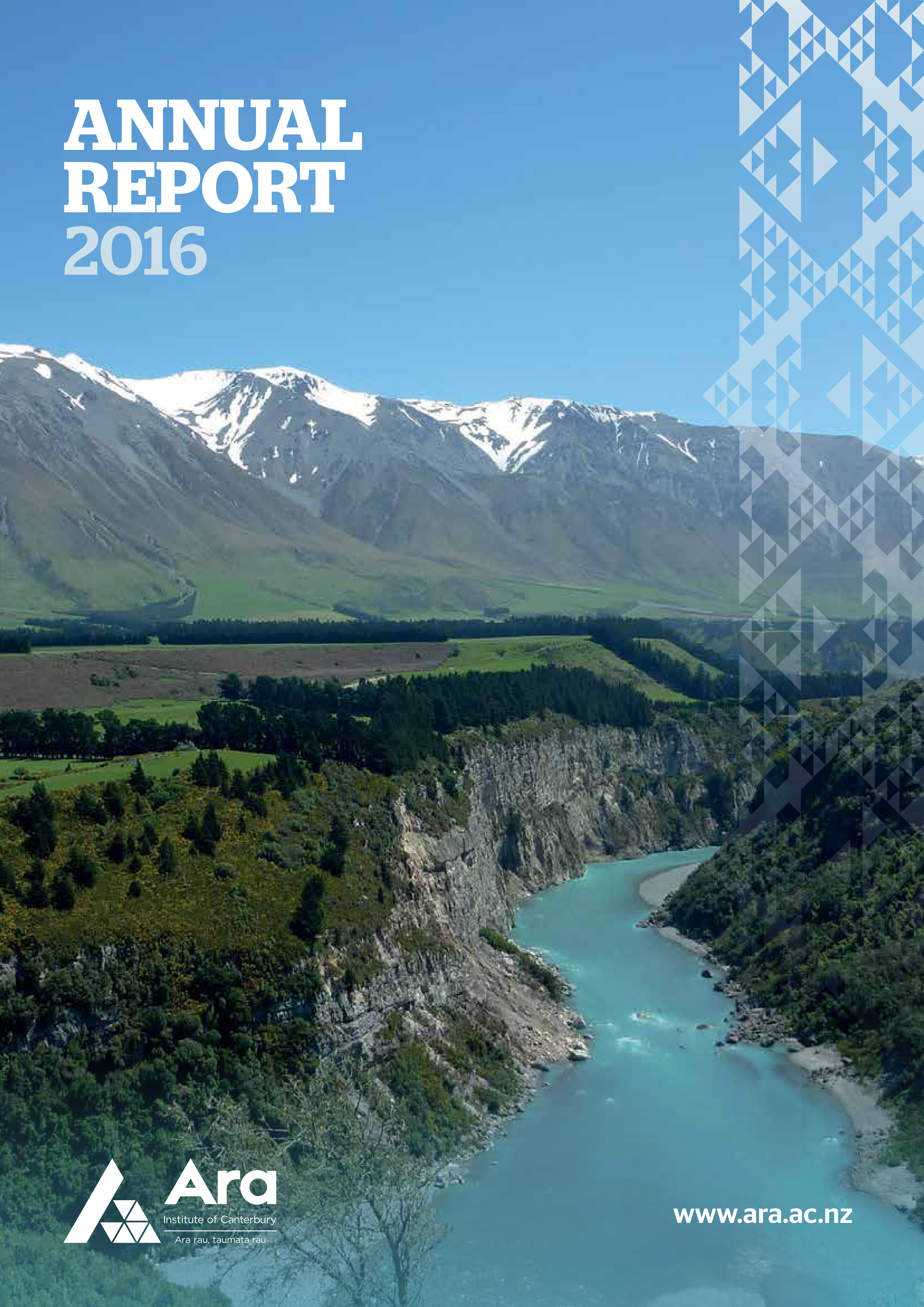

ANNUAL REPORT 2016

Ara
Institute of Canterbury
Ara rau, taumata rau

www.ara.ac.nz

2016 Ara at a glance

1 January 2016
Aoraki Polytechnic was integrated into CPIT creating CPIT Aoraki

31 March 2016
Renamed Ara Institute of Canterbury

7,639
Equivalent full time students (EFTS) enrolled

2015 CPIT:
6,709

2015 Aoraki Polytechnic (less Dunedin delivery)
834

15,532
Domestic students

1,840
International students

1,962
Māori students enrolled (12.6% of all SAC students)

733
Pasifika students enrolled (4.5% of all SAC students)

8,876
Students aged under 25 enrolled (63% of all SAC students)

83.5%
SAC successful course completion rate

84.2%
of students satisfied or very satisfied

83.0%
of graduates in employment or further study in the year following graduation

Ara Connect expanded to 8 sites
Four sites across Christchurch plus sites in Rangiora, Timaru, Ashburton and Oamaru

Level 7 provision started in South Canterbury
The Department of Business began offering Level 7 applied management courses in Timaru

Postgraduate provision started
Masters programmes in nursing and health sciences were approved and began taking enrolments in late 2016

191
Research outputs completed

Educational Performance: Highly Confident
Self Assessment Capability: Highly Confident
2016 External Evaluation and Review (EER) outcome (the highest rating possible)

977
Full time equivalent staff

5
Main campuses

$117m
Revenue earned (excluding earthquake insurance proceeds)

5.8% | $6.8m
Surplus (excluding earthquake insurance proceeds, earthquake-related costs and transformation costs)

5
Major building projects underway (plus continuing repair, refurbishment and upgrade works)

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Publication Format

The 2016 Ara Annual Report has been specifically designed, published and distributed in keeping with our commitment to sustainable principles as a digital publication online.

In line with legislative requirements, a limited number have been printed.

The digital version can be viewed at http://annualreport.ara.ac.nz

Our Values

Ara is committed to the following values that underpin the institute's activities and the way in which we operate:

Kia pono – Trust

Kia tūhono – Connect

Kia hihiri – Inspire

Our Vision

Our vision is to be an exciting, relevant, contemporary, vibrant and viable contributor to individual and community prosperity throughout Canterbury by improving access, extending the range of programmes and services and by becoming a destination for national and international students.

Our Appreciation

Thank you to all of our students, staff, colleagues, fellow institutions, communities, industries and businesses for contributing to such a successful 2016.

The year began as a new organisation provisionally named CPIT Aoraki and in March this year was officially launched as a new entity, Ara Institute of Canterbury, Ara rau, taumata rau, to be commonly known as Ara. This exciting development was the culmination of many months of work with our government, industry, iwi and community partners and a clear mandate to take the best of past successes and innovate for the future.

In 2016, with approval from the Minister for Tertiary Education, Skills and Employment, we took the experience of CPIT and Aoraki Polytechnic in providing vocational training for over 100 years and created a new organisation together to reflect the changing needs of learners across the entire Canterbury region and beyond.

For the respective councils there was significant reflection and looking forward to crystallise the purpose and mission of our organisation in an evolving sector and a fast changing world.

Ara rau, taumata rau, meaning many pathways, many opportunities, references the physical context of the Canterbury region and the many routes that criss-cross the plains from the mountains to the sea. It also reflects that there are many pathways to success.

Our name captures our ambition and vision to transform vocational and applied tertiary education to meet the needs of the region and deliver innovative education to a varied local and global market. We see our role as delivering learning at the right time and right place for learners.

We are confident that we can stand behind the purpose of the new organisation: to be a relevant, contemporary and vibrant contributor to individual and community prosperity throughout Canterbury by improving access, extending the range of programmes and services and by being a destination for national and international students.

This year the new Ara Council established a Strategic Plan for 2017–2019 which encompassed the aspirations for the new organisation. Together with the values of Ara the vision informs this Strategic Plan for 2017–2019 which guides us towards: successful students, value for employers and effective staff.

We have set our aims high. Already we have achieved widespread awareness of our new name and direction and excellent commitment from our staff to deliver to our vision and ambitious targets. We are working closely with our partners to achieve key developments for Christchurch, such as the Health Precinct's Health Research and Education Facility and the ICT Graduate School, Signal. We also launched our Sustainability Charter to inform our own operational practice and commit to graduating students who are leaders in sustainability across all sectors. Delivering on our promise to respond to learner needs in regional areas, Computing for Free was introduced to Timaru, Oamaru and Ashburton to give South Canterbury learners access to basic computing and professional upskilling programmes. Pasifika Trades Training was introduced to Oamaru and He Toki Trades Training continued to provide fees-free trades training in Timaru.

Nationally we continue to collaborate on key projects such as the Engineering e2e (Education to Employment) initiative and the Tertiary Accord of New Zealand (TANZ) eCampus. In South Canterbury and Waitaki we have worked hard to establish relationships with businesses and the community to provide a platform for ensuring responsive services. We are also exploring ways to deliver to more of our region.

2016 saw the NZQA four-yearly External Evaluation and Review (EER) undertaken at Ara. It is extremely pleasing to report that Ara aspirations of delivering the highest possible quality in its programmes and services was validated with the best possible EER outcome of Category 1: highly confident for educational performance and highly confident for self assessment capability.

Ara continues on its path towards internationalisation with growing numbers of international students, increased international opportunities for domestic students and exciting developments with memorandums of understanding signed with Kumaraguru College of Technology, Jaipuria Institute of Management, Rizvi College of Arts, Science and Commerce and Gujarat Technological University in India, and Hokkaido Bunkyo University in Japan. Our future is promising and we are proud of our ability to contribute to the success of New Zealand nationally and our communities locally, as well as the individuals who entrust us with delivering training provision that is relevant, high quality and sustainable.

This year Janie Annear and Jeremy Boys were welcomed to the Council. Janie and Jeremy bring wide experience across many sectors as well as strong South Canterbury connections. The Ara Council has, in establishing the new organisation, taken measures to ensure ongoing good governance. This year, the Council has focused on ensuring Health and Safety best practice with the approval of a new Health and Safety Charter together with supporting policies, accountabilities and representation. The Council also made further improvements to the performance reporting system, increasing visibility, transparency, monitoring and auditing of performance objectives, and a new Audit and Risk Committee was established with an independent chair.

I would like to thank our Chief Executive Kay Giles for guiding Ara through this period of transformation and all of our dedicated staff for making the transition to Ara Institute of Canterbury.

Jenn Bestwick
Ara Council Chair

Ara Council

Ara Institute of Canterbury is a Crown Entity governed by its own council with accountability to the shareholding Minister, through the Tertiary Education Commission (TEC). The Council is made up of eight members, four of whom are appointed by the Minister for Tertiary Education, Skills and Employment and four of whom are appointed by the Ara Council under council statute.

As the governing body of Ara, the Council has several key responsibilities: to appoint and manage the performance of the Chief Executive and to reflect the interests of the organisation's key stakeholders: the government, through the Minister's appointments, and the businesses and communities of the region, through the council appointments. The Council directs the management of Ara to achieve planned outcomes and to ensure that the organisation is acting prudently, legally and ethically.

Ara operates under a number of Acts of Parliament – particularly the Education Act 1989 No 80 and the Local Government Official Information and Meetings Act 1987 No 174.

Kā Mema o te Kaunihera
Ara Council Members

Chair
Ms Jenn E Bestwick

Deputy Chair
Ms Janie Annear (from 1 January 2016)

Chair, Council Audit and Risk Committee
Mr John J Hunter (until 31 August 2016)

Independent Chair, Council Audit and Risk Committee
Mr Michael P Rondel (from 1 September 2016)

Chair, Chief Executive Remuneration and Performance Review Committee
Ms Janie Annear (from 1 January 2016)

Chair, Council Campus Redevelopment Committee
Mr John J Hunter

Members appointed by the Minister

Ms Janie Annear (from 1 January 2016)

Ms Jenn E Bestwick

Mr Stephen J Collins

Mrs Elizabeth M Hopkins

Members appointed by the Ara Council

Mr Jeremy Boys (from 1 January 2016)

Ms Jane C Cartwright

Mr John J Hunter

Ms Lynne Harata Te Aika

Kā Āpiha o te Kaunihera
Ara Council Officers

Chief Executive	Ms Kay Giles
Kaiārahi	Ms Hana O'Regan (until 22 January 2016) Mr S Te Marino Lenihan (from 21 November 2016)
Council Secretary	Ms Ann Kilgour (1 January 2016 to 30 April 2016) Ms Tracey E McGill (acting from 2 May 2016)
Minute Secretary	Ms Christina Yeates
Governance and Strategy Unit Senior Administrator	Ms Christina Yeates

In a landmark year for our institute staff have worked hard to implement the transformation of the new organisation with many levels of operational alignment achieved. This was no small task with three campuses, nine sites, 1,000 staff and 16,000 students. However I am pleased to report that with careful planning and teamwork this has been accomplished relatively seamlessly.

Whilst embedding our new name, vision and operations we strove to minimise any disruptions to our students and they have continued to succeed. Course completion rates remained around the same as the rates achieved by CPIT in 2015.

Our international student numbers were up 20% and they continued to excel with a successful course completion rate of 88.3% which was ahead of the 2015 level.

Māori and Pasifika participation rates were well above Canterbury and Waitaki regional averages but there is still a notable disparity in achievement between Māori and Pasifika and other students. During 2016 we further developed strategies and processes to reduce this disparity and lift achievement, for example, the Council approved a Pasifika Strategy for 2017–2019 which sets desired outcomes for Pasifika students, staff and communities, as well as describing specific activities to achieve these outcomes.

We have exceeded our financial performance targets, allowing for investment to improve the delivery of our programmes and services as well as continuing to invest in our learning spaces through the campus master planning activities of new construction and upgrading facilities. 2016 saw work at the Woolston campus continue and good progress made on Kahukura (Engineering and Architectural Studies building) and Te Kei (administration hub) with upgrades to South Canterbury campuses, including new computers, a library upgrade and the hairdressing facilities and student services area upgraded. The Ōtautahi Education Development Trust constructed a significant Ōtautahi House extension to provide more student accommodation.

Youth pathways remained a strong focus in Canterbury. This group has unique challenges due to the post earthquake experience, where affects have been felt disproportionately. Through targeted programmes Ara has enabled more 16 to 19 year olds to begin their skills training, prepare for work or further study and ultimately pursue rewarding careers.

We farewelled our Kaiārahi Hana O'Regan and welcomed our new Kaiārahi Te Marino Lenihan who is an important addition to our team, helping to set the direction for achievement of our Māori learners and relations with our communities and iwi.

We continued to build our student support team, including dedicated advisors specifically for youth, Māori and Pasifika, women and international students.

Our students continue to be aligned closely with our community. Ara supplied benches to Department of Conservation sites around Lyttelton Harbour built by our carpentry students, we enabled Pasifika students to explore important issues in No Limits: Don't Dream it's Over, our Art and Design students contributed to the Botanic D'Lights in the Botanic Gardens and Polychrome in Timaru and our students facilitated the Waterwise sustainability programme for secondary school students.

Industry engagement remained an important focus across the institute. NASA supported our Mission to Mars STEM programmes for secondary school students. Ara cookery tutors from Christchurch and Timaru participated in the Culinary Olympics in Germany. Shadowtech was just one of the programmes we supported to encourage more women to consider careers in technology and engineering and we delivered Women in Trades, supported by the government, to extend opportunities for women.

Staff capability also went ahead on many different fronts, such as technology-enhanced learning, leadership, sustainability awareness and Te Reo Māori.

Over the past two years Ara has reviewed its portfolio of programmes, developing and redesigning 95 programmes. Our programmes are designed to be relevant to the community and are cutting edge in terms of content and delivery methods, resulting in outstanding outcomes for students and employers. Ara has a focus, not only on what is taught, but how learning can most effectively occur. Learning is designed to be highly engaging for students and affords them authentic workplace experiences. Industry, student and community input is sought ensuring programmes reflect the latest thinking, practice and examples.

Finally our provision took a bold step forward with the introduction of our first Masters' qualifications in Nursing and in Health Science. Our first year as Ara has set some high benchmark and indicated that we are on an exciting path for growth for the entire region.

Kay Giles
Chief Executive

Te Kāhui Manukura Senior Leadership Team

Chief Executive
Ms Kay Giles
Master of Social Planning & Development (Queensland), BSc (Hons) (Queensland)

Kaiārahi and Director, Student Services
Ms Hana M O'Regan (until 22 January 2016)
MA (Otago), PGDipArts, BA (Victoria), CELTA (Cambridge)

Kaiārahi
Mr S Te Marino Lenihan (from 21 November 2016)
BA (Auckland), LLB (Auckland), Advancement of Māori Opportunity (Te Wānanga o Aotearoa), Te Panekiretanga i Te Reo Māori

Director, Academic
Ms Sheila T McBreen-Kerr
MPA (Victoria), BEd (Canterbury), Dip EOH (Canterbury), DipTchg (Otago)

Director, Business Development
Mr Philip J Agnew
BAppMgt, ATC (Joinery)

Director, Corporate Services and Chief Financial Officer
Mr Darren J Mitchell
BCom (Accounting) (Otago), CA (CAANZ)

Project Director, Organisational Transformation
Mr John West (until 16 September 2016)
BSc (Canterbury), DipTchg

Director, Education and Applied Research
Ms Judith A Brown
BA (Massey), PGDipEd, PGDipBusAdmin, DipEd for Deaf

Director, Governance and Strategy
Ms Ann M Kilgour (on leave from 2 May 2016)
MCom (Canterbury), BA (Canterbury), CA (CAANZ), MNZIM

Ms Tracey E McGill (acting from 2 May 2016)

Director, Student Services
Mr John West (from 19 September 2016)
BSc (Canterbury), DipTchg

Ara Strategic Goals

The Ara strategic plan is set by the Council and determines the institution's direction in conjunction with a mix of Government policy directives and regional strategies. It is used to inform the Ara Investment Plan which is prepared in consultation with stakeholders and in collaboration with the Tertiary Education Commission.

The 2016–18 Strategic Plan sets three strategic drivers and three outcomes, each with a number of goals.

