

Of particular note was the release of the New Zealand Qualifications Authority (NZQA) External Evaluation Review (EER) in November 2017, which resulted in TPP receiving a Category 4 designation – the lowest designation NZQA can assign. While the result was disappointing, it highlighted issues that the TPP Council, management and staff had been aware of for some time and had already been taking steps to address. Quality remains the number one priority at TPP and significant work is underway to address the issues raised in the EER and improve the designation ahead of the next review.

Key activities for the year include:

- **Satisfaction surveys**
In 2017, more than 85 per cent of students said they were satisfied or very satisfied with their training.
- **Destination surveys**
Just over three-quarters of students across the institute went straight into jobs or further study after finishing their 2017 training. This rose to over 80 percent when considering West Coast students only – with around 40% getting jobs and a similar percentage going on to further study.
- **Financial milestones**
Part of TPP's focus on the future has involved a range of cost-cutting exercises across the institute. All up, this has so

far resulted in a \$4 million saving on operational expenditure. Measures included a review of everything we own and sale of high value items that are not getting a lot of use, as well as the introduction of new monitoring systems to limit duplication and keep better track of the money we spend.

In addition, TPP received confirmation from the Tertiary Education Commission in late 2017 that, as a result of under-delivery of training hours across a range of programmes between 2010 and 2015, a debt in excess of \$20 million had been incurred. It was subsequently decided that TEC would write-off the debt, due to the fact that TPP's financial challenges would essentially make it impossible to repay, as well as the recognition that work was already underway to address the issues raised in the investigation.

▪ **Campus changes**

The Hokitika campus, which was not getting a lot of use, was closed in 2017 so services could be concentrated in Greymouth. A bus service ensures Westland students can still attend training programmes. Also, steps were put in place to see the Music and Audio Institute of New Zealand (MAINZ) transfer to the Southern Institute of Technology in 2018, freeing-up resources to focus on programmes that are of greater relevance to key West Coast industries.

▪ **Community connections**

Ensuring we offer high quality training that is relevant to the West Coast economy and leads to real jobs for our students is a top priority. Significant time in 2017 was spent on strengthening our relationships with the community and local employers to ensure we are delivering the graduates they need to fill gaps in the local employment market. This includes regular information sessions for our community partners and ongoing regional updates.

▪ **Structural changes**

Changes were made to our Academic Board in 2017 to strengthen our quality procedures. A new Curriculum Advisory Group was set up to make sure programmes are fit-for-purpose, while a new Ethical Framework has also been established to emphasise social responsibility – it's now mandatory that we consider the benefit to the West Coast as a whole when making decisions.

Ways we are doing better...

Focusing on what matters most



Focus:

- Provision aligned with needs of the West Coast
- Quality
- Sustainability
- Outcomes

Putting people first



- Improved Community Connections

Getting into shape



- Improved Academic Board

Over 85

per cent of 2017 students satisfied or very satisfied with their training

Over 7,400
Students Trained

Over 3/4 of 2017 students went straight into jobs or further

Focusing on what matters most



- New Ethical Framework Established

Making every cent count



\$4m Savings

Lifting our game



- New quality partnerships formed

Murray Strong
Crown Manager

Alex Cabrera
Chief Executive

TPP Governance

Legal Status

TPP is a Polytechnic established under the Education Act 1989. It is governed by a Council. The Council has a significant leadership role particularly in setting institutional directions and strategy. Under the Education Act 1989 this role manifests itself in Council responsibility for the following functions:

- Appointing a Chief Executive;
- Long term planning for overall viability;
- Investment Plan development for negotiation with the Tertiary Education Commission (TEC); and
- Ensuring that TPP is managed in accordance with its Investment Plan.

Murray Strong was appointed as Crown Manager of Tai Poutini Polytechnic with effect from 12 December 2016. This is in accordance with section 222C of the Education Act 1989.

This appointment states that

- The Crown Manager will work cooperatively with the council and will, where appropriate, engage with third party stakeholders;
- The council will retain its primary duty of care as a person conducting a business or undertaking, under the Health and Safety at Work Act 2015, above and beyond all functions, duties and powers of the Crown Manager.

The Crown Manager is responsible for the following functions:

- All matters relating to the employment of the Chief Executive (though TPP remain the employer for contractual and legislative purposes);
- Preparation of TPP proposed investment plan (though tertiary provision activities on the West Coast which will be prepared by the council in consultation with the Crown Manager);
- Ensure that TPP is managed in accordance with the overall 2015-2016 investment plan;
- Determine, subject to the State Sector Act 1988, TPP's policies in relation to its financial management, financial reporting, financial strategy, including reviewing existing budgets and preparing future budgets and undertake planning relating to TPP's long-term strategic direction.

Duties of the Council

The primary duty of the Council during the period of Crown Management, as detailed above, is responsibility as a person conducting a business or undertaking, under the Health and Safety at Work Act 2015.

The Council members are drawn from people highly experienced in the education sector and its governance, together with members who represent the West Coast region. The Council members are:

Appointed by the Minister of Tertiary Education

Mr Graeme McNally (Chair)	1 May 2010 to 13 February 2017
Mr Kevin Stratful	26 May 2016 to 30 April 2020
Ms Raelyn Lourie	1 July 2016 to 30 April 2020
Mr Andrew Robb (Chair)	15 December 2016 to 30 April 2020
Mr Andy England	1 May 2017 to 30 April 2019

Appointed by the TPP Council

Mr Christopher Rea	1 September 2014 to 12 April 2017
Dr Gabrielle Wall	1 May 2015 to 18 April 2017
Dr Peter Coolbear	1 May 2015 to 18 April 2017

Table 1: Attendance of Council Members at TPP Council Meetings

Name	Meetings eligible to attend	Actual number attended
McNally, Graeme	1	1
England, Andy	1	1
Robb, Andrew	3	3
Lourie, Raelyn	3	3
Rea, Christopher	1	1
Stratful, Kevin	3	3
Wall, Gabrielle	1	1
Coolbear, Peter	1	1

Committees of the Council

Academic Board

The Council is required to establish and maintain an Academic Board in accordance with Section 182 of the Education Act 1989 to:

- a. Advise the Council on matters relating to courses of study or training, awards, and any other academic matters; and
- b. Exercise powers delegated to it by the Council.

It is chaired by the Chief Executive.

Directory

Table 2: Management Team

Name	Position
Alex Cabrera	Chief Executive
Sue Allard	Director - Strategic Development
Peter Bayliss	Director - Academic and Quality
Samuel Blight	Director - Strategy
Alyson Bone	Chief Financial Officer
Mequa Hourston	Sales and Marketing Manager
Blair Keily	Chief Information Officer
Karen Kennedy	Executive Assistant
David Mason	Te Kaiwhakahaere o Mātauranga Māori
Vanessa Rankin	Academic Registrar
Preeti Singh	General Manager - Training for Industry Faculty
Teresa Schwellnus	General Manager - West Coast Faculty
Bankers	ASB Bank
Auditors	Audit New Zealand (on behalf of the Controller & Auditor - General)
Solicitors	Hannan and Seddon Lawyers, PO Box 8 Greymouth


Statement of Responsibility

Under section 155 of the Crown Entities Act 2004, we hereby certify that:

1. We have been responsible for the preparation of these financial statements, the Statement of Service Performance and the judgement used therein;
2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. We are of the opinion that these 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.



Murray Strong
Crown Manager



Alex Cabrera
Chief Executive



Alyson Bone ACMA, CGMA
Chief Financial Officer

Independent Auditor's Report

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

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

We have audited:

- the financial statements of the Polytechnic and group on pages 20 to 51, that comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Polytechnic and group on pages 13 to 19.

Qualified opinion on the financial statements

In our opinion, except for the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Polytechnic and group on pages 20 to 51:

- 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 Public Benefit Entity Reporting Standards.

Opinion on the Statement of Service Performance

In our opinion, the statement of service performance of the Polytechnic and group on pages 13 to 19 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 3 August 2018. This is the date at which our opinion is expressed.

The basis for our qualified opinion on the financial statements and our opinion on the statement of service performance 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.

Material uncertainty relating to going concern

Without further modifying our opinion, we draw your attention to the disclosures in Note 20 on page 50 that set out the Council's assessment of the Polytechnic's ability to continue as a going concern. The validity of the use of the going concern basis of accounting is dependent on the Polytechnic receiving all of the capital injection agreed with the Crown, subject to the Polytechnic meeting the conditions in the agreement. The Polytechnic has submitted a business case to the Minister of Education with options for its future governance and organisational structure. A decision on this has been deferred pending the government's decision on the future of the institutes of technology and polytechnic sector.

These matters indicate that a material uncertainty exists that may cast significant doubt on the Polytechnic's ability to continue as a going concern.

Basis for our qualified opinion

Funding overclaimed: 2010 - 2015

An investigation by the Tertiary Education Commission (TEC) in 2017 found that the Polytechnic had overclaimed its SAC Funding in the years 2010 to 2015 by a total of \$18,464,921 (GST exclusive). The Polytechnic had included the amounts overclaimed as revenue in the relevant years and thus those years' revenues and results were overstated. If revenue had been recognised at the correct amounts then Equity would be lower by \$18,464,921 at both 31 December 2016 and 2017. Further, the total funding overclaimed, which had been received, was a debt due to TEC at both 31 December 2016 and 2017 that should have been recognised as a liability.

However, in 2018 TEC decided not to seek recovery of any of the amount overclaimed. As TEC made this decision after the 2017 balance date it should be accounted for in the Polytechnic's 2018 financial statements.

The effect of TEC's forgiveness of the debt was to restore the Polytechnic's results as though it had not overclaimed any SAC funding. As the Polytechnic became aware of the decision before it completed its 2016 and 2017 financial statements it decided not to adjust these financial statements for the effect of the overstated revenue in prior years, nor has it recognised a debt to TEC at balance date.

Delivery to fewer students than funded for: 2016

In addition, in 2018 TEC also decided not seek recovery of \$3,115,449 (GST exclusive) which arose from the Polytechnic having delivered courses to fewer students than it was funded for in 2016. This amount had, correctly, not been recognised as revenue by the Polytechnic. Instead, the amount is shown as *MOE Funding in Advance* as at 31 December 2016 as it was to have been offset by TEC against future funding receipts.

The Polytechnic has decided to recognise the effect of TEC's decision in its 2017 financial statements by transferring the amount from Revenue in Advance to Equity as part of the Capital Injection in the Statement of Changes in Equity. The correct treatment would have been for the Polytechnic to make this adjustment in its 2018 financial statements, the year when TEC made the decision.

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 qualified opinion on the financial statements and our opinion on the statement of service performance.