Strategic Drivers

Growth

Success

Sustainability

Outcomes	Goals
Market Relevance	Achieve enrolment targets
	Increase trades and STEM provision
	Deliver higher levels of qualifications
	Diversify and grow income
	Expand the youth transition programme
	Proactively match portfolio to market demand
	Develop a new identity and embed with stakeholders
	Develop more coordinated engagement with partners
	Boost research outputs
Graduate Outcomes	Increase successful learner outcomes
	Parity of participation and achievement for Māori and Pasifika
	Target literacy, numeracy and core transferable skills for all students
	Graduate sustainable practitioners
Dynamic Learning and Environments	Lead the sector as a high performing, sustainable organisation
	Maximise the use of information/data to inform decision making
	Deliver leading learning environments through major capital development
	Broaden the integration of workplace learning
	Increase delivery of technology enhanced teaching and learning
	Increase staff capability

Statement of Service Performance

The purpose of the Statement of Service Performance (SSP) is to provide evidence of performance against non-financial targets. The measures selected attempt to provide a balanced picture of performance related to the three overall Ara strategic plan outcomes: market relevance, graduate outcomes, and dynamic learning and environments.

Measures included in the Statement of Service Performance include both those specified as performance commitments in the 2016–2017 Investment Plan, plus those from the Ara 2016–2018 strategic plan. The measures from the Investment Plan are annotated with a # below.

The measures and targets from the Investment Plan are based on negotiations with the Tertiary Education Commission (TEC). Thus these reflect the outputs expected of Ara by the Ara Council and TEC.

The SSP includes best estimates for student related targets of course completion, qualification completion, progression and retention, based on internal student achievement data processed by February 2017. The final TEC confirmed results are not generally known until mid-2017.

Measure	2015 Actual (CPIT)	2016 Target[1] (Ara)	2016 Revised Target[1] (Ara)	2016 Actual (Ara)
Goal 1.1: Achieve Enrolment Targets				
SAC Level 1–2 EFTS enrolled #	292	438	464	333
SAC Level 3–7 EFTS enrolled #	4,932	5,880	5,869	5,524
International EFTS enrolled #	842	809	835	1,020
ACE EFTS enrolled #	120	142	142	128
CTC EFTS enrolled #	113	136	145	141
Youth Guarantee EFTS enrolled #	179	275	275	265
Other EFTS enrolled #	233	310	307	228
Total EFTS enrolled #	6,709	7,990	8,038	7,639
Proportion of SAC EFTS delivered to students under 25 years old:				
at Levels 1–2 #	new measure	6.5%		3.7%
at Levels 3–7 #	60.3%	54.5%		59.3%
at Levels 4–7 #	52.8%	47.0%		51.5%
at all levels #	new measure	61.0%		63.0%

In 2016, Ara enrolled a total of 7,639 EFTS (Equivalent Full Time Students). The significant 13.9% increase on 2015 numbers reflects both the incorporation of Aoraki Polytechnic into CPIT, plus growth in some former CPIT areas. Overall 2016 enrolments of domestic students were slightly ahead of what the two separate organisations achieved in 2015, and enrolments of international students were significantly ahead.

The 2016 enrolment targets were set during the process of integrating CPIT and Aoraki Polytechnic and were based on a number of assumptions about demand from potential students, the existing portfolio, viable delivery models and government funding levels. Since the two organisations have combined, there has been a developing understanding of the former Aoraki Polytechnic and demand in South Canterbury. This meant aspects of the mix of delivery and associated growth targets proved to be unachievable in the first year of the new organisation.

Ara was short of the SAC Level 1–2 target due to lower enrolments into most programmes, particularly in South Canterbury; plus lower demand for foundation and English language programmes from domestic students. This continues the trend of reducing provision in this space, due to more students achieving NCEA Level 2, qualifications moving to higher levels as part of the NZQA Mandatory Review of Qualifications (MROQ) process, Ara offering a number of other pathway opportunities for those aged under 25 and government policy shifts leading to a competitive and more selective approach to funding qualifications through this provision.

SAC Level 3–9 delivery accounts for the majority of Ara provision, making up 72% of all enrolments in 2016. There was growth factored into the 2016 SAC 3+ target and in many cases this growth did not eventuate, particularly in South Canterbury. This was particularly the case for primary industries and business programmes. In contrast, SAC 3+ enrolments exceeded budget targets in a number of building and construction related areas in Christchurch, such as quantity surveying, architectural technology, interior design, carpentry, and plumbing and gasfitting.

Targets for international student enrolments were met or exceeded in most programme areas and the revised overall institutional target was exceeded by 22%. This continued a trend of consistent year–on–year growth in international numbers at CPIT since 2012. There were particularly strong international numbers in the cookery and baking programmes, degree level business and computing programmes and the English language courses. There were also a small number of international students enrolled in Timaru in English language, cookery and baking programmes.

ACE (Adult and Community Education) delivery was used for a range of computing courses in both Christchurch and South Canterbury, as well as other subjects in areas such as Māori language, adult literacy and life skills. Ara delivered 90% of the 2016 target for this provision, reflecting a similar level of delivery achieved by the two separate institutions in 2015. Community–based Ara Connect (formerly Computing For Free) sites were established in South Canterbury in 2016 and will take some time to generate enrolments.

Canterbury Tertiary College (CTC) provision, which is determined on a student rather than EFTS basis, achieved the student target however was below the EFTS target due to the underlying mix of delivery being weighted towards enrolments with a higher proportion delivered through secondary schools. See the comments under 'Goal 1.5 Expand the Youth Transition Programme' for further commentary on this area.

[1] The '2016 Target (Ara)' column refers to the targets set in the 2016–17 Ara Investment Plan. Due to subsequent government funding decisions and 2016 budget processes, the targets in the 'Revised Target' column were set as internal targets for 2016 and correspond to the 2016- 2018 Ara Strategic Plan.

The 2016 target for Youth Guarantee delivery was a significant increase on 2015 levels and this target included both Youth Guarantee and the pilot Dual Pathways funding, providing a further option for students to be simultaneously enrolled at both secondary school and at Ara. Ara was 10 EFTS below budget for Youth Guarantee. However there was an increase in the volume and spread of provision, with this funding being used across Christchurch and South Canterbury sites.

Other EFTS were below target due to ITO off-job delivery and other fee-for-service courses being below budget expectations.

The overall proportion of SAC students under 25 was ahead of the target. A higher proportion of these learners were studying at levels 3-7 and 4-7 than expected, so those targets were exceeded while the level 1–2 target was not. This is in the context of Ara delivering more provision to those aged under 25 through other pathways, such as Youth Guarantee, so the drop in SAC level 1–2 provision to youth is not a concern.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.2: Increase trades and STEM Provision			
Proportion of delivery that is in STEM courses	20.7% of SAC	22% of SAC	20.9% of SAC
Enrolments in trades courses	1,128 EFTS	1,365 EFTS	1,238 EFTS

Over 2016, including the incorporation of Aoraki Polytechnic, the volume of trades delivery increased as did the proportion of SAC delivery into Science, Technology, Engineering and Mathematics (STEM) courses. However, these measures were short of the 2016 targets by 1.1% and 127 EFTS respectively.

Ara has advanced a number of STEM initiatives in 2016, based mainly in the Departments of Computing, Engineering and Architectural Studies, and Trades. These include working with schools and school students to promote STEM education and careers, offering scholarships in STEM programmes, and other promotional activities. During 2016, Ara participated in the Mission to Mars, a NASA-run initiative aimed at giving secondary school students a taste of the core skills that would be necessary to support NASA missions for the 21st century. A number of the secondary tertiary pathways programmes offered by Ara in conjunction with schools were focussed on STEM subjects, such as electrotechnology and computing.

Enrolments in the areas of carpentry, plumbing and gasfitting trades were strong and ahead of targets, particularly through SAC Level 3+ provision. However, a declining interest in painting and decorating, and lower than expected demand for trades programmes in South Canterbury, meant the overall target for trades enrolments was not achieved by 9.3%. The demand for trades training in Christchurch is heavily influenced by the overall numbers and the mix of trades being employed in the rebuild. Thus as residential work declines and commercial work increases, Ara is seeking to best match provision to the changing industry and workforce demands.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.3 Deliver higher levels of qualifications			
Enrolments at Level 7 and above	2,875 EFTS	3,020 EFTS	2,985 EFTS

Whilst the 2016 Ara target for Level 7 and higher enrolments was 35 EFTS below target, there was a 110 EFTS (3.8%) increase on 2015 CPIT levels. This is notable as Aoraki Polytechnic did not deliver any Level 7 provision in 2015. The increase was split between domestic and international students, showing increasing demand for higher level Ara qualifications across both markets. In 2016, level 7 and higher provision was offered by six out of the nine teaching departments at Ara, with a 6% and 5% increase in degree level Business and Creative Industries enrolments respectively.

During 2016 Ara received approval to begin delivering Masters qualifications in Nursing and Health Sciences and the first students were enrolled in December into these programmes.

Additionally in 2016 Level 7 courses were delivered in South Canterbury for the first time, with the Department of Business offering courses from the Bachelor of Applied Management in Timaru.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.4 Diversify and grow income			
Revenue earned from international students	$11.1m	$11.5m	$16.0m
Delivery related revenue earned from business and the community	$2.78m	$3.03m	$2.77m
Revenue earned from research	$100,333	$100,000	$46,771

As international student numbers increased significantly on 2015 levels and were well ahead of the 2016 target, the revenue earned from international students was also $4.5m ahead of budget and accounted for 11.1% of Ara revenue in 2016.

The delivery related revenue from business and the community was at a similar level to 2015 and was $260K short of the 2016 target. Ara continues to refine and implement diversified income strategies across teaching departments and in 2016 these were expanded into South Canterbury.

Also during 2016, Ara reorganised the student recruitment, community liaison and industry engagement staff from a number of different areas into a single engagement service. This change is to better integrate recruitment and engagement activities across schools, communities and industry and is aimed at lifting both core student enrolment numbers plus also diversified income sources.

Overall 2016 applied research activity was slightly ahead of 2015 levels (see Goal 1.9 Boost Research Outputs below), however the breakdown of research saw a lower number of projects generating external research income. This led to the revenue earned through this source being down on 2015 levels and below budget. Ara aims to conduct applied research with close links to industry and much of this will not necessarily result in External Research Income.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.5 Expand the youth transition programme			
Enrolments in secondary–tertiary pathways	447 CTC students	450 CTC students	467 CTC students

During 2016 Ara integrated, and further developed, the initiatives that CPIT and Aoraki Polytechnic had separately developed to advance pathways for secondary school students from across the region into tertiary study. This saw the full usage of Canterbury Tertiary College spaces; an increase in Youth Guarantee provision, and participating in the Dual Pathways Pilot to offer secondary students a further alternative aimed at retaining students in education and making the successful transition from secondary to tertiary study.

In terms of expanding the youth transition programme, in 2016 Ara offered a wide range of subjects across both Christchurch and South Canterbury locations. This included business administration, retail, hairdressing and beauty, hospitality and early childhood options, plus automotive, electrical, engineering and other construction trades.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.6 Proactively match portfolio to market demand			
Proportion of graduates in employment or further study in the year following graduation	83.9%	84%	83.0%
Employers recommending Ara graduates to other businesses: net promoter score (Reputation research reports)	+ 6	+ 6	+ 12

In 2016 there was a slight drop in the proportion of graduates in employment or further study in the year following graduation which meant the target was not achieved. However, the performance in this measure is still strong, showing positive student outcomes in the 3–6 months beyond graduation. This measure is based on the 1,056 Ara graduates who responded to the questions about employment and further education in the Graduate Outcome Survey, with 83% being in employment or further education or further study at the time of the survey and 69% thinking their education was relevant to their line of employment or planned further study.

Particularly pleasing was the continued increase in the net promoter score measuring how likely businesses are to recommend Ara graduates. This measure is assessed through a reputation research survey, which identified the reasons for this positive perception being the continued emphasis Ara places on making graduates work-ready, and the strong relationships Ara has with industry.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.7 Develop a new identity and embed with stakeholders			
Reputation research outcomes maintained at 2015 levels	new measure	100%	Partly achieved

Following the 1 January 2016 merger of CPIT and Aoraki polytechnic and creation of CPIT Aoraki, the organisation was rebranded to Ara Institute of Canterbury on 30 March 2016. This change aimed to create a new, innovative organisation best positioned to meet the region's needs. The merger and subsequent rebrand processes included engagement and consultation across Ara stakeholder groups, to both incorporate their views, as well as communicating the new Ara identity and brand story.

Research completed in the second half of 2016 by Research First provided some benchmarks for awareness and perceptions of the new organisation and brand. This research showed that awareness of Ara amongst parents and potential mature students was around 56%, compared with 97–98% for CPIT, University of Canterbury and Lincoln University. Amongst businesses awareness of Ara was much higher at around 77%, and amongst teachers and career advisors was 89%. Thus while there is still some work to do with certain groups the level of awareness of the new organisation within six months of the launch was high and the brand launch was deemed a success.

Measure	2015 Actual (CPIT)	2016 Actual (Ara)	2016 Actual (Ara)
Goal 1.8 Develop more coordinated engagement with partners			
Develop a regional stakeholder engagement strategy	Partially completed	100% complete	Partially completed
Establish Council stakeholder forum	Not completed	100% complete	Not achieved
Industry advisory committees reviewed and effectiveness measures developed	Partially completed	100% complete	Partially completed

The key areas of focus for stakeholder engagement in 2016 were developing relationships with South Canterbury rūnanga, schools, industry, and community partners; plus working with established Christchurch, national and international partners to build understanding of the new organisation. During 2016, engagement forums and strategies were focussed on meeting these pressing needs in a timely manner. As such, a specific regional stakeholder engagement strategy and Council stakeholder forum were not completed. As part of developing more coordinated engagement with partners, during 2016 a new engagement service was created, bringing together a number of existing, separate staff into a single, integrated unit aimed at managing external relationships in a more coordinated and efficient way.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 1.9 Boost research outputs			
Number of research outputs	189	210	191
Number of quality assured research outputs	114	150	129
Number of projects aligned to industry	new measure	160	59

The number of research outputs completed was slightly ahead of 2015 CPIT levels and the proportion of research outputs that were quality assured increased from 60% to 67%. However the higher 2016 targets for total and quality-assured research outputs were not met. This was due to a focus on maintaining the quality of the student experience and other priorities over the period of the merger. During 2016 Ara did continue to strengthen capability in applied research with close links to industry and with the 2016 introduction of postgraduate provision and general increase in degree-level offerings, applied research continues to be an important focus for Ara. It is expected that the work in lifting research capability will begin to be reflected in increased applied research outputs in the coming years.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 2.1: Increase successful learner outcomes			
Successful Course Completion Rate for SAC-funded students			
at Levels 1–2 #	78.6%	78.0%	77.2%
at Levels 3–7 #	83.4%	83.0%	83.9%
at Levels 4–7 #	85.7%	85.0%	85.7%
at all levels #	new measure	83.0%	83.5%
aged under 25 at Levels 1-2 #	new measure	74.0%	75.5%
aged under 25 at Levels 3-7 #	82.8%	82.0%	83.6%
aged under 25 at Levels 4–7 #	85.5%	84.0%	85.6%
aged under 25 at all levels #	new measure	82.0%	83.2%
Successful Course Completion Rate for YG-funded students			
at Level 2	65.7%	60.0%	79.1%
at Level 3	70.1%	70.0%	76.4%
Successful Course Completion Rate for international students	87.5%	88.0%	88.3%
Successful Course Completion Rate for CTC students	71.2%	80.0%	78.6%
Qualification Completion Rate for SAC-funded students			
at Levels 1-2 #	61.6%	63.0%	66.2%
at Levels 3-7 #	58.5%	72.0%	71.6%
at Levels 4-7 #	60.7%	74.0%	75.3%
at all levels #	new measure	70.0%	71.3%
aged under 25 at Levels 1-2 #	new measure	60.0%	66.1%
aged under 25 at Levels 3-7 #	50.4%	68.0%	66.2%
aged under 25 at Levels 4–7 #	52.1%	70.0%	69.0%
aged under 25 at all levels #	new measure	68.0%	66.2%
Qualification Completion Rate for YG students			
at Level 2	25.9%	40.0%	45.4%
at Level 3	70.1%	60.0%	63.0%
Qualification Completion Rate for international students	61.4%	65.0%	89.9%
Student Progression Rate for SAC-funded students			
from Level 1-2 to a higher level #	32.6%	43.0%	34.2%
from Level 1-3 to a higher level #	38.5%	44.0%	37.9%
Student Progression Rate for YG-funded students			
at Level 2	55.0%	35.0%	34.0%
at Level 3	29.6%	35.0%	50.7%

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 2.1: Increase successful learner outcomes continued			
Student retention rate for SAC-funded students			
at Levels 1-2 #	46.4%	54.0%	67.6%
at Levels 3-7 #	69.0%	66.0%	71.4%
Student retention rate for YG-funded students			
at Level 2	43.5%	45.0%	49.8%
at Level 3	64.6%	55.0%	63.4%
Overall student satisfaction with programme of study (measured through SES)	85.4%	86.0%	84.2%
Educational achievement of learners who were previously unemployed	74.5% successful course completion	75.0%	71.7% successful course completion

2016 student achievement targets were set based on maintaining the high 2015 CPIT achievement rates over the period of the CPIT Aoraki Polytechnic integration and subsequent creation of Ara. Overall this goal was achieved, with most student achievement measures generally either remaining stable or improving.

SAC, Youth Guarantee and international successful course completion rates were equal or ahead of both 2016 targets and 2015 CPIT actuals, with the exception of Level 1–2 SAC, which was 0.8% below target. Successful course completion is the key metric used by Ara to assess student achievement and the strong 2016 results reflect the emphasis Ara had on maintaining the focus on students over the transition period.

SAC qualification completion rates increased across the level groups between 2015 CPIT and 2016 Ara for both all students and those aged under 25. SAC student retention rates also increased and exceeded targets. Youth Guarantee qualification completion and retention figures were also ahead of targets. The performance against these measures, which relate to students remaining at Ara until their programmes are completed, show Ara students are increasingly likely to leave Ara with a formal qualification.

The achievement of international students improved in 2016 with a 0.8% increase in successful course completion and a 28.5% increase in qualification completion. This increase is in the context of a 21.1% increase in international enrolment numbers and is due to the significant guidance and support provided to international students at Ara in terms of initial course counselling and admission processes, plus subsequent academic and pastoral support whilst students are at Ara.

The student satisfaction rate dropped from 85.4% for CPIT in 2015 to 84.2% for Ara in 2016 which meant Ara was 1.8% short of the 2016 target. This slight drop was not unexpected, and likely relates to some student concerns around the merger and subsequent alignment of learning and support practices across the region.