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 statement of intent.

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 3 to 8, 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.



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

Statement of Service performance

Student Satisfaction

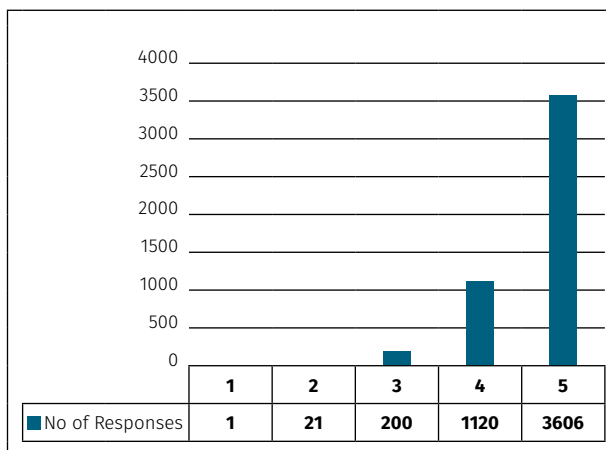
Tutor Evaluation

A total of 4948 students, both full and part-time, are represented in the rating below. The Academic Board target was to maintain a Tutor Evaluation average of 4.5. The 2017 Mean Average was 4.4.

2017 Mean Average: 4.4

Method: How would you rate the overall quality of teaching of this tutor? Rated from 1-5 (1=dissatisfied; 5=very satisfied).

Graph 1: 2017 Tutor Evaluation Satisfaction Survey Ratings



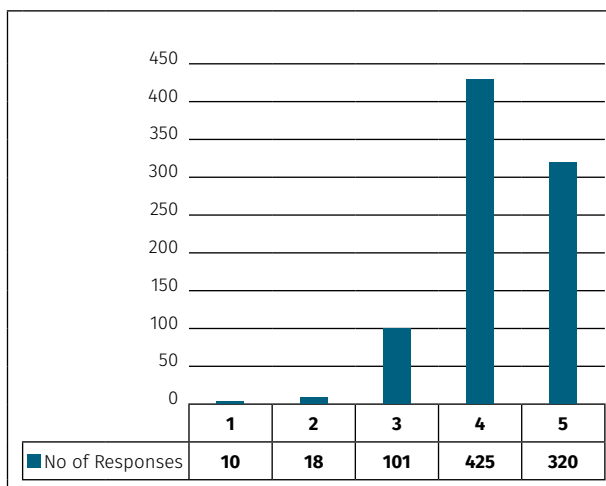
Programme Satisfaction

A total of 874 students from mainstream programmes are represented in the ratings below. It should be noted that the percentage of full-time students represented is affected by student withdrawal, absent students, distance students or those who have left for work experience/employment prior to part 3 of the survey being rolled out. The Academic Board target was to maintain a student satisfaction average rating of 4.5. The 2017 Mean Average is 4.23.

2017 Mean Average: 4.23

Method: Overall how satisfied were you with your student experience at Tai Poutini Polytechnic? Rated from 1-5 (1 = very dissatisfied 5 = very satisfied).

Graph 2: 2017 Programme Satisfaction Survey Ratings



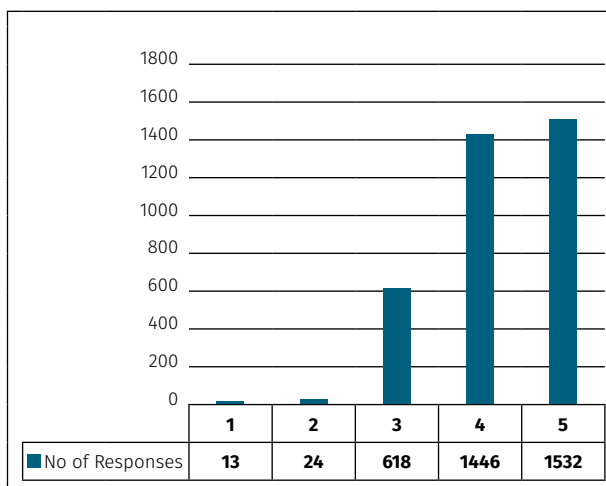
Short Course Programme Satisfaction

A total of 3633 short course students are represented in the rating. The Academic Board target was to maintain a student satisfaction average rating for short courses of 4.6. In 2017 the mean average was 4.2.

2017 Mean Average: 4.2

Method: To what degree do you feel you have achieved the learning outcomes of this course? Rated from 1-5 (1=dissatisfied; 5=very satisfied)

Graph 3: Short Course Programme and Learning Satisfaction Survey Ratings

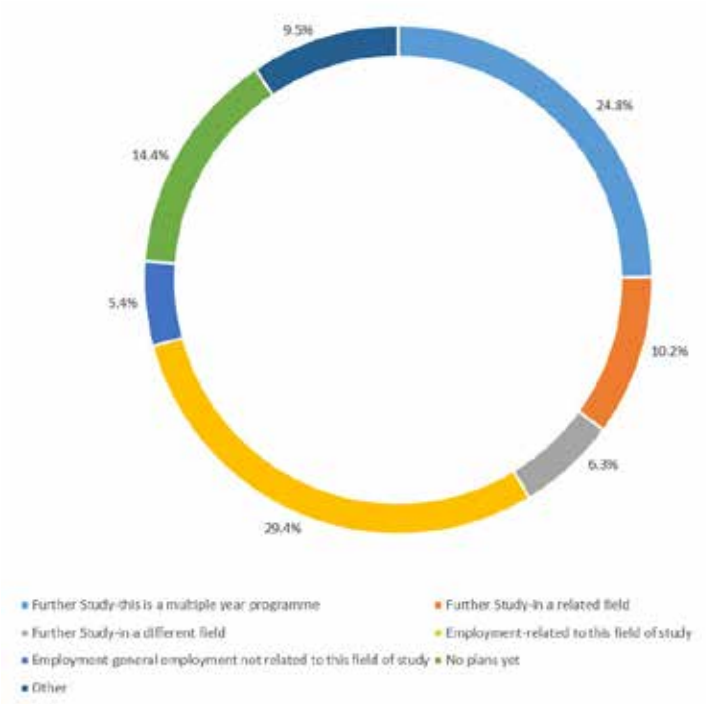


Student Destination

A total of 411 students from mainstream programmes are represented in the percentages below.

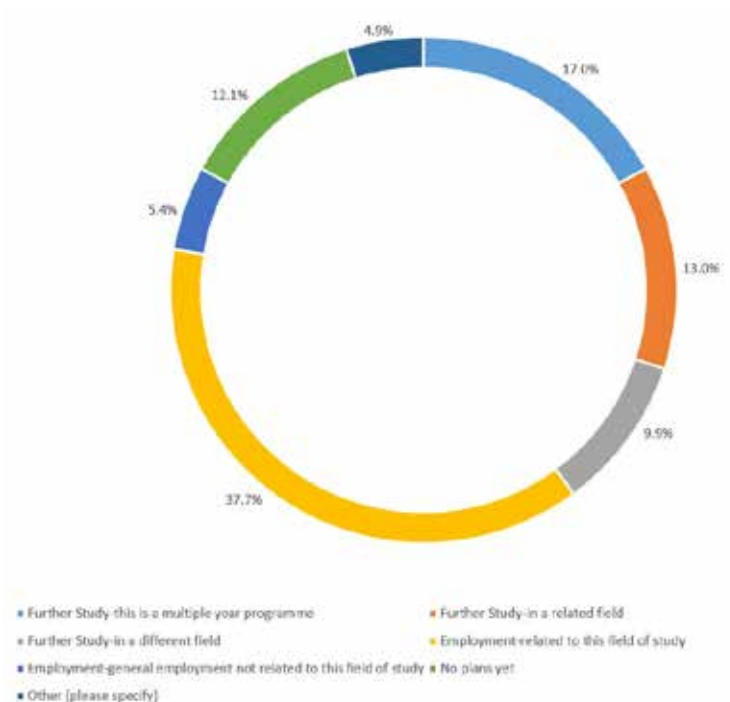
The Academic Board target was to achieve a destination percentage of 80% for students moving into employment or further study. It should be noted that the percentage of full-time students represented is adversely affected by students who complete surveys but may not respond to this question, withdrawal, absent students, distance students or those who left for work experience/employment prior to part 3 of the survey being rolled out (these students would still be counted in the total number of students).

Graph 4: Student Destination – Tai Poutini Polytechnic

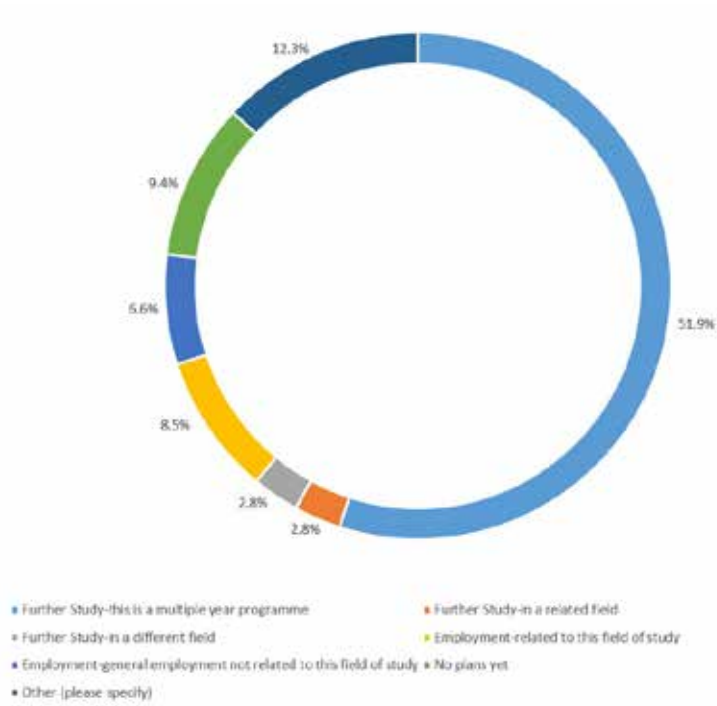


Breakdown of Destination Analysis by Faculty

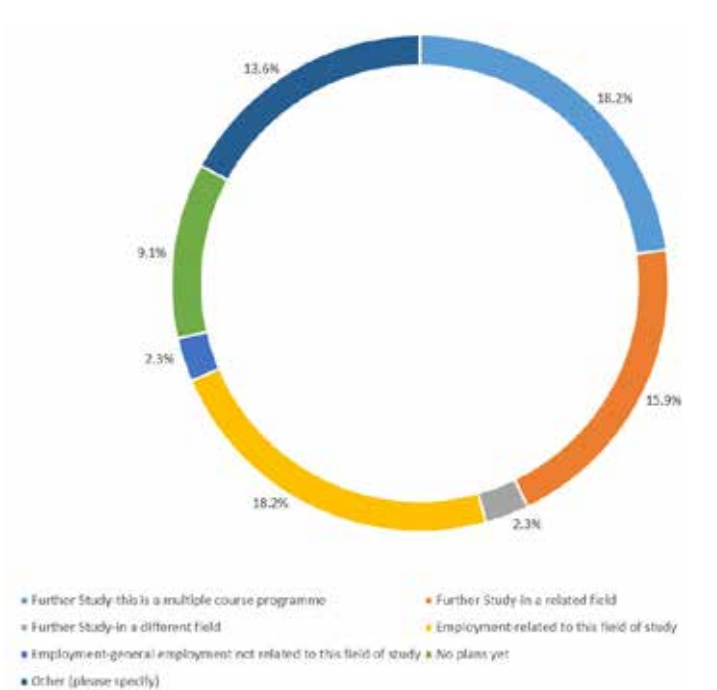
Graph 5: Student Destination – West Coast