Alongside the integration of Aoraki Polytechnic a key focus over 2015-2016 was reviewing and enhancing self-assessment practices and restating the importance of academic quality in improving learner outcomes in the new organisation. This included enhancing the availability and effective use of student achievement data to best target improvements. Also during 2016 the Cornerstone model of tiered student support was developed to enhance how the Student Services Division effectively provides increasingly specialised help to learners across the region. A project covering the systematic observation of current teaching practice and associated capability development was also started, with positive initial results. A number of aspects covered elsewhere in the Statement of Service Performance also contributed to improved learner outcomes, such as improving the use of technology in learning, constructing modern buildings and learning environments, and developing staff capability.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 2.2: Parity of participation and achievement for Māori and Pasifika			
Proportion of EFTS enrolled who are Māori students			
at Levels 1–2 #	1.0%	2.1%	0.9%
at Levels 3–7 #	11.5%	10.4%	11.7%
at Levels 4–7 #	9.0%	7.4%	9.5%
at all levels #	12.5%	12.5%	12.6%
Proportion of EFTS enrolled who are Pasifika students			
at Levels 1–2 #	0.2%	0.4%	0.3%
at Levels 3–7 #	3.9%	3.1%	4.2%
at Levels 4–7 #	3.2%	2.3%	3.1%
at all levels #	4.2%	3.5%	4.5%
Successful Course Completion Rate for Māori SAC-funded students			
at Levels 1–2 #	new measure	74.0%	70.3%
at Levels 3–7 #	74.8%	77.0%	76.0%
at Levels 4–7 #	79.5%	80.0%	78.5%
at all levels #	new measure	75.0%	75.6%
Successful Course Completion Rate for Pasifika SAC-funded students			
at Levels 1–2 #	new measure	75.0%	72.9%
at Levels 3–7 #	72.9%	71.0%	74.9%
at Levels 4–7 #	75.1%	76.0%	76.5%
at all levels #	new measure	70.0%	74.7%
Qualification Completion Rate for Māori students			
at Levels 1-2 #	new measure	55.0%	52.7%
at Levels 3-7 #	51.4%	52.0%	52.4%
at Levels 4-7 ##	57.1%	55.0%	55.6%
at all levels #	new measure	53.0%	52.4%
Qualification Completion Rate for Pasifika students			
at Levels 1-2 #	new measure	57.0%	56.5%
at Levels 3-7 #	53.6%	46.0%	52.0%
at Levels 4-7 #	57.1%	55.0%	55.1%
at all levels #	new measure	46.0%	52.3%
Student Progression Rate for Māori students from Levels 1 to 3 to a higher level #	25.2%	36.0%	29.7%
Student Progression Rate for Pasifika students from Levels 1 to 3 to a higher level #	33.3%	25.0%	26.5%
Student Retention Rate for Māori students at Levels 1-2 #	new measure	52.0%	54.2%
Levels 3-7 #	60.8%	63.0%	63.0%
Student Retention Rate for Pasifika students at Levels 1-2 #	new measure	50.0%	37.2%
Levels 3-7 #	63.6%	64.0%	68.9%

2016 saw continued strong participation rates for Māori and Pasifika students at Ara and most 2016 targets were met and student achievement levels maintained over the merger period. However further work is needed to fully close the disparity in achievement between Māori and Pasifika students and the wider student group.

The overall 2016 rate of participation of Māori students in SAC provision was 0.1% ahead of both the 2015 CPIT level and the 2016 target. Broken down by level of study there was an increase in the proportion of Māori students studying at Levels 3–7 and 4–7, and a slight reduction at Levels 1–2, showing a trend of Māori students enrolling in higher level programmes of study which is a positive shift. There was also a large increase in the number of Pasifika students studying in SAC programmes with an increase from 4.2% for CPIT in 2015 to 4.5% for Ara in 2016.

The continued high participation rates for Māori and Pasifika students, well above the Canterbury and Waitaki regional demographic averages, are a positive reflection on the work of the Ara liaison and engagement staff in attracting Māori and Pasifika students from schools and communities across the region into a number of programmes and study options at Ara. In addition Ara continued to provide a number of scholarships and fee reductions aimed at attracting and retaining Māori and Pasifika learners.

The overall SAC successful course completion rate targets for both Māori and Pasifika student were achieved, as was the overall qualification completion rate for Pasifika students. The overall qualification completion rate for Māori students was 0.6% below target. However the targets for Levels 3–7 and 4–7 were met. These results indicate that the achievement of Māori and Pasifika students was generally maintained, and in many cases improved, over the merger period. However there is still a disparity between the achievement of Māori and Pasifika learners and the wider student group, and closing this remains a key focus for Ara.

To support the progression towards parity during 2016 Ara advanced a number of initiatives aimed at supporting Māori and Pasifika learners and enhancing their achievement. This included dedicated Māori and Pasifika advisors to provide both pastoral and academic support, plus the continued use of the E Amo E Rere tool to embed Māori exemplars and practices into both teaching and learning and the wider organisation. In September 2016, the 2017–2019 Ara Pasifika Strategy was approved by Council which sets a coherent organisational vision and guiding principles for how Ara is to meet the needs of Pasifika students, staff and communities. This strategy is now in the implementation phase. The He Toki ki te Rika (Māori Trades Training) and Pasifika Trades Training initiatives increased enrolments by 64% in 2016 and expanded beyond trades to include a small number of students in business administration programmes.

Also in 2016 Ara continued a number of relationships formerly held by CPIT and Aoraki Polytechnic with key iwi and Pasifika community partners. These include Te Tapuae o Rehua, a partnership with Ngai Tahu, plus the Pasifika Advisory Group which represents Pasifika community interests at Ara. In addition, as the Ara catchment now encompasses South Canterbury and Waitaki, further engagement was held with iwi groups from these areas. These relationships are key enablers that support attracting Māori and Pasifika students into Ara programmes, supporting them during their study, plus facilitating positive employment outcomes.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 2.3: Target literacy, numeracy and core transferable skills for all students			
Proportion of required students that complete LNAAT assessment	Initial: 90% Numeracy, 90% Reading; Progress: 47% Numeracy, 52% Reading	95% for Initial 90% for Progress	87% for Initial (Numeracy and Literacy) 73% for Progress (Numeracy and Literacy)
Increase in student LNAAT assessment scores	Numeracy 18%, Reading 16%	Numeracy 20%, Reading 18%	Numeracy 18%, Reading 17%

Ara continues to enhance the way that literacy and numeracy is embedded in lower level programmes to effectively lift learner abilities in these critical areas.

During 2016 Ara refined processes for using the Literacy and Numeracy for Adults Assessment Tool (LNAAT) to best target support for learners. A key part of this improvement was ensuring students complete the second (progress) LNAAT assessment to measure gains and validate the effectiveness of support provided. These improvements saw a significant increase in the proportion of required students completing the second LNAAT assessment. However there was a slight drop in those completing the initial one. This 3% drop was in the context of aligning Aoraki Polytechnic and CPIT LNAAT processes, plus a broadening pool of student cohorts being included in the LNAAT assessment.

The metric judging increase in student assessment scores was at a similar level to 2015 with a slight increase in reading gains. Similarly to previous years, many of the students that are assessed with the LNAAT tool are in short duration programmes which make significant literacy and numeracy gains, as measured through the tool, difficult.

LNAAT results, particularly initial assessments, continued to be used to screen students at the start of their learning to identify those who would best benefit from additional learning support. There is now an effective process where those students assessed to have lower literacy and numeracy abilities are referred to specialist learning advisors to receive additional support to improve the likelihood of success in their programme of study.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 2.4: Graduate sustainable practitioners			
Ara has an established framework which defines the role of sustainability in the curriculum	Partly achieved	Completed	Partly achieved
Proportion of courses with an embedded sustainability component	Not achieved	Establish baseline	Not measured
Number of courses offered relating specifically to sustainability	Not achieved	Establish baseline	Not measured
Number of enrolments in courses relating specifically to sustainability	Not achieved	Establish baseline	Not measured

In May 2016 the Ara Council approved a Sustainability Charter for Ara. This document built on work completed at CPIT over previous years and sets a coherent sustainability vision and goals for the institution. The Charter included a commitment to the principle of embedding sustainability in learning and teaching and giving all students the opportunity to graduate as sustainable practitioners. Although a formal measure of sustainability in the curriculum was not collected both degree and Level 1–6 programme development in 2016 incorporated sustainability.

Ara degree programmes build awareness of specific industries or human activity as major consumers of renewable and non-renewable resources and explores ways sustainability principles can be embedded in core business strategies. The interface between sustainability and social responsibility is examined within a variety of courses in degrees with specific learning outcomes assessed to ensure students have the skills and knowledge to be sustainable practitioners in their chosen fields.

In 2016, all new Level 1–6 programmes of study designed by Ara and approved through NZQA had associated teaching and learning plans which outline how sustainability principles are embedded throughout the curriculum.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 3.1: Lead the sector as a high performing, sustainable organisation			
Operating surplus[2]	4.9%	1.5%[3]	21.2%
Maintain low risk rating as defined by the TEIFM (Tertiary Education Institution Financial Monitoring) Framework	Low	Low	Low
Ratio of teaching staff to students	1 : 16.7	1 : 16.3	1 : 16.7
Achieve 'Highly Confident' ratings in the 2016 EER	N/A	2 x Highly Confident	2 x Highly Confident
Sustainability Strategy milestones	Partly achieved	100% met	Partly achieved
Number of serious harm incidents	1	0	5 notifiable events (3 notifiable injuries, 2 notifiable incidents)

Financial Performance

Overall 2016 financial performance for Ara was good with a surplus of 21.2% ahead of the budget target of 1.5%. Excluding proceeds from earthquake insurance, earthquake related expenses and transformation expenses relating to the merger, the surplus was $6.8m, or 5.8%. The 2016 budget, the first for the combined organisation, was completed prior to the merger and was based on a number of assumptions around the baseline Aoraki financial position, 2016 enrolment volumes and mix and the scale and speed of efficiency gains. As expected, aspects of the assumption set proved different in reality, resulting in a number of positive and negative budget variances by year end. Full year teaching revenue reflected actual enrolment patterns, with international student fee income well above budget and income from delivery to domestic students below budget. As with the other Canterbury tertiary institutions in the post-earthquake environment, Ara has a funding guarantee from government, which meant that the full amount of planned government funding was received regardless of changes in actual delivery. 2016 expenditure was around $3.3m below budget, particularly due to non-teaching staffing costs and general operating expenditures being lower than expected. The net impact of revenue and expense variances resulted in a year end operating surplus $4.6m ahead of budget.

Measured against the Tertiary Education Institution Financial Management Framework measures Ara is a low risk institution. However as the CPIT Aoraki Polytechnic merger was only recently completed TEC has judged Ara to be of moderate risk, reflecting the uncertainty created as the merger is embedded.

External Evaluation and Review

NZQA completed an External Evaluation and Review (EER) of Ara in September 2016, assessing the educational performance and self-assessment capability of Ara overall and in a number of specific programmes, student support services and management functions. In January 2017 it was confirmed that Ara had received the highest rating in that NZQA was Highly Confident in both the educational performance and self-assessment capability of the institution. This was an excellent result and a positive reflection on the organisational focus on self-assessment, continual improvement and commitment to quality in both academic and non-academic areas.

Sustainability

As noted under 'Goal 2.4: Graduate sustainable practitioners' above, in May 2016, the Ara Council approved a Sustainability Charter for Ara setting a high level organisational commitment to sustainability and stating expectations for how that is to be achieved. The next aspect to this is the creation and implementation of a sustainability strategy. Although this strategy has not yet been finalised the draft strategy included milestones for leadership and governance and transport. These were met in full.

Health and Safety

In line with legislative changes Ara made a number of improvements to health and safety policies and procedures in 2016. This saw the Council-level approval and subsequent implementation of a revised Health and Safety Policy, and an enhancement of the roles and responsibilities, committee structures and reporting arrangements to manage health and safety at Ara. Changes to terminology from 'serious harm incidents' to 'notifiable events' made up of 'notifiable injuries' and 'notifiable incidents' were included. Under these definitions Ara had three notifiable injuries and two notifiable events in 2016. Although Ara had a target for zero incidents in 2016 the institution is also fostering a culture of accurate, honest reporting and organisational learning from incidents. Investigations and follow-up actions from the five notifiable events, plus from a number of other less serious events, are supporting this continual improvement.

During 2016 Ara also continued to actively manage health and safety risks relating to the Campus Redevelopment Work Programme. This included consideration for health and safety factors as part of tendering and project planning processes, plus regular reporting, up to Council level, on health and safety risks and treatments, accidents and incidents, and inspections and audit outcomes, specifically relating to the major construction projects underway at Ara.

[2] This is calculated as net surplus / total revenue.

[3] This budget target was set based on excluding proceeds from earthquake insurance, earthquake related expenses and transformation expenses. Including these would adjust the 2016 budget to $35.1m, or 23.1%.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 3.2: Maximise the use of information/data to inform decision making			
Information and Systems Strategy milestones	Mostly achieved	100% met	Mostly achieved
Performance Reporting and Infrastructure Project Milestones	new measure	100% met	Mostly achieved

Information and Systems Strategy

The Information and Systems Strategy (ISS) delivered the major elements planned during 2016. The programme portfolio has been proactively managed with the annual update delivered to Te Kāhui Manukura (TKM) in April 2016 and effective governance provided through Systems and Projects Governance (SPG) reporting to TKM.

The Student Management System Optimisation Project was completed meeting its objectives including delivering a fully online applications process. Following this a project to automate elements of the admissions process started with the first two stages completed, including automating student application communications. The third and final stage is currently being scoped.

The Student Retention and Achievement project completed the specification and build of the first stage due to go live in February 2017.

A project to provide management of tutor observation records was also successfully delivered in December.

Work with KPMG continues on defining the approach for developing digital engagement capabilities with a project inception plan expected in February 2017.

One of the most significant projects incepted during 2016 was the Financial Management System project. A best practice procurement process selected Sable 37 as the implementation partner and Microsoft Dynamics Operations (formerly AX) as the finance system itself. Work is progressing well towards a Q3 2017 implementation of the core financials and interfaces.

Performance Reporting Infrastructure Framework

This project has delivered the infrastructure required, including enhancing the data warehouse, targets database, policies and procedures for all related activities and data cubes for applications, plus development of the business information presentation layer using Microsoft PowerBI. These initial reports have completed testing and are ready for release. Work has continued on data cubes and reports around enrolments, EFTS, EPIs, student surveys and Google analytics.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 3.3: Delivering leading learning environments through major capital development			
Campus Redevelopment Work Programme continues within scope, on time, within budget	Mostly achieved	100% achieved	Mostly achieved

The Capital Works Programme (CWP), under the governance of the Council Campus Redevelopment Committee (CCRC), continues to progress well against agreed plans and budget. There were some delays in expected completion dates for the work at Woolston Campus, the Kahukura building, and with the Health Research and Education Facility (HREF), plus a 0.8% increase in the expected cost of the Kahukura building.

During 2016 a new Regional Master Plan was incepted to cover all of the geographical areas delivered into by Ara. This Regional Master Plan will be delivered to CCRC and Council in April 2017 with a supporting refreshed programme and budget in June 2017.

The major refurbishment project of the Rakaia Student Hub was incepted with architects Athfields, engineers Powell Fenwick Consultants, project managers Inovo and quantity surveyors Rawlinsons all appointed. Refurbishment is planned for the start of 2019.

Both the new executive block, Te Kei, and the new Engineering and Architecture facility, Kahukura, are major developments nearing completion, which is expected for Q2 2017.

Major works at Woolston have completed with the delivery of the V Block refurbishment. Final infrastructure and landscaping work is underway and will be completed early 2017.

Landscaping work, to develop a significant greenspace at the City Campus, started in 2016 and is expected to complete mid-2017.

The CWP also delivered the Workplace Strategy in 2016 and is now working on the Learning Spaces Strategy expected Q3 2017.

The Health Research and Education Facility (HREF) project has made significant progress in 2016, with contracts finalised between the collaborating partners, Ara, CDHB, UC and the developer, New Urban Group. This ground breaking initiative is now into the build stage with delivery planned for September 2018.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 3.4: Broaden the integration of workplace learning			
Proportion of programmes of study with workplace-based learning	58%	50%	56%
Number of learners undertaking workplace-based learning	6,854 students	7,100 students	7,872 students

The 2016 proportion of Ara programmes with workplace-based learning dipped slightly from 2015 CPIT levels in the context of incorporating a number of Aoraki Polytechnic programmes into the Ara portfolio. However, the number of learners undertaking such learning increased by 1,018 or 15%.

As Ara continues to focus on producing work-ready graduates a key aspect is better incorporating effective workplace-based learning into programmes. This includes internships, clinical placements and other types of work experience, plus in many cases the completion of a capstone project to both assist the employer and cement the student's learning in a workplace setting. Ara continues to better incorporate workplace learning as part of the continual review and improvement of programmes of study.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 3.5: Increase delivery of technology enhanced teaching and learning			
New programme developments support technology enhanced teaching and learning	new measure	100%	100%

A key aspect to improving teaching and learning at Ara is enhancing the use of technology. This includes embedding technology enhanced learning (TEL) within programmes of study and all 45 new programmes developed in 2016 included TEL. TEL includes having programmes of study, and their component courses, able to be delivered in a blended or fully online manner where possible, plus supporting physical delivery with a range of learning technologies. To support this Ara is increasing the holdings, management and use of online resources and is also developing the capability of staff to best utilise the increasing range of technology tools available to enhance learner achievement.

Measure	2015 Actual (CPIT)	2016 Target (Ara)	2016 Actual (Ara)
Goal 3.6: Increase staff capability			
Proportion of staff that have a capability plan agreed with their manager	Partly achieved	100%	Not measured
Proportion of staff with an appropriate teaching qualification	Partly achieved	Establish baseline	Achieved (baseline measured)
Proportion of staff that have completed health and safety training requirements	100%	100%	98%
Proportion of staff who have completed the E Amo programme	Baseline established	100%	Not measured

Staff Capability Plans

A new process for capturing capability action plans was developed in 2016. In 2017 the associated tools are to be designed and implemented, which will allow Ara to effectively capture and report on these plans. In the interim staff are still completing professional development action plans but these are managed in each area rather than at an organisational level. The new process will allow these to be managed at an organisational level and progressive reporting will be initiated once the tools and systems are online, currently expected to be the second quarter of 2017.

Teaching Qualifications

The first baseline reporting for Ara was completed in June 2016. This report signalled the first steps in ensuring data gathered was accurate and complete, a process which has continued throughout the remainder of the year. The first baseline estimates have placed the proportion of full time teaching staff with an appropriate teaching qualification at 26.7%. The figures for the July – December period are due in early 2017 but are expected to show a small increase.