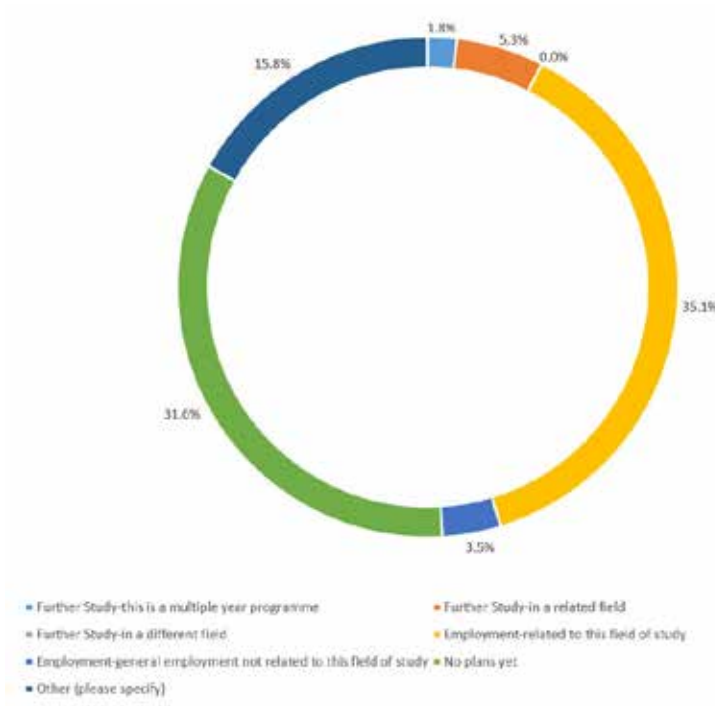
Graph 6: Student Destination – MAINZ



Graph 7: Student Destination – NZ Diploma in Business



Graph 8: Student Destination – Training for Industry



Equal Employment Report

Equal Employment at Tai Poutini Polytechnic (as at 1 December 2016)

	2017	2016	2015
All Staff	168	177	174
Maori	10	14	11
Female	79	84	82
Pasifika	1	2	1
Maori	6.0%	6.3%	6.3%
Female	47.0%	47.1%	47.1%
Pasifika	0.6%	0.6%	0.6%

Performance Commitments

SAC Levels 1 and 2

Performance Commitments SAC Levels 1 and 2	Group	2016 Provisional	2016 Actual	2017 Target	2017 Provisional Data as at March 18	Comments
Course Completion <i>The successful course completion rate (SAC Eligible EFTS) for:</i>	All Students	60%	73%	Refer note 1	62%	Refer notes 1-3
Qualification Completion <i>The successful qualification completion rate (SAC Eligible EFTS) for:</i>	All Students	28%	39%	Refer note 1	76%	Refer notes 1-3
Student Retention <i>The student retention rate (SAC Eligible student count) for:</i>	All Students	Not reported. This data was supplied by TEC after collation of the 2016 Annual Report.	39%	Refer note 1	Data not yet available	Refer notes 1-3
Student Progression <i>The student progression rate (SAC Eligible student count) at level 1 to 3, to a higher level</i>	All Students	Not reported. This data was supplied by TEC after collation of the 2014 Annual Report.	44%	Refer note 1	Data not yet available	Refer notes 1-3

Performance Commitments: SAC Level 3 and Above

Performance Commitments SAC Levels 3 and above	Group	Level	2016 Provisional	2016 Actual	2017 Target	2017 Provisional	Comments
PARTICIPATION							
<i>The proportion of SAC Eligible EFTS who are:</i>	Under 25	All levels	43%	43%	Refer note 1	46%	Refer notes 1-3
	Māori	All levels	37%	37%	Refer note 1	39%	
	Pasifika	All levels	14%	14%	Refer note 1	14%	
Course Completion <i>The successful course completion rate (SAC Eligible EFTS) for:</i>	All Students	Level 3 & above	70%	74%	Refer note 1	77%	Refer notes 1-3
		Level 4 & above	75%	75%	Refer note 1	74%	
	Under 25	Level 3 & above	71%	73%	Refer note 1	75%	
		Level 4 & above	71%	71%	Refer note 1	74%	
	Māori	Level 3 & above	59%	65%	Refer note 1	71%	
		Level 4 & above	71%	71%	Refer note 1	67%	
	Pasifika	Level 3 & above	62%	66%	Refer note 1	69%	
		Level 4 & above	63%	63%	Refer note 1	63%	
Qualification Completion <i>The successful qualification completion rate (SAC Eligible EFTS) for:</i>	All Students	Level 3 & above	60%	74%	Refer note 1	74%	Refer notes 1-3
		Level 4 & above	60%	85%	Refer note 1	66%	
	Under 25	Level 3 & above	49%	71%	Refer note 1	60%	
		Level 4 & above	37%	70%	Refer note 1	53%	
	Māori	Level 3 & above	51%	58%	Refer note 1	71%	
		Level 4 & above	72%	95%	Refer note 1	55%	
	Pasifika	Level 3 & above	58%	72%	Refer note 1	61%	
		Level 4 & above	51%	79%	Refer note 1	47%	
Student Retention <i>The student retention rate (SAC Eligible student count) for:</i>	All Students	Level 3 & above	Not reported. This data was supplied by TEC after the 2016 Annual Report was collated	61%	Refer note 1	Data not yet available	Refer notes 1-3
	Māori	Level 3 & above		63%	Refer note 1	Data not yet available	
	Pasifika	Level 3 & above		76%	Refer note 1	Data not yet available	
Student Progression	All Students	Level 3 & above	Not reported. This data was supplied by TEC after the 2015 Annual Report was collated	11%	Refer note 1	Data not yet available	Refer notes 1-3
	Māori	Level 3 & above		14%	Refer note 1	Data not yet available	
	Pasifika	Level 3 & above		13%	Refer note 1	Data not yet available	

1. As no Investment Plan was approved for 2017 there are no Investment Plan Targets for 2017.
2. Increases from the 2016 Provisional to the 2016 Actual were due to course and qualification completions being recorded between the provisional data and the final April SDR.
3. Some priority groups (Maori L4+ Course and Qualification and Pasifika L4+ Qualification) have dropped from 2016 Provisional data to 2017 Provisional data. This has been considered at the programme level and some programmes will not run in 2018. There was also a considerable increase in enrolments in Advanced Scaffolding which has a high proportion of Maori students. This programme runs over multiple years and so artificially the single year Qualification Completion metric is lowered. If we exclude these two groupings, the Maori Qualification Completion for 2017 rises to within 3% of the 2016 data.

Financial Statements



Statement of Comprehensive Income

Statement of Comprehensive Revenue and Expense for the Year Ended 31 December 2017

	Note	Tai Poutini			Group		
		2017 Actual	2017 Budget	2016 Actual	2017 Actual	2017 Budget	2016 Actual
Revenue							
Government Grants	2	12,953,840	12,594,363	12,526,179	12,953,840	12,594,363	12,526,179
Tuition Fees	2	2,966,618	3,264,125	2,943,162	2,966,618	3,264,125	2,943,162
Interest Revenue	2	75,500	-	83,778	75,707	-	84,265
Other Revenue	2	1,584,538	1,619,890	1,417,737	1,584,538	1,619,890	1,417,737
Total Revenue		17,580,496	17,478,377	16,970,855	17,580,703	17,478,377	16,971,343
Expenses							
Personnel Costs	3	11,573,898	13,027,267	12,515,252	11,573,898	13,027,267	12,515,252
Depreciation and Amortisation Expense	8,9	1,447,347	1,497,291	1,598,380	1,453,404	1,497,291	1,604,437
Finance Costs		-	-	-	-	-	-
Other Expense	4	7,451,628	8,067,883	6,867,693	7,456,304	8,067,883	6,875,719
Total Expenses	2	20,472,873	22,592,441	20,981,326	20,483,606	22,592,441	20,995,410
Surplus / (Deficit) for the year from continuing operations		(2,892,377)	(5,114,064)	(4,010,471)	(2,902,903)	(5,114,064)	(4,024,067)
Discontinued operations							
Surplus / (Deficit) for the year from discontinued operations	18	91,696	352,626	511,273	91,696	352,626	511,273
Surplus / (Deficit) for the year		(2,800,681)	(4,761,438)	(3,499,198)	(2,811,207)	(4,761,438)	(3,512,794)
Surplus/Defecit Attributable to:							
Tai Poutini Polytechnic		(2,800,681)	(4,761,438)	(3,499,198)	(2,811,207)	(4,761,438)	(3,512,794)
		(2,800,681)	(4,761,438)	(3,499,198)	(2,811,207)	(4,761,438)	(3,512,794)
Other Comprehensive Revenue and Expense							
Translation of Foreign Operations		-	-	-	-	-	-
Total Other Comprehensive Revenue and Expense		-	-	-	-	-	-
Total Comprehensive Revenue and Expense		(2,800,681)	(4,761,438)	(3,499,198)	(2,811,207)	(4,761,438)	(3,512,794)
Total Comprehensive Revenue and Expense Attributable to:							
Tai Poutini Polytechnic		(2,800,681)	(4,761,438)	(3,499,198)	(2,811,207)	(4,761,438)	(3,512,794)
		(2,800,681)	(4,761,438)	(3,499,198)	(2,811,207)	(4,761,438)	(3,512,794)

The accompanying notes form part of these financial statements.

Explanations of major variations against budget are provided in note 17

During 2017 various activities were undertaken to review practices and formulate a plan for a viable future for TPP. These activities included consultancy, partial divestment and restructuring which are classified as Transformation costs, amounting to \$3,731,439, these are not considered part of recurring operating costs. The deficit excluding these costs would be \$325,194.

Statement of Financial Position

Statement of Financial Position as at 31 December 2017

	Note	Institute			Group		
		2017 Actual	2017 Budget	2016 Actual	2017 Actual	2017 Budget	2016 Actual
Current Assets							
Cash and Cash Equivalents	5	2,633,933	1,275,702	1,438,092	2,635,084	1,275,702	1,443,962
Debtors and Other Receivables	6	5,167,818	4,157,681	4,157,681	5,167,818	4,157,681	4,157,681
Term Deposits		203,221	196,390	196,390	209,375	196,390	206,836
Prepayments		255,245	185,758	185,759	255,245	185,758	185,759
Trust Investments		278,964	276,637	276,637	278,964	276,637	276,637
Assets held for sale	8	1,275,995	-	-	1,275,995	-	-
Total Current Assets		9,815,176	6,092,168	6,254,559	9,822,481	6,092,168	6,270,875
Non Current Assets							
Property, Plant and Equipment	8	13,431,949	14,692,853	15,808,751	13,438,992	14,692,853	15,821,851
Intangible Assets	9	485,481	451,657	622,702	485,481	451,657	622,702
Total Non Current Assets		13,917,430	15,144,510	16,431,453	13,924,473	15,144,510	16,444,553
Total Assets		23,732,606	21,236,678	22,686,012	23,746,954	21,236,678	22,715,428
Current Liabilities							
Creditors and Other Payables	10	538,170	851,001	1,138,897	541,653	851,001	1,146,922
Revenue Received in Advance	11	243,919	3,345,691	3,345,691	243,919	3,345,691	3,345,691
Employee Entitlements	12	786,713	606,520	606,520	786,713	606,520	606,520
Trusts and Funds		278,964	276,637	276,637	278,964	276,637	276,637
Total Current Liabilities		1,847,766	5,079,849	5,367,744	1,851,249	5,079,849	5,375,769
Non Current Liabilities							
Employee Entitlements	12	119,085	53,920	53,920	119,085	53,920	53,920
Total Non Current Liabilities		119,085	53,920	53,920	119,085	53,920	53,920
Total Liabilities		1,966,851	5,133,769	5,421,664	1,970,334	5,133,769	5,429,689
NET ASSETS		21,765,755	16,102,909	17,264,348	21,776,620	16,102,909	17,285,739
Equity							
General Funds	14	21,740,394	16,076,148	17,237,587	21,751,259	16,076,148	17,258,978
Restricted Reserves	14	25,361	26,761	26,761	74,678	26,761	26,761
Total Equity		21,765,755	16,102,909	17,264,348	21,776,620	16,102,909	17,285,739
STATEMENT OF CHANGES IN EQUITY							
Balance at 1 January		17,264,348	17,264,348	20,765,346	17,285,738	17,264,348	20,800,333
Total Comprehensive Revenue and Expense		(2,800,681)	(4,761,439)	(3,499,198)	(2,811,206)	(4,761,439)	(3,512,794)
Capital Injection		7,303,488	3,600,000		7,303,488	3,600,000	
Movement in Restricted Reserves	14	(1,400)		(1,800)	(1,400)	-	(1,800)
Balance at 31 December		21,765,755	16,102,909	17,264,348	21,776,620	16,102,909	17,285,739

Explanations of major variations against budget are provided in Note 17.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December 2017

	Institute			Group		
	2017 Actual	2017 Budget	2016 Actual	2017 Actual	2017 Budget	2016 Actual
Cash Flows from Operating Activities						
Receipts from Government Grants	12,999,953	15,930,582	17,395,166	12,999,953	15,930,582	17,395,166
Receipts from Tuition Fees	3,400,425	5,100,995	4,643,780	3,400,425	5,100,995	4,643,780
Interest Income Received	75,500	-	83,778	75,707	-	84,266
Dividend Income Received	47,794	-	50,000	47,794	-	50,000
Receipts from Other Income	2,048,693	2,254,785	2,112,708	2,048,693	2,254,785	2,112,708
Total Cash Receipts	18,572,365	23,286,362	23,415,449	18,572,572	23,286,362	23,415,937
Payments to Employees	(14,455,917)	(16,205,882)	(16,137,148)	(14,455,917)	(16,205,882)	(16,137,148)
Payments to Suppliers	(9,162,845)	(10,054,974)	(8,535,436)	(9,172,064)	(10,054,974)	(8,537,523)
Interest Paid	-	-	204	-	-	204
Goods and Services Tax Net	(671,017)	(287,896)	109,263	(671,017)	(287,896)	109,263
Total Payments	(24,289,779)	(26,548,752)	(24,391,183)	(24,298,998)	(26,548,752)	(24,393,270)
Net Cash Flow from Operating Activities	(5,717,414)	(3,262,390)	(975,734)	(5,726,426)	(3,262,390)	(977,333)
Cash Flows from Investing Activities						
Receipts (Costs) from Property, Plant and Equipment Disposals	31,743	-	2,068	31,743	-	2,068
Receipts from Sale of Investments	-	-	-	4,293	-	-
Property, Plant and Equipment Purchases	(310,800)	(433,000)	(2,116,705)	(310,800)	(433,000)	(2,116,705)
Purchase of Intangible Assets	(102,946)	(67,000)	(150,818)	(102,946)	(67,000)	(150,818)
Trust Interest Received	(1,400)	-	(1,800)	(1,400)	-	(1,800)
Movement on Term Investments	(6,832)	-	(8,457)	(6,832)	-	(1,643)
Net Cash Flow from Investing Activities	(390,235)	(500,000)	(2,275,711)	(385,942)	(500,000)	(2,268,897)
Cash Flows from Financing Activities						
Capital Contributions from the Crown	7,303,489	3,600,000	-	7,303,489	3,600,000	-
Net (decrease)/increase in cash and cash equivalents	1,195,841	(162,390)	(3,251,445)	1,191,122	(162,390)	(3,246,230)
Opening cash and cash equivalents	(1,438,092)	-	(4,689,537)	(1,432,222)	-	(4,690,193)
Closing cash and cash equivalents	(2,633,933)	-	(1,438,092)	(2,635,083)	-	(1,443,963)
Period Movements	(1,195,841)	-	(3,251,445)	(1,191,121)	-	(3,246,230)
Reconciliation of surplus(deficit) to the net cash flow from operating activities						
Surplus (deficit) from Statement of Comprehensive Revenue and Expense	(4,056,633)	(4,761,438)	(3,499,198)	(4,067,159)	(4,761,438)	(3,512,794)
Add (less) non cash items						
Depreciation and amortisation	1,651,775	-	1,737,959	1,658,207	-	1,744,016
Increase (decrease) in non current employee entitlements	65,165	-	18,076	65,165	-	18,076
Loss on disposal of Assets	1,224,208	-	-	1,224,208	-	-
Total non cash items	2,941,148	-	1,756,035	2,947,580	-	1,762,092
Add (less) items classified as investing or financing activities						
Gains (losses) on disposal of PPE	-	-	(2,068)	-	-	(2,068)
Total items classified as investing or financing activities	-	-	(2,068)	-	-	(2,068)
Add (less) movements in working capital items						
(Increase) decrease in debtors and other receivables	(1,010,137)	-	(737,330)	(1,010,137)	-	(737,330)
(Increase) decrease in prepayments	(69,487)	-	36,578	(69,487)	-	36,578
Increase (decrease) in creditors and other payables	(600,727)	-	173,299	(605,270)	-	179,238
Increase (decrease) in revenue received in advance	(3,101,772)	-	1,628,185	(3,101,772)	-	1,628,185
Increase (decrease) in current employee entitlements	180,194	-	(331,234)	180,194	-	(331,234)
Net Movement in Working Capital Items	(4,601,929)	-	769,498	(4,606,472)	-	775,437
Net Cash Flow from Operating Activities	(5,717,414)	(4,761,438)	(975,733)	(5,726,426)	(4,761,438)	(977,333)

The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

Explanations of major variations against budget are provided in Note 17.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Statement of accounting policies

REPORTING ENTITY

Tai Poutini Polytechnic (the Institute) is a TEI domiciled in New Zealand and is governed by the Crown Entities Act 2004 and the Education Act 1989.

The consolidated financial statements of the Group consist of Tai Poutini Polytechnic ("the parent"), and the West Coast Climbing Wall Trust (a 67% controlled subsidiary). Tai Poutini International Limited (a wholly owned subsidiary) and The Qatar Technical Institute LLC (a 49% subsidiary held by Tai Poutini International Ltd) are dormant non-trading entities; consequently they have no financial impact on the statements.

Tai Poutini International Limited is incorporated and domiciled in New Zealand. The Qatar Technical Institute LLC is incorporated and domiciled in Qatar.

The primary objective of the Institute and group is to provide tertiary education services for the benefit of the community rather than making a financial return. Accordingly, the institute has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes. The financial statements of the Institute and group are for the year ended 31 December 2017. The financial statements were authorised for issue by the Crown Manager on 3 August 2018.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the accounting period.

Statement of compliance

The financial statements of the Institute and group have been prepared in accordance with 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 financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Standards issued and not yet effective and not early adopted

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

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific area are outlined below.

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, expenses and cash flows on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Foreign currency transactions

Foreign currency transactions are translated into NZ\$ (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus or deficit.

Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are presented 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Institute and group are exempt from income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are those approved by the Crown Manager at the start of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ

from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. No estimates or assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Management has exercised the following critical judgements in applying accounting policies:

- Distinction between revenue and capital contributions – refer to note 2
- Crown-owned land and buildings – refer to note 8

2. Revenue

Accounting Policy

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

SAC funding

SAC funding is recognised as a non-exchange transaction. There is a condition attached that requires performance or return of funding, that condition is extinguished when the withdrawal date for a course (10% of the course duration) has passed, at which point revenue is recognised. The amount to be recovered is offset by TEC against fund receipts for the following year so is retained as funding in advance.

Student tuition fee

Student tuition fee is recognised as a non-exchange transaction. There is a condition attached that requires performance or return of fee, that condition is extinguished when the withdrawal date for a course (10% of the course duration) has passed, at which point revenue is recognised.

International tuition fee

Tuition fee received from an International student is recognised as an exchange transaction. Revenue is recognised as delivery is performed. Fee received for courses occurring in the following year are retained as fees in advance.

Government grants

Government 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 and recognised as revenue when the conditions of the grant are satisfied.

Accommodation revenue

Revenue from the provision of accommodation is recognised as invoiced. Rental is invoiced monthly in advance.