Health and Safety

During 2016 all new staff at Ara completed health and safety inductions, including familiarisation with policies and procedures revised to align with new legislation. In addition to induction training other more specialist training was delivered where relevant, such as first aid, HAZNO, fire extinguisher use, and critical incident management.

E Amo E Rere

A baseline survey to assess the staff usage of the E Amo E Rere Māori exemplar tool use across the organisation was established in 2015 with around 30% of staff found to be participating in the programme. This information was used to guide efforts in 2016, during which there was a focus on working with the teaching departments and other areas across Ara to incorporate Māori exemplars and other cultural aspects into teaching and other activities, aimed at lifting Māori and Pasifika student achievement. Due to this focus on designing and implementing improvements a further usage survey was not conducted in 2016.

Statement of Responsibility

The Ara Institute of Canterbury hereby certifies that:

1 It has been responsible for the preparation of these financial statements and judgements used therein; and

2 It has 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 It is of the opinion that these Financial Statements and Statement of Service Performance fairly reflect the financial position and operations of this institution for the year ended 31 December 2016.

The financial statements were authorised for issue by the Ara Institute of Canterbury Council on 26 April 2017.

Jenn Bestwick
Chair of Council

Kay Giles

Kay Giles
Chief Executive

DJ Mitchell

Darren J Mitchell
Chief Financial Officer and Director of Corporate Services

Statement of Accounting Policies

Reporting Entity

Ara Institute of Canterbury (Ara) is a Tertiary Education Institution (TEI) that is domiciled and operates in New Zealand. Ara Institute of Canterbury was formerly known as Christchurch Polytechnic Institute of Technology (CPIT). On 1 January 2016 Aoraki Polytechnic was merged into CPIT. On 30 March 2016, there was the formal renaming of the amalgamated entity to Ara Institute of Canterbury. The relevant legislation governing the Institute's operations includes the Crown Entities Act 2004 and the Education Act 1989.

Ara ("the Parent") is a Crown Entity and is established under the Education Act 1989 as a tertiary education institution (TEI). It provides full time and part time tertiary education in New Zealand.

The Ara Group ("the Group") includes Ara, CPIT Holdings Ltd, Ara Foundation and the Ōtautahi Education Development Trust (OEDT). All subsidiaries are incorporated and domiciled in New Zealand.

The Institute and Group provides educational and research services for the benefit of the community. It does not operate to make a financial return.

Ara has designated itself and the Group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of Ara and Group are for the year ended 31 December 2016. The financial statements were authorised for issue by the Council on 26 April 2017.

Summary of Significant Accounting Policies

1 Basis of Preparation

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

Except where otherwise stated, the financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

2 Statement of compliance

The financial statements of the Parent 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 current standards being Tier 1 Public Benefit Entity (PBE) accounting standards.

The financial statements have been prepared in accordance with PBE accounting standards.

3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Ara and its subsidiaries as at 31 December each year.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent using consistent accounting policies.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. Associates are entities in which the Parent, either directly or indirectly, has a significant but not controlling interest. Subsidiaries are consolidated by aggregating like items of assets, liabilities, revenues, expenses and cash flows on a line-by-line basis. All inter-entity balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. The results of associates are incorporated into the financial statements by recognising a share of the associates post acquisition earnings in the Statement of Comprehensive Revenue and Expenses, and a share of the associates post acquisition changes in net assets in the Statement of Changes in Equity.

The results of Ara, CPIT Holdings Ltd, Ara Foundation and the Ōtautahi Education Development Trust have been consolidated into the Ara financial statements for the year ended 31 December 2016.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Ara has control.

4 Revenue

Revenue classification

Revenue is measured at fair value.

Ara classifies its revenue into exchange and non-exchange transactions.

Exchange transactions

An exchange transaction is one in which the Parent receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions

A non-exchange transaction is one in which the Parent either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Included in this category are transfers, which are inflows of future economic benefits or service potential from non-exchange transactions.

The specific accounting policies for significant revenue items are explained below:

SAC funding

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

Student tuition fees

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

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

Performance-Based Research Fund (PBRF)

PBRF funding is considered to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 159YA of the Education Act 1989. The Parent recognises its allocation of PBRF funding when it is confirmed. PBRF revenue is measured based on the Parent's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Interest

Interest revenue is recognised using the effective interest method.

Insurance Recoveries

Insurance recoveries are recognised in the financial statements when received or when it is probable or virtually certain that they will be received under the insurance contracts in place and can be reliably measured.

5 Property, Plant and Equipment

Land and buildings held under Crown title have been included in the financial statements. The Ara Council is of the opinion that although formal legal transfer of title for land and buildings owned by the Crown has not occurred it has in substance assumed all the normal risks associated with ownership and accordingly it would be misleading to exclude these assets from the financial statements.

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

- Land and buildings are measured at fair value less subsequent accumulated depreciation. Land and buildings are revalued every three years.
- All Parent land and buildings were revalued as at 31 December 2016 in accordance with NZIAS-16. The Christchurch land and buildings valuation was completed by independent valuers: Andrew Parkyn BCom (VPM), PG Dip Com (Marketing), SPINZ, ANZIV, Vanesa Griffiths BCom (VPM), MPINZ and Brendon Bodger BCom, (VPM), SPINZ, ANZIV; all registered valuers of Quotable Value. The South Canterbury land and buildings valuation was completed by independent valuer: Gerald Morton ANZIV, SPINZ, FREINZ, a registered valuer of Morton & Co Ltd. The valuation of buildings is completed to a component level on a market value basis where practical. Where market based evidence is inappropriate due to its specialised nature, then buildings are valued on an optimised depreciated replacement cost basis.
- Land and buildings held under the Ara Foundation were revalued as at 31 December 2015 in accordance with NZIAS-16. The valuation was completed by independent valuer Warren Glassey FNZIV, AREINZ, FPINZ, MNZIM of Colliers International.
- Land and buildings held under the Ōtautahi Education Development Trust were revalued as at 31 December 2016 in accordance with NZIAS-16. The valuation was completed by independent valuer Mark Dunbar BCom (VPM), ANZIV, SPINZ, AREINZ of Telfer Young.
- Leasehold improvements, plant and equipment, motor vehicles, computer software and computer hardware are stated at cost less accumulated depreciation and any accumulated impairment in value.
- The Library resources have been valued by B Roberts of DTZ New Zealand Limited, independent registered valuers, at depreciated replacement cost as at 31 December 2005. This is deemed to be cost. Additions since 31 December 2005 are recorded at cost less accumulated depreciation and any accumulated impairment in value.

Additions

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

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

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

6 Depreciation

Depreciation of the Parent is calculated on the following basis over the estimated useful life of the asset as follows:

- Buildings – 1.1% – 3.3% straight line
- Electronic equipment – 10% – 33.3% straight line
- Motor vehicles – 20% straight line
- Plant – 5% – 20% straight line
- Furniture – 10% straight line
- Library books – 10% straight line
- Capitalised finance lease assets – 33.3% straight line

Art collection and land is not depreciated.

For the Group, depreciation is calculated on the following basis over the estimated useful life of the asset as follows:

- Buildings – 1.1% – 4.8% straight line
- Electronic equipment – 10% – 33.3% straight line
- Motor vehicles – 20% straight line
- Plant – 5% – 21.6% straight line
- Furniture – 10% straight line
- Library books – 10% straight line
- Capitalised finance lease assets – 33.3% straight line

Art collection and land is not depreciated.

7 Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value of land and non-specialised buildings is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Where buildings have been designed specifically for educational purposes they are valued at depreciated replacement cost (DRC) which is considered to reflect fair value for such assets. In determining DRC, the following assumptions have been applied. Replacement cost rates are derived from construction contracts of like assets, reference to publications, and New Zealand Property Institute cost information. Straight line depreciation has been applied to all DRC valued assets to establish the DRC value. Economic lives have been defined and used to determine the DRC.

Property, plant, and equipment consists of the following asset classes: land, buildings, infrastructure, leasehold improvements, computer hardware, furniture and equipment, motor vehicles, library collection, and heritage collections. Land is measured at fair value, and buildings and infrastructure are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Revaluation

Land, buildings, and infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

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

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year the item is derecognised.

8 Capital Work in Progress

Capital work in progress is calculated on the basis of expenditure incurred and certified gross progress claim certificates up to balance date. Work in progress is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

9 Investment Property

An investment property is initially measured at its cost including transaction cost.

Where an investment property is acquired at no cost or nominal cost, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent to initial recognition investment properties are stated at fair value as at each balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year of derecognition.

Investment property land held under the Ōtautahi Education Development Trust was revalued as at 31 December 2016 in accordance with NZIAS-40.

The valuation was completed by independent valuer Mark Dunbar BCom (VPM), ANZIV, SPINZ, AREINZ of Telfer Young.

10 Intangible Assets

Computer Software

Computer software is capitalised at its cost as at the date of acquisition and amortised over its useful life on a straight line basis, currently 10% – 33.3%.

The amortisation period for each class of intangible asset having a finite life is reviewed at each financial year end. If the expected useful life or expected pattern of consumption is different from the previous assessment, changes are made accordingly. The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists.

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

Radio Frequency

Radio Frequency is capitalised at its cost as at the date of acquisition and amortised over its useful life on a straight line basis, currently 5%.

The amortisation period for each class of intangible asset having a finite life is reviewed at each financial year end. If the expected useful life or expected pattern of consumption is different from the previous assessment, changes are made accordingly. The carrying value of each class of intangible asset is reviewed for indicators of impairment annually. Intangible assets are tested for impairment where an indicator of impairment exists.

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

Research and Course Development Costs

Research and course development costs are recognised as an expense in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses in the year in which they are incurred.

11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventory is based on a first-in, first-out basis and includes expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale.

Where inventories are acquired through non-exchange transactions they are measured at fair value, at the date of acquisition.

12 GST and Other Taxes

GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and trade payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the Statement of Financial Position.

The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Taxation

Tertiary institutes are exempt from the payment of income tax. Accordingly, no charge for income tax has been provided.

13 Financial Instruments

Ara is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors, creditors, and loans.

Revenues and expenses in relation to all financial instruments are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses. All financial instruments are recognised in the Statement of Financial Position. Except for loans which are shown at cost and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Available for Sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any other categories of financial assets. Available for sale financial assets are recognised initially at cost and any directly attributable transaction costs, being the fair value of the consideration given.

After initial recognition, investments which are classified as available-for-sale are measured at fair value or at cost in cases where the fair value cannot be reliably measured. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Revenue and Expenses.

Financial assets in this category include shares.

Loans and Receivables

Loans and receivables (including cash and cash equivalents, and debtors and other 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. Related party receivables that are repayable on demand are classified as a non-current asset because repayment of the receivable is not expected within 12 months of balance date.

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 of the Statement of Comprehensive Revenue and Expenses.

Receivables are recorded at their face value, less any provision for impairment.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Investments intended to be held for an undefined period are not included in this classification.

Investments that are intended to be held-to-maturity or those classified as loans and receivables, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in revenue when the investments are derecognised or impaired, as well as through the amortisation process.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Where the fair value cannot be reliably determined the investments are measured at cost.

Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit in the Statement of Comprehensive Revenue and Expenses include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is part of a portfolio that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

Impairment of financial assets

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

Financial assets at fair value through other comprehensive revenue and expense

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

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

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

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

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

14 Cash Flows, Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Operating Activities

Transactions and other movements that are not investing or financing activities.

Investing Activities

Activities relating to acquisition, holding and disposal of fixed assets and of investments, not falling within the definition of cash.

Financing Activities

Activities that change the equity and debt capital structure of Ara.

15 Student Fees and Other Receivables

Student fees and other receivables are classified as loans and receivables and carried at Face value cost less any provision for impairment.

An estimate for doubtful debts is made when collection of the full amount is no longer probable, defined as being when the debt is placed into external debt collection procedures. Bad debts are written off when it is impractical or uneconomic to pursue the debts further.

16 Trade Payables

Trade payables are recognised and carried at amortised cost.

17 Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Suspensory loans are funds provided which do not have to be repaid if certain obligations are met. Where such obligations are likely to be met the funds are recognised immediately as an equity injection in the Statement of Movements in Equity.

Gains and losses are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses when the liabilities are derecognised as well as through the amortisation process.

18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at each balance date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

19 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses as finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease expense.

Operating lease payments are recognised as an expense in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses on a straight line basis over the lease term.

20 Employee Entitlements

Provision is made in respect of the Ara liability for annual leave, sick leave, long service leave and retirement gratuities.

Annual leave has been calculated on an actual entitlement basis for current rates of pay.

Sick leave has been calculated based on the expected utilisation of unused entitlement.

Long service leave and retirement gratuities are calculated based on the present value of estimated future cash flows determined on an actuarial basis. The discount rate is the market yield on relevant New Zealand Government Stock at the Balance Sheet date.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses as incurred.

21 Allocation of Overheads

Overheads have been allocated to output faculties utilising an activities based costing model.

The cost drivers are:

- Full time equivalent staff (FTES)
- Equivalent full time students (EFTS)
- General expenditure grant (GEG) budgets
- Number of computers
- Number of programmes

22 Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impractical to do so. 2015 comparatives are for CPIT only.

23 Budget Figures

The budget figures for the Institute are those approved by the Council at the start of the financial year. The group budget figures consists of a combination of the budget of the Institute and the individual budget of one of the Institute's significant subsidiary entities. The budget figures have been prepared in accordance with generally accepted accounting practise in New Zealand, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

24 Foreign currency translation

Both the functional and presentation currency of the Parent and Group is New Zealand dollars ($).

Any transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

25 Non-Current Assets Held For Sale

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than continuing use; that is, where such assets are available for immediate sale and where sale is highly probable. These assets are recorded at the lower of their carrying amount and fair value less costs to sell.

26 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.

27 Critical Accounting Estimates and Assumptions

In preparing these financial statements Ara has made estimates and assumptions 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 or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Land and Building Revaluation

Note 7 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings.

Long Service Leave and Retiring Gratuities

Note 11 provides information about the estimates and assumptions exercised in the measurement of long service leave and retiring gratuities.

Crown Owned Land and Buildings

Property in the legal name of the Crown that is occupied by Ara and Group is recognised as an asset in the Statement of Financial Position. Ara and Group consider it has assumed all the normal risks and rewards of ownership of this property despite legal ownership not being transferred and accordingly it would be misleading to exclude these assets from the financial statements.

Statement of Comprehensive Revenue and Expenses

for the Year Ended 31 December 2016

	Notes	Parent Actual 2016 $000	Parent Budget 2016 $000	Parent Actual 2015 $000	Group Actual 2016 $000	Group Budget 2016 $000	Group Actual 2015 $000
Revenue							
Government Grants	**1**	66,334	66,016	56,001	66,334	66,016	56,001
Student Tuition Fees	**19**	41,166	39,209	34,840	41,166	39,209	34,840
Other Revenue	**1**	7,260	7,371	7,241	7,521	7,541	7,359
Finance Revenue	**1**	2,668	3,000	2,466	2,732	3,000	2,824
Gain on Property Investment Revaluations		-	-	-	20	40	190
Proceeds from Earthquake Insurance	**1, 19**	27,182	36,662	13,440	27,182	36,662	13,440
Total Revenue		144,611	152,258	113,988	144,956	152,468	114,654
Operating Expenses							
Employee Benefit Expenses	**1, 19**	69,599	71,143	60,363	69,599	71,143	60,363
Depreciation Expense	**7, 19**	8,147	8,819	6,506	8,464	9,094	6,829
Amortisation Expense	**8**	252	285	295	252	285	295
Other Expenses	**1, 19**	32,618	33,616	27,778	32,107	32,986	27,764
Earthquake Related Expenses		225	125	176	225	125	176
Transformation Expenses	**21**	3,202	3,125	687	3,202	3,125	-
Total Operating Expenses		114,042	117,113	95,805	113,848	116,758	95,427
Net Surplus		**30,569**	**35,145**	**18,183**	**31,108**	**35,710**	**19,227**
Other Comprehensive Revenue and Expenses							
Gains/(Losses) on Property Revaluations	**7, 19**	19,173	-	-	19,533	-	(171)
Total Comprehensive Revenue and Expenses		**49,742**	**35,145**	**18,183**	**50,641**	**35,710**	**19,056**

2016 Surplus
Analysed for non-recurring items

	Parent Actual 2016 $000	Parent Budget 2016 $000	Parent Actual 2015 $000	Group Actual 2016 $000	Group Budget 2016 $000	Group Actual 2015 $000
Net operating surplus	6,814	1,733	5,606	7,353	2,298	5,963
Proceeds from Earthquake Insurance	27,182	36,662	13,440	27,182	36,662	13,440
Earthquake Related Expenses	(225)	(125)	(176)	(225)	(125)	(176)
Transformation Expenses	(3,202)	(3,125)	(687)	(3,202)	(3,125)	-
Net Surplus	**30,569**	**35,145**	**18,183**	**31,108**	**35,710**	**19,227**

The accompanying notes form part of these financial statements. Please note that the 2015 comparatives are for CPIT only.
The 2016 figures are for the new amalgamated entity. Further details on the merger with Aoraki Polytechnic are included in Note 21.