Interest and dividends

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established.

Critical judgements in applying accounting policies

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 Institute and group accounts for the funding as a capital contribution directly in equity.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
SAC Funding	11,877,248	11,603,169	11,877,248	11,603,169
MOE Revenue recognised, not yet delivered	1,081,502	659,905	1,081,502	659,905
Grants	16,751	284,631	16,751	284,631
Total Revenue from Government Grants	12,975,501	12,547,705	12,975,501	12,547,705
Tuition Fees from Domestic Students	2,728,468	2,767,434	2,728,468	2,767,434
Total Revenue from Non Exchange Contracts	15,703,969	15,315,139	15,703,969	15,315,139
Tuition Fees from International Students	159,623	99,685	159,623	99,685
Interest Revenue	75,500	83,778	75,707	84,265
Accommodation Revenue	270,442	224,844	270,442	224,844
Gain (loss) on Sale of Assets	31,743	2,068	31,743	2,068
Dividends	47,794	50,000	47,794	50,000
Student Services Levy	78,527	76,042	78,527	76,042
Other Revenue	1,212,898	1,119,300	1,212,898	1,119,300
Total Revenue from Exchange contracts	1,876,527	1,655,717	1,876,734	1,656,204
Total Revenue	17,580,496	16,970,855	17,580,703	16,971,343

3. Personnel Costs

Accounting Policy

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver, the Government Superannuation Fund and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Institute and group belongs to the Defined Benefit Plan Contribution Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme 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.

Note 3 - Personnel Costs

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
Academic Salaries	4,539,267	4,550,569	4,539,267	4,550,569
General Salaries	5,961,218	6,654,918	5,961,218	6,654,918
Defined Contribution	275,203	276,286	275,203	276,286
Non Payroll Personnel	798,210	1,033,479	798,210	1,033,479
Total Personnel Costs	11,573,898	12,515,252	11,573,898	12,515,252

Personnel costs include \$416k relating to restructuring and employment matters that are not considered recurring items.

Council Remuneration

	Polytechnic 2017		Polytechnic 2016	
	Fees \$	Expenses \$	Fees \$	Expenses \$
J. Clayton - until 30 June 2016	-	-	8,446	222
P. Coolbear - from 1 May 2015 (Payment remitted to Massey)	-	-	14,068	-
N. Cooper - from 1 May 2015 to 31 October 2016	-	-	13,310	714
A. England	8,119	-	-	-
B. Jones - until 16 February 2016	-	-	2,963	-
R. Lourie - from 1 July 2016	16,000	2,525	7,535	486
G. McNally	4,494	85	29,960	2,309
J. Mote - until 30 September 2016	-	-	12,327	94
C. Rea	4,741	-	15,408	-
A. Robb	28,337	-	-	-
K. Stratful - from 26 May 2016 (Payment remitted to KRS Consulting)	15,407	412	8,988	-
G. Wall - from 1 May 2015	6,667	408	18,553	975
	83,765	3,430	131,558	4,800

4. Other Expenses

Accounting Policy

Scholarships

Scholarships awarded by the Institute that reduce the amount of the tuition fees payable by the student are accounted for as an expense and not offset against student tuition fee income.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
Audit Fees - Fees to Audit NZ for the Audit of current year financial	110,544	108,039	113,987	111,407
Audit Fees - relating to prior year	-	-	-	-
Audit Fees - Other	-	8,253	-	8,253
Repairs & Maintenance	469,858	548,526	469,858	548,526
Operating Leases	432,771	485,197	432,771	485,197
Other Occupancy Costs	882,315	816,222	882,315	816,222
Information Technology	333,766	325,501	333,766	325,501
Advertising	306,617	440,874	306,617	440,874
Insurance	137,039	141,235	137,039	141,235
Office Costs	101,009	103,857	101,009	103,857
Travel	968,202	1,131,817	968,202	1,131,817
Course Related Costs	853,434	1,135,846	853,434	1,135,846
Impairment of Receivables	57,773	109,136	57,773	109,136
Foreign exchange net losses	112	(150)	112	(150)
Transformation Costs	1,749,320	-	1,749,320	-
Other Operating Expenses	1,048,868	1,513,340	1,050,101	1,517,998
Total Other Expenses	7,451,628	6,867,693	7,456,304	6,875,719

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Operating leases as lessee

Non-cancellable operating leases as lessee

Tai Poutini Polytechnic leases property, plant and equipment in the normal course of business. The majority of these leases are non-cancellable. The future aggregate minimum lease payments are as follows:

Lease payments are as follows:	Polytechnic		Group	
	2017	2016	2017	2016
Not later than 1 year	810,087	1,519,283	810,087	1,519,283
Later than one year and not later than 5 years	2,240,005	5,547,238	2,240,005	5,547,238
Later than 5 years	3,996,877	8,784,637	3,996,877	8,784,637
	7,046,969	15,851,158	7,046,969	15,851,158

In the case of Mawhera land leases, in Greymouth, the Polytechnic has right of lease renewal for a further 21 year term. There are no restrictions placed on the Institute and group by any of the leasing agreements.

5. Cash and Equivalents

Accounting Policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
Cash at Bank	549,578	506,635	550,729	512,505
Call Deposits	1,076,687	931,457	1,076,687	931,457
Term Deposits	1,007,668	-	1,007,668	-
Total Cash and Equivalents	2,633,933	1,438,092	2,635,084	1,443,962

The carrying value of cash at bank, call deposits and term deposits with maturities less than three months approximates their fair value.

6. Receivables

Accounting Policy

Debtors 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

Loans and receivables (including cash and cash equivalents and debtors 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.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
Receivables				
Student Fee Receivables	1,197,191	1,305,751	1,197,191	1,305,751
Less: Provision for Impairment	(215,000)	(158,145)	(215,000)	(158,145)
Net Student Fee Receivables	982,191	1,147,606	982,191	1,147,606
Other Receivables				
Other Debtors and Receivables	553,684	545,951	553,684	545,951
MOE Earned Revenue not yet received	3,631,943	2,464,124	3,631,943	2,464,124
Total Debtors and Other Receivables	5,167,818	4,157,681	5,167,818	4,157,681

Student fees are due before a course commences or due upon enrolment if the course has already begun. Domestic students can arrange to pay by instalments in certain circumstances.

Student fees are non-interest bearing, thus their carrying value approximates their fair value.

Other receivables are non-interest bearing and are generally settled on 30 day terms. Therefore, the carrying value of other receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below.

	2017		2016			
	Impairment	Net	Gross	Impairment	Net	
Polytechnic and Group						
Not Past Due	31,784	31,784	193,592		193,592	
Past Due 31-60 days	377,876	377,876	260,148		260,148	
Past Due 61-90 days	120,114	120,114	122,136		122,136	
Past Due Over 90 days	667,417	(215,000)	729,875	(158,145)	571,730	
Credit Balances	-	-				
Total	1,197,191	(215,000)	982,191	1,305,751	(158,145)	1,147,606

All receivables greater than 30 days in age are considered to be past due.

Debt in excess of 1 year was individually reviewed for impairment. Due to the large number of student fee receivables, the impairment assessment for the remainder is performed on a collective basis on an analysis of past collection history and debt write-offs.

7. Other Financial Assets

Accounting Policy

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute 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:

- loans and receivables; and
- fair value through other comprehensive income.

Classification of the financial asset depends on the purpose for which the instruments were acquired.

Loans and receivables (including cash and cash equivalents and debtors 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 surplus or deficit

The Institute and Group does not have any assets designated as being at fair value through surplus or deficit.

Impairment of financial assets

At each balance date, the Institute 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 surplus or deficit.

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

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

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
Financial Assets - Current				
Term Deposits Non Cash	203,221	196,390	209,375	206,836
Total Other Financial Assets	203,221	196,390	209,375	206,836

8. Property, Plant and Equipment

Accounting Policy

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

Land is measured at cost.

All other asset classes are stated at cost less accumulated depreciation and any accumulated impairment in value.

All assets are primarily held for the purpose of providing education and related activities. Costs incurred subsequent to initial acquisition are capitalised only when it probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

Current assets held for sale

Current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of the subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Work in progress is recognised at cost less impairment and is not depreciated.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset.

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

Class of assets	Rate
Buildings	2%-20% per annum
Plant and equipment	2%-33% per annum
Motor vehicles	20% per annum
Heavy Vehicles	10% per annum
Library	20% per annum
Computers	33% per annum
Computer Servers	10%-20% per annum
Audio Equipment	20% per annum
Furniture and Fittings	10%-20% per annum

Impairment

The carrying values of property, plant and equipment, other than those whose future economic benefits are not directly related to their ability to generate net cash, are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Note 8. Property, Plant and Equipment Institute

Movements for each class of property, plant, and equipment for the Institute are as follows:

	Cost/ valuation 1/1/16	Accumulated depreciation and impairment charges 1/1/16	Carrying amount 1/1/16	Current year additions	Current year disposals	Current year impairment charges	Reclassification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/16	Accumulated depreciation and impairment charges 31/12/16	Carrying amount 31/12/16
Institute 2016													
Land	1,358,027	-	1,358,027	-	-	-	-	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	13,283,567	(4,591,550)	8,692,017	2,406,308	-	-	-	(426,640)	-	-	15,689,875	(5,018,190)	10,671,685
Buildings - Crown	1,468,000	(677,329)	790,671	-	-	-	-	(67,715)	-	-	1,468,000	(745,044)	722,956
Furniture and Fittings	821,476	(636,641)	184,835	121,001	(4,361)	-	-	(82,108)	4,361	-	938,116	(714,388)	223,728
Plant & Equipment	3,583,970	(2,607,104)	976,866	290,911	(29,485)	-	-	(268,065)	21,420	-	3,845,396	(2,853,749)	991,647
Computers	4,019,016	(3,274,864)	744,152	409,510	(5,869)	-	-	(403,906)	4,114	-	4,422,657	(3,674,656)	748,001
Audio Equipment	2,220,933	(2,064,137)	156,796	126,564	(287,613)	-	-	(78,230)	287,195	-	2,059,884	(1,855,172)	204,712
Outdoor Rec Equipment	199,836	(170,434)	29,402	46,514	(14,604)	-	-	(30,589)	14,604	-	231,746	(186,419)	45,327
Library	374,967	(350,079)	69,888	12,990	-	-	-	(23,574)	-	-	387,957	(328,653)	59,304
Vehicles	2,078,940	(1,758,522)	320,418	173,510	(17,242)	-	-	(107,877)	17,242	-	2,235,208	(1,849,157)	386,051
Assets held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets in Course of Construction - Buildings TPP	1,857,680	-	1,857,680	313,596	(1,783,132)	-	-	-	-	-	388,144	-	388,144
Assets in Course of Construction - Computers	-	-	-	9,169	-	-	-	-	-	-	9,169	-	9,169
Total Institute	31,266,412	(16,085,660)	15,180,752	3,910,073	(2,142,306)	-	-	(1,488,704)	348,936	-	33,034,179	(17,225,428)	15,808,751

	Cost/ valuation 1/1/17	Accumulated depreciation and impairment charges 1/1/17	Carrying amount 1/1/17	Current year additions	Current year disposals	Current year impairment charges	Reclassification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/17	Accumulated depreciation and impairment charges 31/12/17	Carrying amount 31/12/17
Institute 2017													
Land	1,358,027	-	1,358,027	-	-	-	-	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	15,689,875	(5,018,190)	10,671,685	455,316	(2,609,779)	-	-	(455,184)	1,927,769	-	13,535,412	(3,545,605)	9,989,807
Buildings - Crown	1,468,000	(745,044)	722,956	-	-	-	-	(67,714)	-	-	1,468,000	(812,758)	655,242
Furniture and Fittings	938,116	(714,388)	223,728	21,525	(294,219)	-	-	(77,303)	221,339	-	665,422	(570,352)	95,070
Plant & Equipment	3,845,396	(2,853,749)	991,647	93,383	(250,139)	-	-	(250,094)	180,470	-	3,688,640	(2,923,373)	765,267
Computers	4,422,657	(3,674,656)	748,001	15,226	(2,252,198)	-	-	(319,687)	2,034,439	-	2,185,685	(1,959,904)	225,781
Audio Equipment	2,059,884	(1,855,172)	204,712	5,610	(1,845,782)	-	-	(69,525)	1,707,956	-	219,712	(216,741)	2,971
Outdoor Rec Equipment	231,746	(186,419)	45,327	39,619	(17,207)	-	-	(34,649)	16,491	-	254,158	(204,577)	49,581
Library	387,957	(328,653)	59,304	8,744	(74,114)	-	-	(22,186)	42,671	-	322,587	(308,168)	14,419
Vehicles	2,235,208	(1,849,157)	386,051	5,000	(100,253)	-	-	(115,266)	100,252	-	3,139,955	(1,864,171)	275,784
Assets held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets in Course of Construction - Buildings TPP	388,144	-	388,144	-	(388,144)	-	-	-	-	-	-	-	-
Assets in Course of Construction - Computers	9,169	-	9,169	-	(9,169)	-	-	-	-	-	-	-	-
Total Institute	33,034,179	(17,225,428)	15,808,751	644,423	(7,841,004)	-	-	(1,411,608)	6,231,387	-	25,837,598	(12,405,649)	13,431,949

Legal ownership of
land and buildings is
detailed as follows:

	Land		Buildings	
	2017	2016	2017	2016
Institute owned	1,358,027	1,358,027	9,989,807	10,671,685
Crown owned	-	-	655,242	722,956
Total	1,358,027	1,358,027	10,645,049	11,394,641

Restriction on property title

Greymouth leasehold properties leased from The Mawhera Corporation, provides the Lessor with first right of refusal to both parties, on sale or assignment of such leasehold properties.

Institute and Group

Movements for each class of property, plant and equipment for the Institute and Group are as follows:

	Cost/ valuation 1/1/16	Accumulated depreciation and impairment charges 1/1/16	Carrying amount 1/1/16	Current year additions	Current year disposals	Current year impairment charges	Reclassification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation surplus	Cost/ revaluation 31/12/16	Accumulated depreciation and impairment charges 31/12/16	Carrying amount 31/12/16
Institute & Group 2016													
Land	1,358,027	-	1,358,027	-	-	-	-	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	13,283,567	(4,591,550)	8,692,017	2,406,308	-	-	-	(426,640)	-	-	15,689,875	(5,018,190)	10,671,685
Buildings - Crown	1,468,000	(677,329)	790,671	-	-	-	-	(67,715)	-	-	1,468,000	(745,044)	722,956
Furniture and Fittings	821,476	(636,641)	184,835	121,001	(4,361)	-	-	(82,108)	4,361	-	938,116	(714,388)	223,728
Plant & Equipment	3,583,970	(2,607,104)	976,866	290,911	(29,485)	-	-	(268,065)	21,420	-	3,845,396	(2,853,749)	991,647
Computers	4,019,016	(3,274,864)	744,152	409,510	(5,869)	-	-	(403,906)	4,114	-	4,422,657	(3,674,656)	748,001
Audio Equipment	2,220,933	(2,064,137)	156,796	126,564	(287,613)	-	-	(78,320)	287,195	-	2,059,884	(1,855,172)	204,712
Outdoor Rec Equipment	199,836	(170,434)	29,402	46,514	(14,604)	-	-	(30,589)	14,604	-	231,746	(186,419)	45,327
Library	374,967	(305,079)	69,888	12,990	-	-	-	(23,574)	-	-	387,957	(328,653)	59,304
Vehicles	2,078,940	(1,758,522)	320,418	173,510	(17,242)	-	-	(107,877)	17,242	-	2,235,208	(1,849,157)	386,051
Climbing Wall	87,092	(67,935)	19,157	-	-	-	-	(6,057)	-	-	87,092	(73,992)	13,100
Assets held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets in Course of Construction - Buildings TPP	1,857,680	-	1,857,680	313,596	(1,783,132)	-	-	-	-	-	388,144	-	388,144
Assets in Course of Construction - Computers	-	-	-	9,169	-	-	-	-	-	-	9,169	-	9,169
Total Institute & Group	31,353,504	(16,153,595)	15,199,909	3,910,073	(2,142,306)	-	-	(1,494,761)	348,936	-	33,121,271	(17,299,420)	15,821,851

	Cost/ valuation 1/1/17	Accumulated depreciation and impairment charges 1/1/17	Carrying amount 1/1/17	Current year additions	Current year disposals	Current year impairment charges	Reclassification Transfer	Current year depreciation	Accum Dep'n on Disposals	Revaluation Surplus	Cost/ revaluation 31/12/17	Accumulated depreciation and impairment charges 31/12/17	Carrying amount 31/12/17
Institute & Group 2017													
Land	1,358,027	-	1,358,027	-	-	-	-	-	-	-	1,358,027	-	1,358,027
Buildings - TPP	15,689,875	(5,018,190)	10,671,685	455,316	(2,609,779)	-	-	(455,184)	1,927,769	-	13,535,412	(3,545,605)	9,989,807
Buildings - Crown	1,468,000	(745,044)	722,956	-	-	-	-	(67,714)	-	-	1,468,000	(812,758)	655,242
Furniture and Fittings	938,116	(714,388)	223,728	21,525	(294,219)	-	-	(77,303)	221,339	-	665,422	(570,352)	95,070
Plant & Equipment	3,845,396	(2,853,749)	991,647	93,383	(250,139)	-	-	(250,094)	180,470	-	3,688,640	(2,923,373)	765,267
Computers	4,422,657	(3,674,656)	748,001	15,226	(2,252,198)	-	-	(319,687)	2,034,439	-	2,185,685	(1,959,904)	225,781
Audio Equipment	2,059,884	(1,855,172)	204,712	5,610	(1,845,782)	-	-	(69,525)	1,707,956	-	219,712	(216,741)	2,971
Outdoor Rec Equipment	231,746	(186,419)	45,327	39,619	(17,207)	-	-	(34,649)	16,491	-	254,158	(204,577)	49,581
Library	387,957	(328,653)	59,304	8,744	(74,114)	-	-	(22,186)	42,671	-	322,587	(308,168)	14,419
Vehicles	2,235,208	(1,849,157)	386,051	5,000	(100,253)	-	-	(115,266)	100,252	-	2,139,955	(1,864,171)	275,784
Climbing Wall	87,092	(73,992)	13,100	-	-	-	-	(6,057)	-	-	87,092	(80,049)	7,043
Assets held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets in Course of Construction - Buildings TPP	388,144	-	388,144	-	(388,144)	-	-	-	-	-	-	-	-
Assets in Course of Construction - Computers	9,169	-	9,169	-	(9,169)	-	-	-	-	-	-	-	-
Total Institute	33,121,271	(17,299,420)	15,821,851	644,423	(7,841,004)	-	-	(1,417,665)	6,231,387	-	25,924,690	(12,485,698)	13,438,992

Legal ownership of land and buildings is detailed as follows:

	Land		Buildings	
	2017	2016	2017	2016
Institute owned	1,358,027	1,358,027	9,989,807	10,671,685
Crown owned	-	-	655,242	722,956
Total	1,358,027	1,358,027	10,645,049	11,394,641

On 31st January 2018 the MAINZ operation was transferred to Southern Institute of Technology ("SIT"). This transfer included Fixed Assets with a book value of \$1.2m. This amount has been removed from Property, Plant and Equipment and reclassified as a Current Asset Held for sale as at 31 December 2017.

9. Intangible Assets

Accounting Policy

Computer Software

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

Course Development

Costs that are directly associated with the development of new educational courses are recognised as an intangible asset to the extent that such costs are expected to be recovered. The development costs consist primarily of Consultant and Employee costs.

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

Useful lives	Computer Software Finite: 3-5 years	Course Development Finite: 3-5 years
Method used	Straight line method	Straight line method

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 for 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 and the asset's recoverable amount is estimated. An impairment loss is recognised in the surplus or deficit, for the amount by which the asset's carrying value exceeds its recoverable amount.

Gains or losses arising from de-recognition 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 de-recognised.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable business assets purchased by the Institute.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the acquisition that gave rise to goodwill.