Statement of Financial Position

as at 31 December 2016

	Notes	Parent Actual 2016 $000	Parent Budget 2016 $000	Parent Actual 2015 $000	Group Actual 2016 $000	Group Budget 2016 $000	Group Actual 2015 $000
ASSETS							
Current Assets							
Cash and Cash Equivalents	**2, 17**	20,574	2,140	1,942	22,289	2,490	3,072
Trade and Other Receivables	**3, 17**	29,972	2,046	6,207	30,000	2,046	6,217
Inventories	**4**	1,178	1,109	864	1,178	1,109	864
Prepayments		968	834	639	968	834	639
Other Financial Assets	**5, 17, 19**	40,700	59,000	57,750	40,700	59,000	58,587
Total Current Assets		93,392	65,129	67,402	95,135	65,479	69,379
Non-Current Assets							
Land and Buildings	**7, 19**	251,628	256,621	184,309	280,423	282,906	200,639
Plant and Equipment	**7**	14,822	13,060	13,060	14,876	13,060	13,116
Other Financial Assets	**5**	–	5	5	4,304	5	3,040
Investment Properties	**6**	–	–	–	2,810	2,830	2,790
Intangible Assets	**8, 19**	1,631	1,400	1,504	1,631	1,400	1,504
Total Non-Current Assets		268,081	271,086	198,878	304,044	300,201	221,089
TOTAL ASSETS		**361,473**	**336,215**	**266,280**	**399,179**	**365,680**	**290,468**
LIABILITIES							
Current Liabilities							
Trade and Other Payables	**9, 17**	8,530	5,931	5,635	11,047	6,931	6,051
Finance Leases	**10**	717	555	551	717	555	551
Employee Benefit Liabilities	**11**	3,831	4,592	3,967	3,831	4,592	3,967
Revenue Received in Advance	**12, 19**	9,106	6,499	10,521	9,106	6,499	10,521
Total Current Liabilities		22,184	17,577	20,674	24,701	18,577	21,090
Non-Current Liabilities							
Finance Leases	**10**	666	488	480	666	488	480
Loans and Borrowings	**10**	–	–	–	10,511	10,500	–
Employee Benefit Liabilities	**11**	829	178	829	829	178	829
Total Non-Current Liabilities		1,495	666	1,309	12,006	11,166	1,309
TOTAL LIABILITIES		**23,679**	**18,243**	**21,983**	**36,707**	**29,743**	**22,399**
NET ASSETS		**337,795**	**317,972**	**244,297**	**362,473**	**335,937**	**268,069**
EQUITY							
Accumulated Comprehensive Revenue and Expense		235,117	234,524	172,294	248,848	244,289	185,480
Asset Revaluation Reserve	**19**	101,962	82,788	71,343	112,909	90,988	81,929
Trusts and Bequests Reserves		717	660	660	717	660	660
TOTAL EQUITY		**337,795**	**317,972**	**244,297**	**362,473**	**335,937**	**268,069**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the Year Ended 31 December 2016

		Parent			Group		
	Notes	**Actual 2016 $000**	**Budget 2016 $000**	**Actual 2015 $000**	**Actual 2016 $000**	**Budget 2016 $000**	**Actual 2015 $000**
Cash Flows from Operating Activities							
Receipts of Government Grants		66,157	66,016	55,875	66,157	66,016	55,875
Receipts of Student Tuition Fees		38,086	37,996	39,870	38,086	37,996	39,870
Receipts of Other Income		9,076	7,371	6,627	9,320	7,541	6,744
Interest Received		3,859	3,000	2,001	3,971	3,000	2,171
Payments to Employees		(70,058)	(70,751)	(60,126)	(70,058)	(70,751)	(60,126)
Payments to Suppliers		(31,645)	(32,403)	(30,527)	(29,035)	(31,773)	(29,477)
Payments relating to Earthquake and Transformation Costs		(3,427)	(3,250)	(176)	(3,427)	(3,250)	(176)
Net Cash Flows from Operating Activities	**2**	12,048	7,979	13,544	15,014	8,779	14,881
Cash Flows from Investing Activities							
Proceeds from Sale of Property, Plant and Equipment		47	-	29	47	-	29
Proceeds from Sale and Maturity of Investments	**19**	109,750	-	112,104	109,750	-	112,104
Proceeds from Sale of CPIT Holdings Ltd Shares		5	-	-	5	-	-
Proceeds from Insurance Settlement	**19**	2,930	36,662	15,544	2,930	36,662	15,544
Cash introduced from Aoraki Polytechnic	**19, 21**	20,874	-	-	20,874	-	-
Purchase of Intangible Assets		(379)	-	(223)	(379)	-	(223)
Purchase of Property, Plant and Equipment	**19**	(33,203)	(54,784)	(27,528)	(45,621)	(66,284)	(28,413)
Purchase of Investments	**19**	(92,700)	-	(127,350)	(93,174)	-	(126,928)
Net Cash Flows from Investing Activities		7,325	(18,122)	(27,424)	(5,567)	(29,622)	(27,887)
Cash Flows from Financing Activities							
Proceeds from Loans & Borrowings		-	-	-	10,511	10,500	-
N McIlroy Scholarship		30	-	-	30	-	-
Capital Injection from Crown		-	-	9,450	-	-	9,450
Repayment of Finance Lease Liabilities		(771)	(664)	(635)	(771)	(664)	(635)
Net Cash Flows from Financing Activities		(741)	(664)	8,815	9,770	9,836	8,815
Net (Decrease)/Increase in Cash and Cash Equivalents		**18,632**	**(10,807)**	**(5,065)**	**19,217**	**(11,007)**	**(4,191)**
Cash and Cash Equivalents at the beginning of the year		1,942	12,947	7,007	3,072	13,497	7,263
Cash and Cash Equivalents at the end of the year	**2**	**20,574**	**2,140**	**1,942**	**22,289**	**2,490**	**3,072**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the Year Ended 31 December 2016

	Notes	Parent Actual 2016 $000	Parent Budget 2016 $000	Parent Actual 2015 $000	Group Actual 2016 $000	Group Budget 2016 $000	Group Actual 2015 $000
Balance at 1 January		244,297	282,827	216,664	268,069	300,227	239,563
Capital injection from Crown		–	–	9,450	–	–	9,450
Bequest funds	**19**	47	–	–	47	–	–
Addition of Aoraki Polytechnic	**21**	43,709	–	–	43,709	–	–
Total Comprehensive Income	**19**	49,742	35,145	18,183	50,641	35,710	19,056
Revaluation Readjustment	**19**	–	–	–	7	–	–
Balance at 31 December		**337,795**	**317,972**	**244,297**	**362,473**	**335,937**	**268,069**
By Class							
Accumulated comprehensive revenue and expense							
Balance at 1 January		172,294	199,379	144,686	185,480	208,579	156,828
Capital Injection from Crown		–	–	9,450	–	–	9,450
Net Surplus/(Deficit) for the year		30,569	35,145	18,183	31,108	35,710	19,227
Addition of Aoraki Polytechnic	**19, 21**	32,263	–	–	32,263	–	–
Appropriation of Net Surplus to Restricted Reserves		(10)	–	(25)	(10)	–	(25)
Revaluation Readjustment – Ara Foundation		–	–	–	6	–	–
Balance at 31 December		**235,117**	**234,524**	**172,294**	**248,848**	**244,289**	**185,480**
Trusts and Bequests Reserves							
Balance at 1 January		660	660	635	660	660	635
General bequest funds		47	–	–	47	–	–
Appropriation of Net Surplus		24	–	29	24	–	29
Application of Trusts and Bequests		(14)	–	(4)	(14)	–	(4)
Balance at 31 December		**717**	**660**	**660**	**717**	**660**	**660**

Restricted reserves consist of scholarships, bequests and trust funds held by the Institute on behalf of others.

	Notes	Parent Actual 2016 $000	Parent Budget 2016 $000	Parent Actual 2015 $000	Group Actual 2016 $000	Group Budget 2016 $000	Group Actual 2015 $000
Asset Revaluation Reserve							
Balance at 1 January		71,343	82,788	71,343	81,929	90,988	82,101
Fair Value Revaluation of Land and Buildings	**19**	19,173	–	–	19,533	–	(171)
Addition of Aoraki Polytechnic	**21**	11,446	–	–	11,446	–	–
Revaluation Readjustment		–	–	–	1	–	(1)
Balance at 31 December		**101,962**	**82,788**	**71,343**	**112,909**	**90,988**	**81,929**

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

Asset Revaluation Reserve is comprised of:

	Parent Actual 2016 $000	Parent Budget 2016 $000	Parent Actual 2015 $000	Group Actual 2016 $000	Group Budget 2016 $000	Group Actual 2015 $000
Land	35,041	32,654	31,315	40,549	32,654	38,163
Buildings	66,921	50,134	40,028	72,360	58,334	43,766
	101,962	**82,788**	**71,343**	**112,909**	**90,988**	**81,929**

The accompanying notes form part of these financial statements

Statement of Cost of Services
for the Year Ended 31 December 2016

	Parent 2016 $000	Parent 2015 $000
Attributed to Departments:		
Business	9,080	7,762
Computing	6,498	6,173
Creative Industries	13,117	12,085
Engineering & Architectural Studies	9,476	8,468
Food & Hospitality	15,213	9,728
Humanities	14,191	11,335
Nursing and Human Services	15,131	14,458
Applied Science & Allied Health	8,758	7,570
Trades	22,578	18,226
	114,042	**95,805**
Represented by:		
Personnel	69,599	60,363
Consumables/Departments costs	9,314	7,124
Administration	17,603	13,513
Occupancy/Property costs	9,127	8,004
Depreciation and Amortisation	8,399	6,801
	114,042	**95,805**

Childcare Operating Income and Expenditure
for the Year Ended 31 December 2016 (Parent and Group)

	Actual 2016 $	Budget 2016 $	Actual 2015 $
Revenue			
Operating Grants	548,578	484,764	513,379
Fees	246,807	292,883	251,138
Total	**795,385**	**777,647**	**764,517**
Expenditure			
Salaries and Related Costs	713,066	714,934	690,619
Consumables	3,640	7,000	6,939
Administration	21,353	19,438	16,033
Occupancy Costs	58,000	58,000	58,000
Depreciation	1,203	1,203	1,203
Total	**797,262**	**800,575**	**772,795**
Net Surplus/(Deficit)	**(1,877)**	**(22,928)**	**(8,278)**

Total Child Funded Hours	**2016**	**2015**
Children Aged Under Two	12,663	12,637
Children Aged Two and Over	12,734	13,689
20 Hours ECE	31,233	27,488
Plus 10 Subsidy	5,256	5,216
	61,886	**59,030**

Statement of Special Supplementary Grants

Ara received certain funding as Special Supplementary Grants during 2016. These items are subject to Section 199(1)(b) of the Education Act 1989. There is a requirement in Section 199(5) to apply such grants only for the purposes specified. The following statement reports on this obligation and discloses the actual cost to Ara which resulted from the activities funded in this manner.

Grant Title	Grant Amount	Applied to	Salaries & Related Costs	Materials & Services	Total Cost	Net Cost to Ara
	$		$	$	$	$
Students with Severe Disabilities	43,078	Students with Severe Disabilities	304,660	22,665	327,325	146,598 *
Tertiary Students with Disabilities	137,649	Tertiary Students with Disabilities				
Support for Māori and Pasifika	108,866	Support for Māori Pasifika	45,454	63,823	109,277	411
Total	**289,593**		**350,114**	**86,488**	**436,602**	**147,009**

** Disabilities grants are spent in common*

Compulsory Student Services Fees

Pursuant to sections 227A(1) and 235D(1) of the Education Act 1989, Ara is required to show how the use of the compulsory fees for student services is attributed.

Christchurch students are charged $154.78 plus GST for a full time equivalent per annum. South Canterbury Students are charged $78.26 plus GST for a full time equivalent per annum. If the student is enrolled less than a full time equivalent the fee is prorated.

Actual 2016	Total $000	Advocacy & Legal Advice $000	Careers Information, Advice and Guidance $000	Counselling Services and Pastoral Care $000	Employment Information $000	Financial Support and Advice $000	Health Services $000	Media Services $000	Childcare Services $000	Sports, Recreation and Cultural Activities $000
Revenue										
Compulsory Student Service Fees	971									
Other	1,054	-	-	-	-	-	124	-	795	135
Total Revenue	2,025	-	-	-	-	-	124	-	795	135
Expenditure	2,858	93	921	51	-	84	280	176	797	456
Surplus/(Deficit)	(833)									

In 2016, the allocation basis for expenditure was adjusted to more accurately reflect how the student services levy was allocated across the various services

Actual 2015	Total $000	Advocacy & Legal Advice $000	Careers Information, Advice and Guidance $000	Counselling Services and Pastoral Care $000	Employment Information $000	Financial Support and Advice $000	Health Services $000	Media Services $000	Childcare Services $000	Sports, Recreation and Cultural Activities $000
Revenue										
Compulsory Student Service Fees	832									
Other	1,021	-	-	-	-	-	127	-	765	129
Total Revenue	1,853	-	-	-	-	-	127	-	765	129
Expenditure	3,617	605	8	40	287	938	353	17	795	574
Surplus/(Deficit)	(1,764)									

Advocacy and Legal Advice

Ara contracts an external agency to provide an independent advocate to directly support students to resolve issues impacting directly on their study or on their ability to study. It also covers the management of student complaints and resolutions including some legal costs. These services are available for all students.

Careers and employment information

Ara provides career development advice and guidance as well as employment information.

Career development may start prior to enrolment through assisting people to work through what they want to do and where they could pursue relevant study.

Students are supported throughout their study to develop the wide range of skills and attributes that will maximise their advantage in the employment market.

Students have access to both Career Hub and Student Job Search for finding employment.

Resources are available for students to work independently, attend workshops and seminars or drop in sessions and to have one to one guidance where necessary.

These may include topics such as strength/skill identification, strategies to develop skills, attributes and experience, CV writing, letter writing, interview skills, contract negotiation.

Advice and guidance

Student advice and guidance includes all generic student advisors (not including the library and learning staff and those who are not funded from targeted sources) who offer support to students that enables them to succeed in their studies and find solutions and access to services to assist with solving problems they may face - from help with Studylink to knowing what is available at Ara and externally and where to find it. This may include a listening ear and support with solutions for matters related to accommodation, personal, spiritual, cultural, financial, justice, health and study concerns.

Counselling services

Ara provides students with access to some free counselling sessions through our health services. Contracts for counselling cover the whole region.

Financial support and advice

Students can access budgeting advice and links to effective budgeting and financial management systems as well as, support to access scholarships, grants and the Ara (unexpected) financial hardship resource.

Health Services

The Christchurch City Campus has a Health Centre with doctors and nurses available for Christchurch students to access as needed. In addition, the Health Centre coordinates health promotion events and services that encourage proactive wellbeing and health management to students at all sites. Ara also has agreements in place for students at other campuses to access lower cost (sometimes free) nursing and medical consultations.

Media Services

Ara encourages and supports online learning and communities and maintains a website for current students – 'Campus Life'. This holds all key relevant and up-to-date information for students. New students are given a magnet with emergency contact information and a student notebook. During 2016 Ara invested in further online developments; orientation.ara.ac.nz was developed for students and by students to enable easier and earlier access to the services and supports that are available to students. My GPS is another tool that has been developed to assist students to develop their career skills, attribute and experience while they study in preparation for securing permanent and relevant work on completion of their qualifications.

Childcare Services

There are two Early Learning Centres on the Madras Campus site, Ara owns and operates the Ara Early Learning Centre and leases facilities to Te Waka Huruhurumanu bilingual centre Ara has negotiated discounted fees to the ELC opposite the Timaru Campus.

Events, sports, recreation and cultural activities

Ara provides a range of free student events, recreation and activities throughout the academic year and at all sites. The events are structured to support student wellbeing and success – ie exam breakfasts. In addition both Christchurch city and Timaru campuses have gymnasium facilities. Students can buy a membership to the Christchurch city weights and fitness space at very low cost.

There are no other charges for all other classes and facilities including the use of the balls or racquets.

Ara supports the development of students groups, club and societies as well as the development of a highly effective student voice and student council.

Cultural events include celebration of many language weeks, Polyculture – a celebration of many diverse cultures of Ara students and mark many key ethnic, cultural and spiritual celebrations.

Notes to Financial Statements

Note 1
Revenue and Expenses

	Parent		Group	
Government Grants	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**
Normal Operational Grants	66,045	55,756	66,045	55,756
Special Supplementary Grants	290	245	290	245
	66,334	**56,001**	**66,334**	**56,001**
Other Revenue				
Gains on Disposal of Property, Plant and Equipment	47	29	47	29
Revenue from Other Operating Activities	7,213	7,212	7,474	7,330
	7,260	**7,241**	**7,521**	**7,359**
Proceeds from Earthquake Insurance	27,182	13,440	27,182	13,440
Finance Revenue				
Interest Earned on Investments (including Bank Deposits)	2,668	2,466	2,779	2,636
Gains on Changes in Investments classified as Fair Value through Profit and Loss	–	–	(47)	188
	2,688	**2,466**	**2,732**	**2,824**
Revenue under exchange and non exchange transactions				
Revenue under exchange transactions				
International Student Fees	16,031	10,662	16,031	10,662
Other Revenue	5,497	5,448	5,758	5,566
Proceeds from Earthquake Insurance	27,182	13,440	27,182	13,440
Finance Revenue	2,668	2,466	2,732	2,824
Gain on Property Investment Revaluations	–	–	20	190
Total Exchange Revenue	**51,379**	**32,016**	**51,724**	**32,682**
Other exchange revenue is mainly made up of: teaching delivery to external parties, student accommodation rent, facilities hire and restaurant revenue.				
Revenue under non exchange transactions				
Government Grants	66,334	56,001	66,334	56,001
Domestic Student Fees	25,135	24,178	25,135	24,178
Other Revenue	1,763	1,793	1,763	1,793
Total Non Exchange Revenue	**93,232**	**81,972**	**93,232**	**81,972**
Other Non Exchange revenue is mainly Industry Training Organisations (ITOs) revenue				
Total Revenue	**144,611**	**113,988**	**144,956**	**114,654**
Employee Benefit Expenses				
Wages and Salaries	69,735	60,126	69,735	60,126
Increase (Decrease) in Employee Benefit Liabilities	(136)	237	(136)	237
	69,599	**60,363**	**69,599**	**60,363**
Other Expenses				
Audit New Zealand Fees for Financial Statement Audits	195	124	195	124
Audit NZ Fees for Audit of Ara Foundation Financial Statements	–	–	–	9
Other Auditor Fees for Audit of OEDT Financial Statements	–	–	10	5
Audit NZ Fees for Audit of CPIT Holdings Ltd Financial Statements	–	3	–	3
Donations Made	5	5	5	5
Impairment of Receivables (Note 3)	55	33	55	33
Research and Development Expenditure	339	250	339	250
Minimum Lease Payments under Operating Leases	1,466	1,324	457	296
Other Operating Expenses	30,558	26,039	31,046	27,039
	32,618	**27,778**	**32,107**	**27,764**

There are no unfulfilled conditions or other contingencies attached to government grants recognised.

Notes to Financial Statements

Note 2
Cash and Cash Equivalents

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Cash at Bank and in Hand	20,488	1,848	22,203	2,978
Short-Term Deposits	86	94	86	94
	20,574	**1,942**	**22,289**	**3,072**

Cash at Bank and in Hand represents physical cash on hand and money at bank immediately available.

Short-Term Deposits represent term deposits with a maturity of three months or less.