Note 9. Intangible Assets Parent and Group

Movements for each class of intangible asset are as follows:

	Software	Goodwill	Course Dvt	Total
Balance at 1 January 2017				
Cost	706,852	224,000	757,759	1,688,611
Accumulated amortisation and impairment	(531,047)	-	(534,862)	(1,065,909)
Opening carrying amount	175,805	224,000	222,897	622,702
Year ended 31 December 2017				
Additions	35,297	-	126,869	162,166
Disposal	(71,906)	-	(152,572)	(224,478)
Amortisation	(104,142)	-	(136,026)	(240,168)
Amortisation on Disposals	56,237	-	109,022	165,259
Closing carrying amount	91,291	224,000	170,190	485,481
Balance at 31 December 2017				
Cost	670,243	224,000	732,056	1,626,299
Accumulated amortisation and impairment	(578,952)	-	(561,866)	(1,140,818)
Closing carrying amount	91,291	224,000	170,190	485,481
Assets in Course of Construction at 31 December 2017 - Course Development				
Total closing carrying amount	91,291	224,000	170,190	485,481
Balance at 1 January 2016				
Cost	680,837	214,000	573,772	1,468,609
Accumulated amortisation and impairment	(418,539)	-	(398,117)	(816,656)
Opening carrying amount	262,298	214,000	175,655	651,953
Year ended 31 December 2016				
Additions	26,015	10,000	183,987	220,002
Disposal	-	-	-	-
Amortisation	(112,508)	-	(136,745)	(249,253)
Closing carrying amount	175,805	224,000	222,897	622,702
Balance at 31 December 2016				
Cost	706,852	224,000	757,759	1,688,611
Accumulated amortisation and impairment	(531,047)	-	(534,862)	(1,065,909)
Closing carrying amount	175,805	224,000	222,897	622,702
Assets in Course of Construction at 31 December 2015 - Course Development				
Total closing carrying amount	175,805	224,000	222,897	622,702

Goodwill purchased in 2008

The Polytechnic acquired the business assets and intellectual property of Emergency Management Academy of New Zealand Limited, in November 2008 for a consideration of \$109,000 comprising of tangible assets \$15,000 and intangible assets \$94,000 recognised as goodwill.

Goodwill was impairment tested against 2 years future discounted cash flows at 15% (2016: 15%) arising from the acquired cash generating unit and no impairment was required at balance date.

Key Assumptions

The Polytechnic achieves the 2018 EFTS budget.

Determination of values assigned to key assumptions

There is no significant change to 2018 budgeted TEC funding/or target EFTS.

Discount period

Two years future maintainable free cash flow based on 2018 cash generating budget

Future cash flow growth rates

Zero

Goodwill purchased in 2009

The Polytechnic acquired the business activities of CETC a cash generating unit of the Buller High School, in December 2009 for a consideration of \$130,000 comprising tangible assets \$10,000 and intangible assets \$120,000 recognised as goodwill.

Goodwill was impairment tested against five years future discounted cash flows at 15% (2016:15%) arising from the acquired cash generating unit and no impairment was required at balance date.

Key Assumptions

The Polytechnic achieves the 2018 revenue budget.

Determination of values assigned to key assumptions

There is no significant change to 2018 budgeted funding.

Discount period

Five years future maintainable free cash flow based on 2018 cash generating budget

Future cash flow growth rates

Zero

10. Creditors and Other Payables

Accounting Policy

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
GST	(411,305)	259,712	(411,305)	259,712
Creditors	357,578	437,714	361,061	445,740
Accrued Expenses	580,103	432,827	580,103	432,827
Student Deposits	11,794	8,644	11,794	8,644
Amounts due to related parties				-
Total Creditors and Other	538,170	1,138,897	541,653	1,146,923

11. Revenue in Advance

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
Tuition Fees in Advance	147,135	230,242	147,135	230,242
MOE Funding in Advance	96,784	3,115,449	96,784	3,115,449
Total Revenue in Advance	243,919	3,345,691	243,919	3,345,691

12. Employee Entitlements

Accounting Policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to the balance date, annual leave earned to but not yet taken at balance date and sick leave.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected

to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver, the Government Superannuation Fund and other defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Institute and group belongs to the Defined Benefit Plan Contribution Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme 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.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
<i>Current portion</i>				
Holiday Pay	786,713	702,852	786,713	702,852
Long Service Leave		18,616	-	18,616
Retirement Benefits			-	-
Accrued pay to be settled January 2017		(114,948)	-	(114,948)
Total current portion	786,713	606,520	786,713	606,520
<i>Non Current Portion</i>				
Long Service		19,144	-	19,144
Retirement Benefits	119,085	34,776	119,085	34,776
Total non current portion	119,085	53,920	119,085	53,920
Total Employee Entitlement	905,798	660,440	905,798	660,440
<i>Movement in employee entitlements</i>				
Employee entitlements at 1 January	660,440	973,598	660,440	973,598
Movement in accrued pay	114,948	(439,132)	114,948	(439,132)
Additions during the year	130,410	125,974	130,410	125,974
Utilised during the year				
Restructure severance charged against Support Change Funding				
Employee entitlements at 31 December	905,798	660,440	905,798	660,440

Employee Entitlements

A provision is recognised for post-employment benefits payable to employees. Employees are entitled to annual leave pay, long service and retirement gratuities.

Annual leave is expected to be settled within 12 months of the Statement of Financial Position date and is measured at the current rates of pay.

Entitlements relating to long service leave and retirement gratuities have been calculated at present value of future cash flows determined on an actuarial basis.

The provision is affected by a number of assumptions including expected length of service, attrition rate and salary increase.

13. Contingencies

	Polytechnic 2017	Polytechnic 2016	Group 2017	Group 2016
Contingent liabilities	3,000	3,000	3,000	3,000

The contingent liability relates to a performance bond required as a condition of resource consent from West Coast Regional Council for Alluvial Goldmining.

The employer is a participating employer in the DBP Contributors Scheme ('the Scheme') which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the employer could be responsible for any deficit of the Scheme. Similarly, if a number of employers cease to have employees participating in the Scheme; the employer could be responsible for an increased share of any deficit.

The DBP Contributors Scheme ('the Scheme') is a multi-employer defined benefit Scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2017, the Scheme had a past service surplus of \$8.0 million (6.2% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS25.

The Actuary to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

14. Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components. The components of equity are general funds, and restricted reserves.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Institute. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

	Polytechnic		Group	
	2017 Actual	2016 Actual	2017 Actual	2016 Actual
EQUITY				
General Funds				
Balance at 1 January	17,237,587	20,736,785	17,209,661	20,722,455
Total Comprehensive Revenue and Expense attributable to TPP	(2,800,681)	(3,499,198)	(2,811,207)	(3,512,794)
Capital Injections	7,303,488		7,303,488	
Balance at 31 December	20,484,442	17,237,587	20,445,990	17,209,661
Restricted Reserves				
Balance at 1 January	26,761	28,561	76,078	77,878
Application of scholarships and trust	(1,400)	(1,800)	(1,400)	(1,800)
Balance at 31 December	25,361	26,761	74,678	76,078
Total Equity	21,765,755	17,264,348	21,776,620	17,285,739

15. Related Party Transactions

Accounting Policy

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm's length in the same circumstances.

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

TPP previously disclosed ALL related party transactions, this has been discontinued in line with the above stated policy.

Key Management personnel compensation

	FTE	2017	FTE	2017
Short Term				
KMP Salaries and other short-term employee benefits	10	1,553,551	7	1,287,892
Councillors remuneration	4	87,768	8	131,558
		1,641,319		1,419,450
Termination Benefits		23,034		65,000
		1,664,353		1,484,450

Key management personnel include councillors and the senior management team. Close family members of key management personnel are employed by Tai Poutini Polytechnic. The terms and conditions of those arrangements are no more favourable than Tai Poutini Polytechnic would have adopted if there were no relationship to key management personnel.

16. Financial Instruments Risks

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

Financial instruments categories	Institute 2017	Institute 2016	Group 2017	Group 2016
Loans and receivables				
Cash and cash equivalents	2,633,933	1,438,092	2,635,084	1,443,962
Accounts receivable	5,167,818	4,157,681	5,167,818	4,157,681
Term deposits	203,221	196,390	209,375	206,836
Loans to related parties				
Trust investments	278,964	276,637	278,964	276,637
	8,283,936	6,068,800	8,291,241	6,085,116
Investments carried at cost				
Equity investment		-		-
Other financial liabilities at amortised cost				
Accounts payable and accruals	1,021,233	1,138,897	1,024,716	1,146,923
Bank overdraft				
Trust and funds	278,964	276,637	278,964	276,637
	1,300,197	1,415,534	1,303,680	1,423,560

Tai Poutini Polytechnic (TPP) has a series of policies to manage the risks associated with financial instruments. TPP is risk averse and seeks to minimise exposure from its treasury activities.

TPP has established Council approved investment policies which do not allow treasury transactions that are speculative in nature. The approved investment outlets for placement of cash have Standards & Poors grading of AA- and above. The main risks arising from the Institute's financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates.

Tai Poutini Polytechnic's exposure to market risk for changes in interest rates relates primarily to the Institute's short-term deposits and its loans and advances to its subsidiary. TPP monitors the market price risk arising from all financial instruments.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest revenue based on financial instrument exposure at balance date would have increased/(decreased) equity and surplus or deficit by the amounts shown below.

This analysis assumes all other variables remain constant

Parent	Other Equity 100 bp increase	Other Equity 100 bp (decrease)	Surplus or deficit 100 bp increase	Surplus or deficit 100 bp (decrease)
2017				
Variable rate financial assets	-	-	22,876	(22,876)
2016				
Variable rate financial assets	-	-	11,278	(11,278)
Group				
	Other Equity 100 bp increase	Other Equity 100 bp (decrease)	Surplus or deficit 100 bp increase	Surplus or deficit 100 bp (decrease)
2017				
Variable rate financial asset	-	-	22,876	(22,876)
2016				
Variable rate financial assets	-	-	11,278	(11,278)

Liquidity risk

Liquidity risk is the risk that the Institute and Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and to meet its liquidity requirements the Institute maintains a target level of short-term deposits that must mature within the next 12 months.

Contractual maturity analysis of financial liabilities		6 months or less	Contractual cash flow	Carrying Amount
Institute				
31 December 2017	Accounts payable	1,021,233	1,021,233	2,021,233
	Trust and funds	278,964	278,964	278,964
		<u>1,300,197</u>	<u>1,300,197</u>	<u>2,300,197</u>
31 December 2016	Accounts payable	1,138,897	1,138,897	1,138,897
	Trust and funds	276,637	276,637	276,637
		<u>1,415,534</u>	<u>1,415,534</u>	<u>1,415,534</u>
Group				
31 December 2017	Accounts payable	1,024,716	1,024,716	1,024,716
	Trust and funds	278,964	278,964	278,964
		<u>1,303,680</u>	<u>1,303,680</u>	<u>1,303,680</u>
31 December 2016	Accounts payable	1,146,923	1,146,923	1,146,923
	Trust and funds	276,637	276,637	276,637
		<u>1,423,560</u>	<u>1,423,560</u>	<u>1,423,560</u>

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Polytechnic Group causing it to incur a loss. With the exception of student fees the Polytechnic Group trades only with creditworthy third parties.