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

Apart from the restricted reserves there is no cash and cash equivalents that can only be used for a specified purpose.

Included in cash and cash equivalents are unspent funds with restrictions that relate to the delivery of educational services and research by the Parent. Other than trust funds, it is not practicable for the Parent to provide further detailed information about the restrictions.

Reconciliation of net surplus/(deficit) to net cash flows from operating activities

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Net Surplus	30,569	18,183	31,108	19,227
Add/(Less) Non-Cash Items:				
Depreciation and Amortisation	8,399	6,801	8,716	7,124
Gains on the Revaluation of Investments	-	-	45	(188)
Deregistration of CPIT Holdings Ltd	5	-	5	-
Add/(Less) items classified as investing or financing activities:				
(Gains)/Losses on Disposal of Property, Plant and Equipment	(47)	(29)	(47)	(29)
Revaluation of Investment Properties	-	-	(20)	(190)
Receipts of Earthquake related proceeds	(2,930)	(15,544)	(2,930)	(15,544)
Add/(Less) movements in working capital items:				
Accounts Receivable	(23,765)	1,712	(23,783)	1,711
Inventories	(314)	135	(314)	135
Prepayments	(329)	166	(329)	166
Accounts Payable	2,896	(2,363)	4,999	(2,014)
Income in Advance	(1,415)	4,246	(1,415)	4,246
Employee Benefits	(136)	237	(136)	237
Movement in working capital due to merger with Aoraki Polytechnic	(884)	-	(884)	-
Net Cash Inflow from Operating Activities	**12,048**	**13,544**	**15,014**	**14,881**

Notes to Financial Statements

Note 3
Trade and Other Receivables

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Current				
Trade Receivables	29,813	5,543	29,841	5,546
Bank Interest Receivable	365	845	365	852
Related Party Receivables	90	60	90	60
Less Provision for Impairment of Receivables	(296)	(241)	(296)	(241)
	29,972	**6,207**	**30,000**	**6,217**

The carrying value of trade and other receivables approximates their fair value.

	Parent 2016 $000	Parent 2015 $000	Group 2016 $000	Group 2015 $000
Total Receivables comprise:				
Receivables from exchange transactions	28,014	4,599	28,042	4,609
Receivables from non–exchange transactions	1,958	1,608	1,958	1,608
Total Receivables	**29,972**	**6,207**	**30,000**	**6,217**

The receivables figure for 2016 includes an earthquake settlement owing at 31 December 2016 of $26.995m.

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Maturity Analysis				
Current Debt	29,454	5,823	29,481	5,833
Overdue but not Impaired 61 to 90 days	48	78	48	78
Overdue but not Impaired > 90 days	471	306	471	306
	29,972	**6,207**	**30,000**	**6,217**

Due to the large number of receivables, the assessment for uncollectively is performed on a collective basis, based on an analysis of past collection history and write-offs.
Ara holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Movement in the provision for impairment of receivables is as follows:

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Opening Balance	241	208	241	208
Addition of Aoraki Polytechnic	7	-	7	-
Receivables Written Off During Period	2	6	2	6
Additional Provisions Made During the Year	46	27	46	27
Closing Balance	**296**	**241**	**296**	**241**

Notes to Financial Statements

Note 4
Inventories

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Held for Resale	60	12	60	12
Materials and Consumables	1,118	852	1,118	852
	1,178	**864**	**1,178**	**864**

The write-down of inventories held for sale amounted to $nil (2015 $nil).

Note 5
Other Financial Assets

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Current Portion				
Loans and Receivables				
Bank Deposits Maturing within 12 months	40,700	57,750	40,700	58,587
Total Current Portion	**40,700**	**57,750**	**40,700**	**58,587**
Non-current Portion				
Available for Sale Investments				
Shares in Subsidiaries	-	5	-	-
Fair Value through Profit and Loss				
Managed Funds - Ara Foundation	-	-	4,304	3,040
Total Non-current Portion	**-**	**5**	**4,304**	**3,040**
Effective Interest Rates				
Bank Deposits with Maturities of 4-12 months	3.48%	3.96%	3.48%	3.96%

There were no impairment provisions for other financial assets.

Shares in subsidiaries have no quoted price in an active market.

As no fair value can be reliably measured, shares are recorded at cost, Ara does not intend to dispose of these shares.

The Managed Funds are stated at fair value. The assets within these portfolios are actively traded and fair value is determined by direct reference to published prices in active markets.

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Parent		Group	
	2016 $000	**2015 $000**	**2016 $000**	**2015 $000**
Counterparties with Credit Ratings				
Cash and Cash Equivalents:				
AA- Cash at Bank and in Hand	20,488	1,848	22,203	2,978
AA- Short-Term Deposits	86	94	86	94
	20,574	**1,942**	**22,289**	**3,072**
Term deposits:				
AA-	37,300	57,750	37,300	58,587
AA+	3,400	-	3,400	-
BBB	-	-	-	-
Total	**40,700**	**57,750**	**40,700**	**58,587**

	Parent		Group	
Counterparties without Credit Ratings				
Other investments:				
Existing Counterparty with no Defaults in the Past	-	5	4,304	3,045
Total Other Investments	**-**	**5**	**4,304**	**3,045**

Note 6
Investment Properties

	Parent		Group	
	2016 $000	**2015 $000**	**2016 $000**	**2015 $000**
Balance 1 January	-	-	2,790	2,600
Fair Value Gain/(Loss)	-	-	20	190
Balance 31 December	-	-	**2,810**	**2,790**

193 Madras Street is classified as Investment Property and was revalued by Telfer Young on 8 February 2017 as at 31 December 2016.
The valuation was completed by independent valuer, Mark Dunbar BCom (VPM), ANZIV, SPINZ, AREINZ of Telfer Young.
Property held for investment purposes is revalued on an annual basis.
The asset valuation has been assessed in accordance with PBE IPSAS 16 Investment Property.

Notes to Financial Statements

Note 7
Property, Plant and Equipment

2016 Parent	Cost/ Revaluation 1 January 2016 $000	Accumulated Depreciation and Impairment 1 January 2016 $000	Carrying Amount 1 January 2016 $000	Current Year Additions $000	Transfer of Additions from merger	Current Year Disposals $000	Current Year Impairment Charges $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2016 $000	Accumulated Depreciation and Impairment 31 December 2016 $000	Carrying Amount 31 December 2016 $000
Institution Land and Buildings	97,692	(1,289)	96,403	28,836	10,787	-	-	(1,824)	17,499	(727)	150,975	(1)	150,974
Crown Land and Buildings	89,979	(2,073)	87,906	884	13,385	-	-	(2,485)	1,674	(710)	100,654	-	100,654
Computer Equipment	8,700	(5,429)	3,271	1,901	1,800	(10)	-	(1,369)	-	(1,605)	12,323	(8,335)	3,988
Computer Equipment under Finance Lease	1,031	-	1,031	1,123	-	-	-	(771)	-	-	1,383	-	1,383
Plant	8,905	(5,328)	3,577	874	1,973	(60)	-	(842)	-	(1,575)	11,362	(7,415)	3,947
Furniture	7,756	(5,894)	1,862	233	919	-	-	(322)	-	(723)	8,902	(6,933)	1,969
Vehicles	1,033	(496)	537	330	632	(1)	-	(212)	-	(568)	1,728	(1,010)	718
Library Collection	5,623	(3,658)	1,965	185	293	-	-	(322)	-	(214)	6,101	(4,194)	1,907
Art Collection	817	-	817	30	62	-	-	-	-	-	909	-	909
	221,536	**(24,167)**	**197,369**	**34,396**	**29,851**	**(71)**	**-**	**(8,147)**	**19,173**	**(6,122)**	**294,337**	**(27,888)**	**266,449**

2016 Group	Cost/ Revaluation 1 January 2016 $000	Accumulated Depreciation and Impairment 1 January 2016 $000	Carrying Amount 1 January 2016 $000	Current Year Additions $000	Transfer of Additions from merger	Current Year Disposals $000	Current Year Impairment Charges $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2016 $000	Accumulated Depreciation and Impairment 31 December 2016 $000	Carrying Amount 31 December 2016 $000
Group Land and Buildings	115,938	(3,205)	112,733	41,249	10,787	-	-	(2,132)	17,859	(727)	181,994	(2,225)	179,769
Crown Land and Buildings	89,979	(2,073)	87,906	884	13,385	-	-	(2,485)	1,674	(710)	100,654	-	100,654
Computer Equipment	12,265	(8,990)	3,275	1,906	1,800	(10)	-	(1,372)	-	(1,605)	15,893	(11,899)	3,994
Computer Equipment under Finance Lease	1,031	-	1,031	1,123	-	-	-	(771)	-	-	1,383	-	1,383
Plant	13,920	(10,292)	3,628	877	1,973	(60)	-	(848)	-	(1,575)	16,380	(12,385)	3,995
Furniture	7,756	(5,894)	1,862	233	919	-	-	(322)	-	(723)	8,902	(6,933)	1,969
Vehicles	1,367	(829)	538	330	632	(1)	-	(212)	-	(568)	2,062	(1,343)	719
Library Collection	5,623	(3,658)	1,965	185	293	-	-	(322)	-	(214)	6,101	(4,194)	1,907
Art Collection	817	-	817	30	62	-	-	-	-	-	909	-	909
	248,696	**(34,941)**	**213,755**	**46,817**	**29,851**	**(71)**	**-**	**(8,464)**	**(19,533)**	**(6,122)**	**332,278**	**(38,979)**	**295,299**

Notes to Financial Statements

Note 7
Property, Plant and Equipment

2015 Parent	Cost/ Revaluation 1 January 2015 $000	Accumulated Depreciation and Impairment 1 January 2015 $000	Carrying Amount 1 January 2015 $000	Current Year Additions $000	Transfer of Additions from merger	Current Year Disposals $000	Current Year Impairment Charges $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2015 $000	Accumulated Depreciation and Impairment 31 December 2015 $000	Carrying Amount 31 December 2015 $000
Institution Land and Buildings	74,462	–	74,462	23,230		–	–	(1,289)	–		97,692	(1,289)	96,403
Crown Land and Buildings	89,979	–	89,979	–		–	–	(2,073)	–		89,979	(2,073)	87,906
Computer Equipment	7,591	(4,324)	3,267	1,135		–	–	(1,131)	–		8,700	(5,429)	3,271
Computer Equipment under Finance Lease	1,103	–	1,103	563		–	–	(635)	–		1,031	–	1,031
Plant	8,025	(4,849)	3,176	1,076		–	–	(675)	–		9,041	(5,464)	3,577
Furniture	6,668	(5,680)	988	1,088		–	–	(214)	–		7,756	(5,894)	1,862
Vehicles	853	(456)	397	261		(3)	–	(118)	–		1,033	(496)	537
Library Collection	5,442	(3,287)	2,155	181		–	–	(371)	–		5,623	(3,658)	1,965
Art Collection	817	–	817	–		–	–	–	–		817	–	817
	194,940	**(18,596)**	**176,344**	**27,534**		**(3)**	**-**	**(6,506)**	**-**		**221,672**	**(24,303)**	**197,369**

2015 Group	Cost/ Revaluation 1 January 2015 $000	Accumulated Depreciation and Impairment 1 January 2015 $000	Carrying Amount 1 January 2015 $000	Current Year Additions $000	Transfer of Additions from merger	Current Year Disposals $000	Current Year Impairment Charges $000	Current Year Depreciation $000	Revaluation Changes $000	Transfer of Accum Depreciation from merger	Cost/ Revaluation 31 December 2015 $000	Accumulated Depreciation and Impairment 31 December 2015 $000	Carrying Amount 31 December 2015 $000
Group Land and Buildings	91,994	(1,601)	90,393	24,115		–	–	(1,604)	(171)		115,938	(3,205)	112,733
Crown Land and Buildings	89,979	–	89,979	–		–	–	(2,073)	–		89,979	(2,073)	87,906
Computer Equipment	11,156	(7,885)	3,271	1,135		–	–	(1,131)	–		12,265	(8,990)	3,275
Computer Equipment under Finance Lease	1,103	–	1,103	563		–	–	(635)	–		1,031	–	1,031
Plant	12,905	(9,669)	3,236	1,075		–	–	(683)	–		13,920	(10,292)	3,628
Furniture	6,668	(5,680)	988	1,088		–	–	(214)	–		7,756	(5,894)	1,862
Vehicles	1,187	(789)	398	261		(3)	–	(118)	–		1,367	(829)	538
Library Collection	5,442	(3,287)	2,155	181		–	–	(371)	–		5,623	(3,658)	1,965
Art Collection	817	–	817	–		–	–	–	–		817	–	817
	221,251	**(28,911)**	**192,340**	**28,418**		**(3)**	**-**	**(6,829)**	**(171)**		**248,696**	**(34,941)**	**213,755**

Revaluation

All Parent land and buildings were revalued as at 31 December 2016 in accordance with PBE IPSAS 17. The Christchurch campuses valuation was completed by independent valuers Andrew Parkyn BCom (VPM), PG Dip Com (Marketing), SPINZ, ANZIV, Vanesa Griffiths BCom (VPM), MPINZ and Brendon Bodger BCom, (VPM), SPINZ, ANZIV all registered valuers of Quotable Value. The valuation of ex Aoraki Polytechnic land and buildings was completed by independent valuer G.A Morton ANZIV, SPINZ, FREINZ, registered public valuer of Morton & Co Ltd, Timaru. The valuation of buildings is completed to a component level on a market value basis where practical. Buildings are valued on an optimised depreciated replacement cost basis. The overall net effect of the revaluation increased the Ara Asset Revaluation Reserve by $19.173 million; land increased by $2.385 million and buildings increased by $16.788 million.

On disestablishment of Aoraki Polytechnic the valuation method used was DRC (Depreciated Replacement Cost) conducted by G.A Morton ANZIV, SPINZ, FREINZ, registered public valuer of Morton & Co Ltd, Timaru. The net book value of assets transferred into Ara from the merger with Aoraki Polytechnic was $23.729 million.

Fair value of Christchurch Campus Buildings

The buildings at the Christchurch Campus have been valued as if they are undamaged. To reach the fair value of the buildings incorporating earthquake damage, the remaining cost to repair these buildings is deducted from their undamaged value.

The fair value of the Christchurch Campus buildings is $168 million. The residual cost of $13m to repair earthquake damaged buildings has been deducted from this valuation.

The cost to repair estimates have been developed from scopes of work prepared by Pace Project Management. These scopes have been considered and reviewed by consulting engineers and quantity surveyors as part of the insurance settlement process.

These estimates have been reviewed by Deloitte, with adjustments made to standardise costs that include project management and preliminary and general costs.

Costs included in the estimates that are actuarial in nature, including escalation, have been removed in determining the fair value as at 31 December 2016.

Work completed for earthquake repairs has been deducted, from the total expected repair cost, to determine the remaining cost to repair.

Work in Progress

Expenditures recognised in the carrying amounts of Property, Plant and Equipment in the course of construction were:

	Parent		Group	
	2016 $000	**2015 $000**	**2016 $000**	**2015 $000**
Institution Land and Buildings	30,953	21,269	44,252	22,154

Restriction of Title

Under the Education Act 1989, the Institute is required to obtain consent from the Ministry of Education to dispose of land and buildings. For plant and equipment, there is an asset disposal limit formula, which provides a limit up to which a TEI may dispose of plant and equipment without seeking the approval from the Ministry of Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website.

Insurance of Assets

Ara participates in a collective procurement arrangement with ITPs for its comprehensive insurance programme. All buildings and equipment are covered for material damage based on replacement value. The insurance programme has a $200 million annual limit for Earthquake/Natural Disaster claims made by the participating ITPs.

The excess on claims for the Canterbury region is calculated as a 2.5% of site value, with a minimum of $75,000 and a maximum of $5m per Event.

Given that the combined ITP insurance Earthquake/Natural Disaster cap is $200 million, in the event of a large one-off event may result in Ara being under insured. Ara and other ITPs that have property within Canterbury, effected by the same Earthquake/Natural Disaster, might risk being under insured.

Assets as Security

There are no assets pledged as security for liabilities (2015 $nil).

Capital Commitments

	Parent	
	2016 $000	**2015 $000**
Capital Commitments Approved and Contracted	16,389	27,380
Land and Buildings		

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Notes to Financial Statements

Note 8
Intangible Assets

2016	Gross Carrying Amount 1 January 2016 $000	Accumulated Amortisation 1 January 2016 $000	Net Carrying Amount 1 January 2016 $000	Current Year Additions $000	Current Year Impairment Charges -	Current Year Amortisation $000	Gross Carrying Amount 31 December 2016 $000	Accumulated Amortisation 31 December 2016 $000	Net Carrying Amount 31 December 2016 $000
Parent and Group – Radio Frequency	410	(97)	313	–	–	(21)	410	(118)	292
Parent and Group – Software	2,358	(1,167)	1,191	379	–	(231)	2,725	(1,386)	1,339
	2,768	**(1,264)**	**1,504**	**379**	**-**	**(252)**	**3,135**	**(1,504)**	**1,631**

2015	Gross Carrying Amount 1 January 2015 $000	Accumulated Amortisation 1 January 2015 $000	Net Carrying Amount 1 January 2015 $000	Current Year Additions $000	Current Year Impairment Charges -	Current Year Amortisation $000	Gross Carrying Amount 31 December 2015 $000	Accumulated Amortisation 31 December 2015 $000	Net Carrying Amount 31 December 2015 $000
Parent and Group – Radio Frequency	410	(77)	333	–	–	(20)	410	(97)	313
Parent and Group – Software	4,656	(3,413)	1,243	223	–	(275)	2,358	(1,167)	1,191
	5,066	**(3,490)**	**1,576**	**223**	**-**	**(295)**	**2,768**	**(1,264)**	**1,504**

All intangible assets are externally acquired.

In 2016 there was no impairment of intangible assets.

In 2015 there was no impairment of intangible assets.

Work in Progress

Expenditures recognised in the carrying amounts of Intangibles in the course of creation were:

	Parent		Group	
	2016 $000	2015 $000	2016 $000	2015 $000
Software	456	201	456	201

Notes to Financial Statements

Note 9
Trade and Other Payables

	Parent		Group	
	Actual 2016 $000	Actual 2015 $000	Actual 2016 $000	Actual 2015 $000
Trade Payables	5,375	3,239	7,892	3,655
Other Payables	3,152	2,390	3,152	2,390
Interest Payable	–	–	–	–
Related Party Payables	3	6	3	6
Total Payables	**8,530**	**5,635**	**11,047**	**6,051**

Trade and other payables are non-interest bearing and are normally settled by the 20th of the month following invoice, therefore the carrying value of trade and other payables approximates their fair value.

	Parent		Group	
	Actual 2016 $000	Actual 2015 $000	Actual 2016 $000	Actual 2015 $000
Payables under Exchange Transactions				
Trade Payables	3,710	3,099	6,215	3,498
Other Payables	3,678	1,064	3,678	1,064
Total Payables under Exchange Transactions	**7,388**	**4,163**	**9,893**	**4,562**
Payables under Non-exchange Transactions				
Taxes payable (GST and rates)	822	1,178	834	1,195
Other Payables	320	294	320	294
Total Payables under Non-exchange Transactions	**1,142**	**1,472**	**1,154**	**1,489**
Total Payables	**8,530**	**5,635**	**11,047**	**6,051**

Note 10
Loans and Finance Leases

Maturity Analysis

	Parent		Group	
Lease Liabilities	Actual 2016 $000	Actual 2015 $000	Actual 2016 $000	Actual 2015 $000
Less than One Year	717	551	717	551
Later than One Year but not more than Five Years	666	480	666	480
Total Lease Liabilities	**1,383**	**1,031**	**1,383**	**1,031**
Weighted Average Interest Rate	5.12%	6.34%	5.12%	6.34%

Description of Material Leasing Arrangements

Ara has entered into finance leases for various IT assets. The net carrying amount of the leased items is shown in Note 7. The finance leases can be renewed at the option of Ara. Ara has the option to purchase the asset at the end of the lease term. There are no restrictions placed on Ara by any of the finance leasing arrangements.

Contractual Maturity Analysis of Financial Liabilities

The table below analyses financial liabilities into relative maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount $000	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Controlled entity 2016							
Finance Leases	1,383	1,383	380	337	509	157	-
Total	**1,383**	**1,383**	**380**	**337**	**509**	**157**	**-**
Group 2016							
Finance Leases	1,383	1,383	380	337	509	157	-
Secured Loans	10,511	11,339	184	184	368	10,603	-
Total	**11,894**	**12,722**	**564**	**521**	**877**	**10,760**	**-**

OEDT has an approved facility of $15 million with ANZ Bank NZ Ltd.
This facility will be drawn down in tranches as required to meet the capital costs of the Accommodation Block.

	Carrying Amount $000	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Controlled entity 2015							
Finance Leases	1,031	1,031	295	256	344	136	-
Total	**1,031**	**1,031**	**295**	**256**	**344**	**136**	**-**
Group 2015							
Finance Leases	1,031	1,031	295	256	344	136	-
Total	**1,031**	**1,031**	**295**	**256**	**344**	**136**	**-**

Note 11
Employee Benefit Liabilities and Other Provisions

	Parent		Group	
Employee Entitlements	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**
Accrued Pay	433	1,123	433	1,123
Annual Leave	2,990	2,491	2,990	2,491
Long Service Leave	226	214	226	214
Retirement Gratuities	765	765	765	765
Sick Leave	246	203	246	203
As at 31 December	**4,660**	**4,796**	**4,660**	**4,796**
Current Portion	3,831	3,967	3,831	3,967
Non-Current Portion	829	829	829	829
	4,660	**4,796**	**4,660**	**4,796**

The present value of the long service leave and retirement gratuity obligations depends on factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. Expected future payments are determined using forward discount rates derived from the yield curve of NZ Government Bonds. The discount rates used match, as closely as possible, the estimated future cash flows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

Note 12
Revenue Received in Advance

	Parent		Group	
	2016 $000	**2015 $000**	**2016 $000**	**2015 $000**
Government Grants	11	188	11	188
Fees Income	8,596	9,795	8,596	9,795
Other Revenue in Advance	499	538	499	538
	9,106	**10,521**	**9,106**	**10,521**
Current Portion	9,106	10,521	9,106	10,521
	9,106	**10,521**	**9,106**	**10,521**

Note 13
Operating Leases

Non-cancellable Operating Lease Commitments

Property Leases

	Parent		Group	
	Actual 2016 $000	**Actual 2015 $000**	**Actual 2016 $000**	**Actual 2015 $000**
Not later than One Year	1,470	1,177	474	215
Later than One Year and not later than Five Years	1,806	1,756	1,128	322
Later than Five Years	3,096	3,207	51	-
	6,372	**6,140**	**1,653**	**537**

The total of minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $824,400 (2015 $nil).

Equipment Leases

	Parent		Group	
	Actual 2016 $000	**Actual 2015 $000**	**Actual 2016 $000**	**Actual 2015 $000**
Not later than One Year	467	467	467	467
Later than One Year and not later than Five Years	462	929	462	929
	929	**1,396**	**929**	**1,396**

Description of Material Leasing Arrangements

Property Leases
The property leases can be renewed at the option of Ara. Ara does not have the option to purchase the property asset at the end of the lease term. There are no restrictions placed on Ara by any of the property leasing arrangements.

Equipment Leases
The equipment leases can be renewed at the option of Ara. Ara does have the option to purchase the equipment asset at the end of the lease term. There are no restrictions placed on Ara by any of the equipment leasing arrangements.

Future Lease Commitments
Ara has signed an agreement to occupy part of the new Health Research and Education Facility in the Health Precinct. Ara intends to commit to enter a 30 year lease of approximately $1.9m annually.

In 2016 Ara signed a conditional agreement to lease from OEDT new student accommodation blocks.
Ara intends to commit to enter a 15 year lease at approximately $1.1m annually. This is an increase on the current lease of $0.619m for the facility expanding from 72 beds to 192 beds.

Note 14
Contingent Assets and Liabilities

Parent

As at 31 December 2016 Ara had no contingent assets.
As at 31 December 2016 Ara had no contingent liabilities.
As at 31 December 2015 Ara had no contingent liabilities.
As at 31 December 2015 Ara had contingent assets relating to insurance proceeds of repairs to buildings resulting from the earthquakes. Please refer to Note 7 for further explanation.

Group

No other entity in the Group apart from Ara have any contingencies (2015 nil).

Note 15
Related Party Transactions

Ara is the Parent of the Group and controls three entities, being Ōtautahi Education Development Trust, Ara Foundation and CPIT Holdings Ltd.

Significant transactions with government-related entities

The government influences the roles of Ara as well as being a major source of revenue.

Ara has received funding and grants from the Tertiary Education Commission totalling $66.3m (2015 $56.0m) to provide education and research services for the year ended 31 December 2016.

Ara also leases at a nil rental amount, land and buildings legally owned by the Crown. Further information on the accounting for Crown-owned land and buildings is disclosed in the Statement of Accounting Policies under the heading "critical judgements in applying accounting policies".

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the Group is required to pay various taxes and levies (such as GST, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. Ara is exempt from paying income tax and FBT.

Ara purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown. The purchase and provision of goods and services to government-related entities for the year ended 31 December 2016 are small when compared to total expenditure by Ara.

The purchase of goods and services included the purchase of electricity from Meridian, air travel from Air New Zealand and postal services from New Zealand Post. The provision of services to government-related entities is mainly related to the provision of educational courses.

Inter-Group Transactions

Ara Foundation

Ara Foundation is accounted for as a subsidiary of Ara.

The Foundation runs an annual grants programme for staff, students and projects associated with Ara, as well as other initiatives which promote education and enterprise in the region.

Ara appoints four of the nine trustees of the Ara Foundation.

These transactions are not on an arm's length basis as grant applications can only be received from Ara staff and students.

During 2016, Ara income included the following transactions with the Ara Foundation:

	2016 $	2015 $
Grants	47,370	54,800

During 2016 Ara expenditure included the following transactions with the Ara Foundation:

	2016 $	2015 $
Lease of ML Block	135,255	135,255

At 31 December 2016 neither Ara nor the Foundation had monies owing to the other.
At 31 December 2015 Ara did not owe the Foundation any monies, the Foundation owed Ara $21,706.

CPIT Holdings Ltd

CPIT Holdings Ltd, a wholly owned subsidiary of CPIT, was incorporated under the Companies Act 1993 on 26 September 2005.

During 2016 CPIT Holdings Ltd was dis-established so this is the final year of financials.

In 2016 Ara had no transactions with CPIT Holdings Ltd.

At 31 December 2016 neither Ara nor CPIT Holdings Ltd had monies owing to the other.

At 31 December 2015 neither Ara nor CPIT Holdings Ltd had monies owing to the other.

Ōtautahi Education Development Trust

Ōtautahi Education Development Trust is accounted for as a subsidiary of Ara.
For accounting purposes only the OEDT is a controlled entity under PBE IPSAS 20.
Ara appoints three of the seven trustees of the Ōtautahi Education Development Trust.

During 2016 Ara income included the following transactions with the Trust:

	2016 $	**2016 $**
Income	24,000	24,000

During 2016 Ara expenditure included the following transactions with the Trust:

	2016 $	**2015 $**
Lease of Student Accommodation Block	481,000	481,000
Lease of B Block Car Park	2,291	6,852
Lease of Paxus House	320,420	320,420
Lease of ground for Jazz School Building	25,755	25,755

At 31 December 2016 neither Ara nor OEDT had monies owing to the other.

At 31 December 2015 Ara owed OEDT $3,206, the OEDT did not owe any monies.

Key Management Related Party Transactions

The Ara Council and Senior Management Team may be directors or officers of other organisations with whom Ara may transact. Such transactions are all carried out independently on an arm's length basis.

During the year, the following people were members of organisations that have entered into transactions with Ara as part of its normal operations.

2016	**Purchases Actual $000**	**Sales Actual $000**	**Accounts Payable Actual $000**	**Accounts Receivable Actual $000**
Chief Executive				
Te Tapuae o Rēhua (Director)	63	–	–	–
Council Members				
South Canterbury Employers' Chamber of Commerce	9	–	–	–
Canterbury Employers' Chamber of Commerce	14	–	–	–
Northtec	1	–	–	–
The Project Office Ltd	47	–	4	–
Nurse Maude	13	–	–	–
Tai Poutini Polytechnic	21	6	4	–
Canterbury Communications Trust	–	36	–	3
Southern Response Earthquake Services Ltd	–	6	–	–
Lincoln University	–	1	–	–

–

2015	**Purchases Actual $000**	**Sales Actual $000**	**Accounts Payable Actual $000**	**Accounts Receivable Actual $000**
Chief Executive				
Te Tapuae o Rēhua (Director)	58	4	–	–
Hana O'Regan				
Ake Associates Ltd (Director & Shareholder)	–	2	–	2
Te Pae Kahika – Te Runanga o Ngai Tahu (Advisory Group member)	–	3	–	–
Te Waka Unua School (Board member)	–	1	–	–
Flag Consideration Panel– Office of the Deputy Prime Minister (Member)	–	12	–	–
Council Members				
Canterbury Employers' Chamber of Commerce	28	–	–	–
The Project Office Ltd	28		3	–
Nurse Maude	18	–	–	–
Tai Poutini Polytechnic	28	26	–	1
Northtec	–	10	–	4
Canterbury Communications Trust	–	36	–	–
University of Canterbury	20	56	11	26

Other Related Parties

Ara is a member of the Tertiary Accord of New Zealand (TANZ), a separate entity launched in early 2000 as an alliance between six of New Zealand's leading tertiary education institutes, to promote best practice in applied education.

During 2016 TANZ invoiced Ara $163,614 core fees (2015: $89,700) and $225,105 ecampus software project (2015: $524,067) being a contribution to funding a pilot elearning delivery structure.

During 2016 Ara invoiced TANZ $563,614 (2015: $444,438) for various services on normal commercial terms.

At 31 December 2016 Ara did not owe TANZ any monies, TANZ owed Ara $90,154. At 31 December 2015 Ara did not owe TANZ any monies, TANZ owed Ara $32,241

There were no other related party transactions.

Key Management Personnel Compensation

	Parent	
	2016 $000	**2015 $000**
Council Member Fees		
Full-time equivalent members	8	8
Council Member Fees	193	155
Executive Management Team, including the Chief Executive		
Full time equivalent members	7	9
Salaries and Other Short-term Employee Benefits	1,594	1,869
Post-Employment Benefits	47	41
Total Executive Management Team Compensation	**1,641**	**1,910**
Total full time equivalent members	**15**	**17**
Total key management personnel compensation	**$1,834**	**$2,065**

The full-time equivalent for Council members has been determined based on the frequency and length of Council meetings and the estimated time for members to prepare for meetings.
Key management personnel includes all Council Members, the Chief Executive and Division Directors.

Remuneration

Councillor fees paid during the year were:

	Group	
	2016 $000	**2015 $000**
J Bestwick (Chairperson)	47	37
C Pascoe (Ara Foundation Chairperson)	6	6
J Annear	24	-
J Cartwright	20	16
S Collins	20	16
D Halstead	-	18
E Hopkins	20	20
J Hunter	20	16
J Mote	-	16
L Te Aika	20	16
J Boys	22	-
Total councillors' remuneration	**199**	**161**

No Councillors received compensation or other benefits in relation to cessation (2015 nil).

Note 16
Financial Instrument Risks

Ara has a series of policies to manage the risks associated with financial instruments. Ara is risk averse and seeks to minimise exposure from its treasury activities. Ara has an established Council approved Financial Management Policy.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. As the Parent only engages in non-speculative investment it is not exposed to undue price risk. The Group is exposed to equity securities price risk on its investments, which are classified as financial assets available for sale. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of the investment portfolio.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Ara is not exposed to currency risk as it does not hold financial instruments denominated in foreign currencies.

Interest rate risk
The interest rates on Ara investments are disclosed in note 5 and on Ara borrowings in note 10. Ara has undertaken a sensitivity analysis of its exposure to interest rate risk on both investments and borrowings. If weighted average interest rates on bank deposits throughout 2016 had fluctuated by plus or minus 2% the effect would have been to increase/decrease the net surplus by $1,531,976 (2015: $1,245,510) as a result of higher/lower interest income on bank deposits.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates exposes Ara to fair value interest rate risk. Ara has a Debt Management policy designed to ensure debt levels are sustainable and servicing costs are minimised.

Cash flow 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. Borrowings and investments issued at variable interest rates expose Ara to cash flow interest rate risk. Ara has a Debt Management policy designed to ensure debt levels are sustainable and servicing costs are minimised.

Credit risk
Credit risk is the risk that a third party will default on its obligation to Ara causing Ara to incur a loss. Where appropriate Ara undertakes credit checks on potential debtors before granting credit terms. Ara has no significant concentrations of credit risk in relation to debtors and other receivables. The Parent invests funds only in deposits with registered banks and its Financial Management Policy limits the amount of credit exposure to any one institution to 30% of total investment. The Group's exposure to credit risk on its investments is managed by diversification of the investment portfolio.

Liquidity risk
Liquidity risk is the risk that Ara will encounter difficulty raising liquid funds to meet commitments as they fall due. The Ara Financial Management policy allows short term borrowing to be used to manage liquidity/working capital. Such borrowing takes cognisance of cash flow forecasting and any contingencies which may arise and does not exceed the maximum approved by the Minister of Education.

Concentration of risk
Apart from exposure to the institutions holding the Group's investments and borrowings, the Group is not exposed to any significant concentration of risk.

Note 17
Fair Value of Financial Instruments

Ara considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- For investments in other companies where quoted market prices are not available and valuation techniques are not appropriate, Ara has determined fair value using cost less impairment.

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

1 Quoted market price – Financial instruments with quoted prices for identical instruments in active markets.

2 Valuation technique using observable inputs –Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable.

3 Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position:

	Total $000	Quoted Market $000	Observable Inputs Price $000	Significant Non-Observable inputs Price $000
31 December 2016 – Group Financial Assets				
Managed Investment Portfolio	4,304	4,304	-	-
31 December 2015 –Group Financial Assets				
Managed Investment Portfolio	3,040	3,040	-	-

	Parent		Group	
	2016 $000	**2015 $000**	**2016 $000**	**2015 $000**
Loans and receivables				
Cash & cash equivalents	20,574	1,942	22,289	3,072
Receivables	29,972	6,207	30,000	6,217
Bank Deposits Maturing within 12 months	40,700	57,750	40,700	58,587
Total loans and receivables	**91,246**	**65,899**	**92,989**	**67,876**

	Parent		Group	
	2016 $000	**2015 $000**	**2016 $000**	**2015 $000**
Financial liabilities at amortised cost				
Payables	8,530	5,635	11,047	6,051
Total loans and receivables	**8,530**	**5,635**	**11,047**	**6,051**

Note 18
Capital Management

Ara capital is its equity which comprise general funds, restricted reserves and revaluation reserves. Equity is represented by net assets. Ara manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. Ara equity is largely managed as a by-product of managing income, expenses, assets, and liabilities.
The objective of managing Ara equity is to ensure Ara effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Note 19
Variances to Budget

This note is prepared in respect of the Group

Statement of Comprehensive Revenue and Expenses

Student Tuition Fees exceeded budget by $2.0m, due to international student numbers exceeding target by 22%.

Insurance remediation claims are now final. Total costs of repair are less than had been anticipated in the budget, such that insurance proceeds are $9.5m less than budgeted. This represents an equal reduction in future repair costs anticipated.

Employee Benefit Expenses were $1.5m under budget due to savings in short-term replacement budgets and short-term savings from delays between staff departures and their replacements beginning employment.

Depreciation was below budget due to the depreciation on assets received as part of the merger with Aoraki Polytechnic being lower than anticipated.

Other Expenses were $0.9m under budget. The notable factors in this were:

- $0.6m under budget in consultancy costs
- $0.3m under budget in software costs

Overall the Net Surplus was $4.5m less than budget.

Other Comprehensive Revenue includes a $19.2m gain on Property Revaluation. This was not budgeted as the next revaluation was expected in 2017 per the usual cycle for Ara, however property value movements in 2015 and 2016 were sufficiently high that Ara elected to revalue in 2016.

Statement of Financial Position

Total Cash and Cash Equivalents and Other Financial Assets were reasonably equivalent to budget however there was a movement between the two categories as a greater level of bank deposits were on shorter terms at year end.

Trade and Other Receivables were $28.0m ahead of budget. Of this figure, $27.0m was due to insurance proceeds owing at year end.

Trade and Other Payables were $4.1m over budget due to capital related spending owing at year end.

Spending on capital assets was less than budgeted however was largely offset by the increase in value from the revaluation of land and building assets.

Revenue Received in Advance was $2.6m ahead of budget due to early receipt of 2017 tuition fees.