Contractual maturity analysis of financial assets

		Current	1 month	2 month	3 month +	Contractual Cash flows	Carrying Amount
Institute							
31 December 2017	Debtors and other receivables	4,217,410	377,876	120,114	667,417	5,382,817	5,167,818
	Loan and receivables*			203,221		2,837,154	2,837,154
	Cash and term deposits	2,633,933		203,221		2,837,154	2,837,154
		6,851,343	377,876	323,335	667,417	8,219,971	8,004,972
31 December 2016	Debtors and other receivables	3,203,667	260,148	122,136	729,875	4,315,826	4,157,681
	Loan and receivables*			196,390		1,634,482	1,634,482
	Cash and term deposits	1,438,092		196,390		1,634,482	1,634,482
		4,641,759	260,148	318,526	729,875	5,950,308	5,792,163
*Contractual cash flows arising from loan and receivables are gross amounts before impairment.							
Group							
31 December 2017	Debtors and other receivables	4,217,410	377,876	120,114	667,417	5,382,817	5,167,818
	Cash and term deposits	2,633,933		203,221		2,837,154	2,837,154
		6,851,343	377,876	323,335	667,417	8,219,971	8,004,972
31 December 2016	Debtors and other receivables	3,203,667	260,148	122,136	729,875	4,315,826	4,157,681
	Cash and term deposits	1,438,092		196,390		1,634,482	1,634,482
		4,641,759	260,148	318,526	729,875	5,950,308	5,792,163

Maximum exposure to credit risk	Institute 2017	Institute 2016	Group 2017	Group 2016
Cash at bank and term deposits	2,837,154	1,634,482	2,837,154	1,634,482
Debtors and other receivables	5,382,817	4,315,826	5,382,817	4,315,826
	8,219,971	5,950,308	8,219,971	5,950,308

Counterparties with Credit Ratings	Institute 2017	Institute 2016	Group 2017	Group 2016
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Cash at bank and term deposits

AA-	2,837,154	1,634,482	2,837,154	1,650,798
	2,837,154	1,634,482	2,837,154	1,650,798

Counterparties without Credit Ratings	Institute 2017	Institute 2016	Group 2017	Group 2016
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Cash at bank

	-	-	-	-
	-	-	-	-

Debtors and other Receivables* before provision for bad and doubtful debts	Institute 2017	Institute 2016	Group 2017	Group 2016
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Existing Counterparty with no defaults in past	5,382,817	4,315,826	5,382,817	4,315,826
	5,382,817	4,315,826	5,382,817	4,315,826

17. Major Budget Variations

Explanations for major variations from the budget figure are as follows:

Revenue

Revenue was close to budget with only a \$400k reduction in Tuition Fees due to the mix of courses delivered.

Expenditure

The decrease in actual expenses compared to budget is due mainly to a decrease in personnel costs (\$1.6m) as a result of changes in structure. Changes in processes and strict cost control resulted in savings of \$3.2m, however these were offset by unbudgeted Transformation costs of \$2.1m. The net effect of this was an overall reduction in expenses of \$2.4m.

Surplus/Deficit

Deficit including transformation costs was \$0.7m less than budgeted due to the changes mentioned above. Deficit excluding transformation costs was \$4m less than budgeted due to the structural and procedural changes made.

Cashflow

TPP received a Cash Injection from the MOE of \$3.6m during 2017. Cash flow was \$1.3m better than budget. This is partly due to MOE not recovering payments for under delivery in 2016. This amount has since been forgiven (See Post Balance Date Events).

18. Discontinued Operations

On 1 January 2018 the Group entered into an agreement to dispose of their Music and Audio Institute of New Zealand (“MAINZ”) faculty, which provided the Group’s Music and Audio courses. Control of the MAINZ operation was transferred to the Southern Institute of Technology (“SIT”) for \$nil consideration, effective 31 January 2018.

Analysis of the profit for the year from discontinued operations

The results of the discontinued operation included in the deficit for the year are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

Profit for the year from discontinued operations

	2017 Actual	2016 Actual
Income		
Government Grants	3,105,869	3,627,345
Tuition Fees	2,140,527	2,055,628
Other Income	16,385	3,017
	5,262,781	5,685,990
Expenses		
Personnel Costs	3,209,914	3,314,674
Depreciation and Amortisation Expense	204,428	139,579
Finance Costs	-	(204)
Other Expense	1,756,743	1,720,669
	5,171,085	5,174,717
Profit for the year from discontinued operations (attributable to Tai Poutini Polytechnic)	91,696	511,273
Cashflow from discontinued operations		
Net inflows from operating activities	296,124	650,852
Net inflow from investing activities	(5,610)	(126,564)
Net inflows from financing activities	-	-
Net cash inflows	290,514	524,288

The plant and equipment associated with this operation have been reclassified as held for sale as at 31 December 2017. Subsequent to 31 January 2018 these assets will be transferred to equity at their 31 December 2017 closing book value. Refer to Note 8.

19. Post Balance Date Events

There were no significant post balance date events other than those set out in note 20 below.

20. Going Concern

TPP considers the going concern basis is appropriate for the year ending 31 December 2017.

Appointment of Crown Manager

Following a deficit of \$1.6m in 2015, TPP's financial results continued to deteriorate. In addition, a TEC audit performed in September 2015 revealed an under-delivery of funded teaching hours at TPP. This led to a review by Deloitte in December 2015, which was widened in March 2016 to an investigation.

The investigation ultimately found significant under-delivery in a number of programmes dating back to 2010. In total, it was found that TPP owed \$21.23m (excluding GST) to TEC for under-delivery.

TPP also under-delivered against its allocated funding for 2016 because it provided programmes to fewer students than it was funded for. This led to a further debt of \$3.2m (excluding GST).

The council of TPP wrote to the minister on 8 November 2016 requesting that the minister consider appointing a Crown Manager to address these issues. A Crown Manager was appointed in December 2016, assuming responsibility for all matters relating to finances and the quality of programmes. Under the new Acting Chief Executive, appointed in late 2016, TPP has undertaken a number of initiatives to meet its compliance, student experience and financial sustainability requirements. TEC has indicated its confidence with the approach TPP is taking to ensure business improvements are made.

Capital injection and debt-write off

Since the appointment of the Crown Manager, TPP has actively engaged with TEC and the ministry with respect to TPP future viability and funding, and future tertiary education and training options on the West Coast.

To date, the following have been agreed:

- TEC have written off the \$21.23m under-delivery;
- TEC have converted the liability of \$3.2m over-funding for 2016 into a capital injection;
- The Crown provided a separate \$3.6m capital injection in May 2017 to enable TPP to continue operations in the short term;
- The Crown agreed in March 2018 to provide a further capital injection of \$8.5m to TPP so it can continue to operate, and make operational and educational improvements;
- The capital injection of \$8.5, is subject to TPP taking specified actions, meeting set targets, and adhering to a reporting timetable; subject to meeting these conditions, TPP expect to receive the \$8.5m in three instalments:
 - \$3.0m received in March 2018;
 - \$3.45m in June 2018; and
 - \$2.05m in December 2018.
- The Minister will report back to cabinet in August 2018 to outline plans for TPP for 2019 and beyond.

Forecast financial position

Based on expected levels of operations, and including the various forms of government support set out above, TPP has prepared operating budgets and forecasts through to the end of 2019. These budgets and forecasts show that TPP can reasonably expect to remain solvent and continue operations throughout that period, while actively engaging with TEC and the ministry with respect to TPP's future viability and funding, and future tertiary education and training options on the West Coast.

Future action

The issues TPP is facing are very serious and there is much to be done to ensure that high quality and sustainable vocational education and training is viable on the West Coast.

The Minister for Education has acknowledged that some of the issues affecting TPP are common to other parts of the institutes of technology and polytechnics (ITP) sector, such as declining enrolments, financial pressures due to increasing costs and no increase in tuition subsidies, and the need to invest to modernise teaching and learning.

The Minister has also acknowledged the value of some of the improvement work already undertaken by TPP. The Minister confirmed that he would like TPP to proceed with:

- Continuing to improve quality systems and processes through collaboration with other ITPs, to the satisfaction of NZQA;
- Improving responsiveness to students and employers on the West Coast, by actively engaging with them and offering a range of programmes designed to meet their needs;
- Partnering with other providers to deliver courses on the West Coast; and
- Right-sizing TPP structure.

In November 2017 TPP submitted a business case to the Minister which outlined options for the future structure and delivery of vocational education on the West Coast. The Minister has deferred his decision on the business case pending the Government's decisions on the ITP sector as a whole. The Government's decisions may affect TPP's governance and organisational structure.

21. Breach of Statutory reporting deadline

The Education Act 1989 and the Crown Entities Act 2004 require that TPP's annual report be audited within 4 months from the end of the financial year. TPP was unable to finalise its annual report for the year ended 31 December 2017 until:

- the completion of an agreement between TPP and the Crown on 5 March 2018 for Capital Injection, to maintain operation and improve performance.

This matter affected both the reported results in the annual report, and whether TPP could be considered a going concern. Thus the audit – and, as a consequence, the Annual Report – could not be finalised until the audit review had been completed.

As a result, TPP has breached its statutory reporting deadline for 2017.

Appendix 1 Compulsory Student Services Levy

The compulsory student services levy was set as follows for 2017:

\$230 (GST inclusive) per full-time student at MAINZ campuses

\$100 (GST inclusive) per full-time student at the Greymouth campus (reduced fee as not all services available)

\$40 (GST inclusive) per full-time student at Wanaka and Westport campuses (reduced fee as not all services available)

The areas of service that are provided are identified through an annual student survey.

The levy funds key services for students to assist in their success, retention and overall well-being while studying at TPP, and covers:

Careers Advice and Guidance

TPP provides advice and support to students so they can make informed decisions about their career path and study programme, and to improve their employability.

Counselling and Pastoral Care

TPP has a range of pastoral and counselling services to facilitate students' integration into tertiary life and provide on-going support while they are studying with us.

Financial Support and Advice

TPP assists students with Studylink, budgeting and emergency financial assistance for students experiencing extreme financial hardship.

Medical Subsidies

TPP has agreements with select medical centres to offer subsidised fees to registered eligible students.

Compulsory Student Service Fees

	Careers Advice and Guidance	Counselling and Pastoral Care	Financial Support and Advice	Medical Subsidies	Total
<i>For the year ended 31 December 2017</i>					
Revenue	28,688	40,244	6,016	3,579	78,527
Expenses	93,940	114,556.91	6,581.20	982,05	216,061
Surplus (Deficit)	(65,252)	(74,313)	(565)	2,597	(137,534)
<i>For the year ended 31 December 2016</i>					
Revenue	27,086	41,508	4,408	3,045	76,042
Expenses	32,350	49,235.60	12,179.40	3,133.72	101,899
Surplus (Deficit)	(5,264)	(7,728)	(7,776)	(5,089)	(25,857)



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