The Asset Revaluation Reserve was ahead of budget due to the early revaluation of Land and Buildings.

Statement of Cash Flows

The budget anticipated payment of insurance remediation claims. The claims had been finalised and agreed, but not paid, as at year end. As a result, Proceeds from Insurance Settlement were $33.7m less than budget.

Purchase of Property, Plant and Equipment was $20.6m below budget, primarily due to delays in campus development spending.

Proceeds from Sale and Maturity of Investments and Purchase of Investments are not budgeted, as these are merely monies going onto, and coming off Term Deposits. There was a net movement of $17.0m from monies in Term Deposits into bank accounts with shorter maturity periods.

The Ara budget for Cash Flows included merged Aoraki balances in the Opening Balances. As such the 'Cash Introduced from Aoraki Polytechnic' was not budgeted for in the 2016 year.

Statement of Changes in Equity

The Ara budget for Changes in Equity included the merged Aoraki balances in the Opening Balance as at 1 January. As a consequence, budgeted opening equity is higher, and the 'Addition of Aoraki Polytechnic' was not budgeted as a movement during the year.

Closing Equity is above budget by $26.5m largely due to the Revaluation of Land and Buildings.

This revaluation was undertaken earlier than the normal three year cycle and was not included in the budget.

Note 20
Post Balance Date Events

There were no significant events after balance date.

Note 21
Merger of Aoraki Polytechnic into CPIT

These financial statements are the first set of financial statements presented post merger.

Background

The Councils of both institutions conducted a very thorough business case to explore options for a combined approach for future education delivery in the Canterbury region.

Seven different options for that framework were identified and tested, against criteria of financial sustainability, delivery of the vision, economic contribution, and legal and practical feasibility of implementation. Through that process, the unequivocal conclusion was made that the best option would be to create a new institute for the province, dedicated to making the emerging vision come to fruition using the legal vehicle of CPIT.

Transition

Aoraki Polytechnic was formally disestablished on 31 December 2015 and merged into CPIT on 1 January 2016.

From 1 January 2016 all of Aoraki Polytechnic's assets, liabilities, rights and obligations became the responsibility of CPIT.

On 30 March 2016, there was a formal launch of the new organisation's name change from Christchurch Polytechnic Institute of Technology (CPIT) to Ara Institute of Canterbury.

To ensure that both communities and organisations were ready for this transition, a joint Transition Planning Team was established across Aoraki Polytechnic and CPIT once relevant decisions had been taken, including those relating to the Chief Executives and a number of senior managers. This group lead the early establishment of an integrated HR, Finance, Legal and Communications capability for the merged entity.

All business processes migrated over to the existing CPIT systems.

Accounting:

The 2016 Budget was prepared on the post merger basis.

Assets and Liabilities have been recorded by Ara on a precedent accounting basis, at the values recorded in the audited financial statements of Aoraki as at 31 December 2015. The financial statements were prepared on a disestablishment basis, net realisable value. Prior year comparative figures exclude Aoraki.

Transformation Costs

Transformation costs are costs incurred with the merger. They include such costs as rebranding, formation of project teams, marketing, system changes and staffing transition costs.

The following Aoraki Polytechnic balances were incorporated into CPIT's financials on 1 January 2016:

ASSETS	Aoraki Polytechnic 31/12/2015 $000
Current Assets	
Cash and Cash Equivalents	3,874
Loans and Receivables	993
Inventories	99
Short Term Investments	17,000
Total Current Assets	**21,966**
Non-Current Assets	
Property, Plant and Equipment	23,729
Total Non-Current Assets	**23,729**
TOTAL ASSETS	**45,695**
LIABILITIES	
Current Liabilities	
Trade and other Payables	1,480
Employment Benefit Liabilities	323
Revenue Received in Advance	183
Total Current Liabilities	**1,986**
NET ASSETS	**43,709**
EQUITY	
Retained Earnings	32,263
Asset Revaluation Reserve	11,446
TOTAL EQUITY	**43,709**

Statement of Resources
as at 31 December 2016

	Gender	Allied	Management	Teaching	Total
Academic Services	F	29.3	1.0		30.3
	M	9.2			9.2
		38.5	**1.0**		**39.5**
Business Development	F	29.0			29.0
	M	13.7	1.0		14.7
		42.7	**1.0**		**43.7**
Corporate Services	F	61.4			61.4
	M	77.1	1.0		78.1
		138.5	**1.0**		**139.5**
Education & Applied Research	F	105.6	1.0	249.9	356.5
	M	61.4		230.4	291.8
		167.0	**1.0**	**480.2**	**648.3**
Executive	F	5.5	2.7		8.2
	M	1.8	0.8		2.6
		7.4	**3.5**		**10.8**
Student Services	F	77.2	0.4		77.6
	M	17.1	0.6		17.6
		94.3	**1.0**		**95.3**
Total FTES by Gender	**F**	**308.2**	**5.1**	**249.9**	**563.1**
	M	**180.2**	**3.4**	**230.4**	**414.0**
		488.3	**8.5**	**480.2**	**977.1**
Percentage by Gender	F	63.1%	59.7%	52.0%	57.6%
	M	36.9%	40.3%	48.0%	42.4%

Note: This data is rounded to one decimal place.

Land and Buildings

Land area owned by Ara	20.3 hectares
Land area leased by Ara	63.0 hectares
Buildings owned by Ara	98,587 square metres gross floor area
Buildings leased by Ara	4,311 square metres gross floor area

Library Collection	2016	2015
Printed books	49,303	41,181
Electronic books	30,424	38,504
Print serial titles	294	298
Electronic serial titles	31,046	30,120

Artworks Collection	2016	2015
Catalogued items	391	382

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Ara Institute of Canterbury and group's financial statements and statement of service performance for the year ended 31 December 2016

The Auditor-General is the auditor of Ara Institute of Canterbury (Ara) and group. The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of Ara and group on his behalf.

Opinion

We have audited:

- the financial statements of Ara and group on pages 2 to 40, that comprise the statement of financial position as at 31 December 2016, the statement of comprehensive revenue and expenses, 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 Ara and group on pages vii to xvi.

In our opinion:

- the financial statements of Ara and group on pages 2 to 40:
    - present fairly, in all material respects:
        - the financial position as at 31 December 2016; and
        - the financial performance and cash flows for the year then ended;
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the statement of service performance of Ara and group on pages vii to xvi presents fairly, in all material respects, Ara and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2016.

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

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

Basis for our opinion

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

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

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

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

The Council is responsible on behalf of Ara 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 Ara 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 Ara and group for assessing Ara 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 Ara and group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Ara and group's approved budget for the financial statements; and
- the investment plan and strategic plan for the statement of service performance.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ara 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 Ara 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 Ara 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 i to vi, 1, 41, and 45 to 47, 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

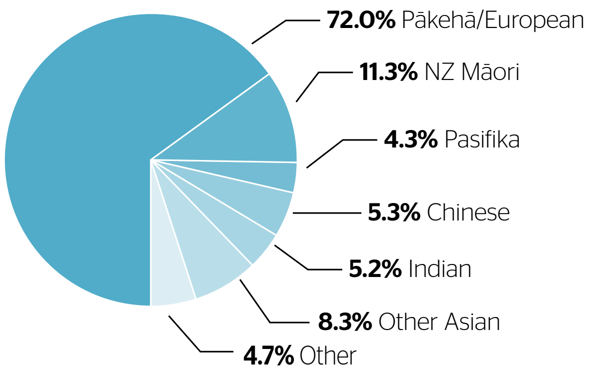
We are independent of Ara and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing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

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

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

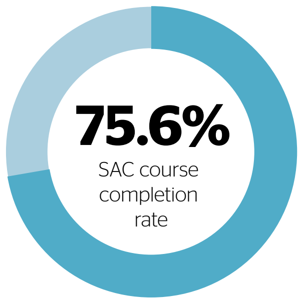
Equal Education Opportunities

Student Ethnicity

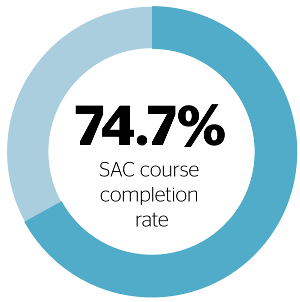


This graph shows the proportion of enrolled students in 2016 who identify with each ethnic group. Note that the sum adds to more than 100.0% due to students being able to identify with multiple ethnicities.

Māori students

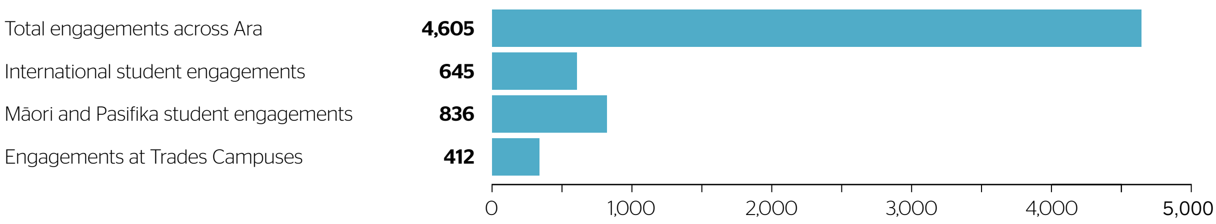


Pasifika students



Learning Services

Number of student appointments and assessments



2016 saw the commencement of the implementation process of the Cornerstone model of support where resources which were previously used to support 1:1 engagements were redirected to group engagements such as class teaching (317 hours), seminars (36 hours) and the development of selfhelp, online resources. Although, when compared with 2015, there was a decrease of 9% (154) in the number of students receiving support through 1:1 engagements and a decrease of 3% (137) in the number of those engagements, this is to be expected as people move to more self help and group support solutions. As resources (such as those related to online and self help learning) are being developed, the ability to report on usage data should be available to be included in subsequent reports. Ethnicity data identifying the students of key target groups remained fairly static in Learning Services for 2016 (10% of students receiving support were Māori and 4% Pasifika) however the engagements have increased by 26%. Youth made up 54% of the students supported by Learning Services.

In 2016 the Peer Assisted Study Scheme supported 396 students – 22% of enrolments in 38 PASS supported courses – through weekly facilitated study sessions. The demographic of PASS attendees is representative and proportional to the demographic makeup of PASS- supported courses. On average students utilising PASS earned a final grade better than students not attending PASS (10 points better in Semester 1 and 12 points better in Semester 2).

Disability Services

In 2016 1,777 students self-identified with a disability (1,306 in 2015) and 174 students registered with Disability Services with a further 75 students also engaged with Disability Services for information and support. Of the students registered with Disability Services 52% had a specific learning disability (e.g. dyslexia) and 20% of students had mental health difficulties such as anxiety. 59% of registered students were aged under 25 years and 10% of students were Māori or Pasifika. Disability Services organised staff development workshops on the learning needs of students with dyslexia and those with mental health difficulties. Examples of the student support provided by Disability Services include alternative exam arrangements for 108 students for a total of 450 tests and exams. The service also provided notetaking support in up to 60 classes a week for 53 students across 83 courses.

Gender

	2016 (Ara)	2015 (CPIT)
Male students	47.7%	49.0%
Female students	52.3%	51.0%

Ara supports women in non-traditional vocations through scholarships, individual support and regular events that assist students to be successful learners and to build awareness of opportunities, career development skills, work experience, supportive networks and job acquisition. These sessions assist students to be prepared for vocations where they will be in the minority to succeed in the learning environment and to transition into the workplace.

Ara has extended this service to relevant students on all campuses.

Childcare

Ara endeavours to offer early learning education options through direct service provision and relationships with other operators. Ara operates an Early Learning Centre at the City Campus; there is also a privately run bilingual centre (Te Waka Huruhurumanu ki Ōtautahi) at the City Campus; in Timaru the North Haven Childcare and Education Centre operate directly opposite the campus. These services assist parents and caregivers with preschool children.

Eliminating Harassment

Information about harassment is included in student information and on the student website (Campus Life). Ara is explicit that discrimination, harassment or intimidation are unacceptable and that the Harassment Complaint Procedure applies to all staff, students and visitors.

All students are also made aware of their rights and responsibilities during orientation to their programmes. They are also informed about how and where to seek support if they are experiencing or observing harassment.

Academic and support staff know who to contact to ensure Ara policy and process is adhered to. They are vigilant observers and quick to intervene to stop and manage unacceptable behaviour and ensure appropriate support is offered to victims.

Secondary Tertiary Pathways

In 2016 Ara enrolled a large number of students through different pathways aimed at students making a successful transition from secondary school into tertiary education. These include dual enrolment programmes where the student is enrolled at both Ara and a secondary school. For detail on these, please refer to 'Goal 1.5 Expand the Youth Transition Programme' on page ix.

Targeted Funding

In 2016 Ara delivered 32.6 EFTS of targeted funding to 113 students covering intensive literacy and numeracy for adults.

Adult and Community Education

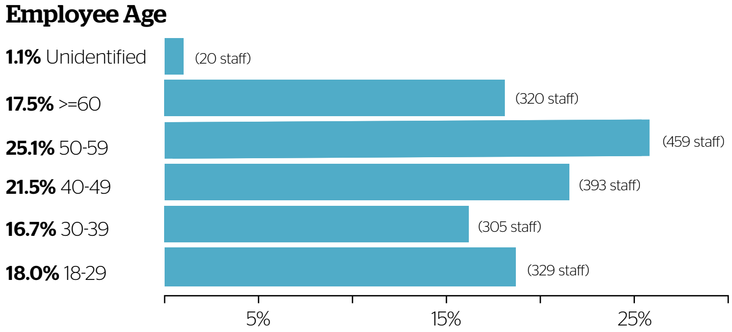
In 2016, Ara deliver 128 EFTS worth of Adult and Community Education (ACE) to 1,674 students. This included 127 students in South Canterbury. The bulk of ACE delivery relates to computer skills, plus more general literacy, numeracy and life skills. In addition, some te reo courses were delivered through ACE.

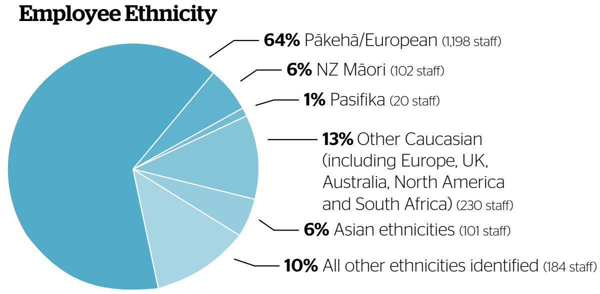
Māori and Pasifika

Increasing the participation and achievement of Māori and Pasifika students across Ara was a key organisational focus in 2016. For detail on this, please refer to 'Goal 2.2 Party of Participation and Achievement for Māori and Pasifika' on page xii.

Equal Employment Opportunities

The work initiated in 2012 with regard to a focused approach to staff wellbeing and support has continued. Ara maintains a focus on diversity, biculturalism and flexible working and remains a committed member of the Equal Employment Opportunities Trust (EEOT). We work to ensure that the principles of EEO are embedded in all of our people, policies and practices





Note: Ara HR systems only allow staff to specify one ethnicity. The graph above reflects the primary ethnicity selected by staff.

Workplace Diversity

The Ara ethnicity profile continues to show that the majority of our staff identify as Pākehā/New Zealand European and other Caucasian ethnicities from Europe, North America, Australia and South Africa. Māori and Pasifika profile has remained steady at 6% and 1% respectively.

Biculturalism

The future focus reflected in the 2014 report included a focus on programmes to align with and support the delivery and development of the Māori Exemplar tool into work practices for all staff. 2016 saw a continuation of the impetus from 2015 and this activity is now considered business as usual and subject to continuous improvement initiatives for all areas.

Vulnerable Children Act 2014 Compliance and Security

Ara has approved a policy and process to implement and maintain compliance with the requirements of the legislation and ensure an appropriate and secure environment. All new staff are processed according to the nature and requirements of their role and a programme is under way to comply with the act and Ara policy for existing staff.

Staff Wellness

Our approach to supporting staff wellbeing and ensuring staff remain a key focus for the institute is reflected in continued support and new initiatives including:

1 Staff Wellbeing Committee

Supported by People and Development, the Staff Wellbeing Committee has continued to provide a superb and well supported service throughout 2016 organising many events and ongoing activities. Many of these are now established events in the annual calendar with continued high levels of enthusiasm. Expansion of these and/or specifically oriented new initiatives to address the expanded campus locations has been undertaken.

The importance of staff wellbeing is reflected in the ongoing enthusiasm of the committee, which consists of a good representation of the diverse nature of Ara staff who meet regularly and plan and run these events on a voluntary basis.

2 Special Leave

The impact of the 2010/2011 events continue to affect and provide hardship for some of our staff particularly in the greater Christchurch environs. Ara recognises that hardship and has continued to provide special leave and other support on a case-by-case basis.

3 Smokefree at Ara

The Ara smokefree policy has continued to be embedded into the "business as usual" activities of the institute and rolled out to be consistent within all campuses during 2016 and is now becoming accepted as the norm. Support continues to be provided by the Health Centre and campus signage reflects the Ara smokefree status.

Staff with Disabilities

Ara continues to support the mainstream programme of supported employment for people with disabilities or rehabilitation following an illness or injury. Staff are supported through a number of other physical and environmental interventions. This is part of our ongoing commitment to a diverse workforce.

Staff Demographics

Reflecting international trends, employee demographics continue to show an aging population with staff aged 40+ comprising 64% of the Ara workforce in 2016 (an increase of 1% from 2015). This trend has been not been impacted significantly following the creation of the new entity. Ara has continued to implement initiatives related to addressing/mitigating the impact on staff resulting from this trend.

Future Focus

Ara is committed to a diverse workforce and EEO programmes are aligned with the Investment Plans and the Workforce Strategy. Key areas of focus remain:

- the wellbeing of staff in the continually evolving environment
- identifying new and sustainable ways to encourage and support all academic and allied staff in ways that are respectful to, and effective for, Māori/Pasifika learners
- developing and maintaining a staff recruitment/retention plan to support existing and increasing numbers of Māori/ Pasifika and other diversity of staff across Ara
- continuing to develop and maintain support mechanisms and interventions that recognise the impacts on staff from the establishment of the new entity
- increasing awareness of multiculturalism and the maintenance of overseas exchange programmes for staff
- continuing the Staff Day further developing the community day event in 2017.

Institute of Canterbury

Ara rau, taumata rau

Ara is proud to be a smokefree institute

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