



**Ara**

Institute of Canterbury

Ara rau, taumata rau

# ANNUAL REPORT 2018

# Ara at a glance

# 2018

## 7,042

Equivalent full time students (EFTS) enrolled at Ara in 2018



**14,005** DOMESTIC STUDENTS



**1,713** INTERNATIONAL STUDENTS

**1,799**

**MAORI STUDENTS ENROLLED**

(13.1% of all SAC students)

**675**

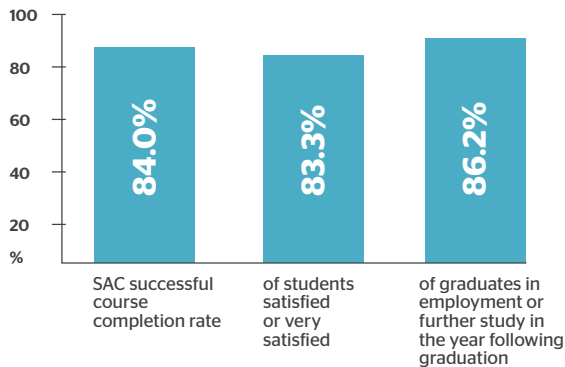
**PASIFIKA STUDENTS ENROLLED**

(4.8% of all SAC students)

**7,970**

**STUDENTS AGED UNDER 25 ENROLLED**

(63.9% of all SAC students)



**48**

schools partnered with Ara to offer dual secondary-tertiary pathways for 468 students

**NEW**

New Transport and Logistics programme started in Timaru



Postgraduate Sustainable Practice qualifications approved for delivery

**\$914K**

Net surplus

**\$113m**

Revenue earned

**936**

**FULL TIME EQUIVALENT STAFF**

**6**

**MAIN CAMPUSES**

**NEW**

Online application process for students

MyAra student portal launched

Manawa (Health Research and Education Facility - HREF) finished and occupied; housing approximately 1,600 Nursing, 85 Midwifery and 100 Medical Imaging students plus staff.

## Table of Contents

Council Chair and Chief Executive Report

Kaupapa - Our values	i
Ara Council	ii
Senior Leadership Team	iii
Strategic Plan	iv
Statement of Service Performance	vi
Statement of Responsibility	1
Statement of Comprehensive Revenue and Expenses	2
Statement of Financial Position	3
Statement of Cash Flows	4
Statement of Changes in Equity	5
Statement of Childcare Operating Income and Expenditure	6
Statement of Special Supplementary Grants	7
Statement of Compulsory Student Services Fees	8
Notes to the Financial Statements	10
Statement of Resources	41
Auditor's Report	42
Equal Education Opportunities	46
Equal Employment Opportunities	48

### Publication Format

The 2018 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:

<https://www.ara.ac.nz/about-us/publications/corporate-documents-and-annuals-reports>



In a year of transformation at Ara, we are delighted to report on significant developments across the institute that will enable Ara to continue to become more agile and innovative as we look to be a leader in the tertiary sector through delivery of our four strategic priorities of:

- students at the heart of everything we do
- dynamic world class programmes and delivery
- high performing customer focused teams
- investment decisions that deliver a sustainable future

At the end of 2017, Ara identified the need for a strategic and operational review to plan and implement projects that will ensure the institute is in a sustainable position by 2021. To achieve this, we know that Ara must adapt more quickly and effectively to a constantly changing environment and the changing needs of our students, industry partners and communities.

Students are at the centre of everything that we do and their needs were again the absolute focus of our work. In 2018 we began implementing a major project to enhance the student journey from first enquiry to graduation and employment. This resulted in a much improved online application process, an enhanced website programme search and the MyAra mobile-friendly student portal which will provide a one-stop interface to assist students with everything they need for a successful, engaged and meaningful experience at Ara.

Transformation needs effective leadership and during 2018 we appointed a new Executive leadership team that will hold the institute strongly to its goal of empowering students to build better worlds.

Ara intends to nurture leaders throughout the institute and we have developed professional development programmes to grow talent and capability alongside top-performing, collaborative teamwork.

Adaptation means working together and the benefits of collaboration are particularly evident in our Department of Nursing, Midwifery and Allied Health where our partnership with the Canterbury District Health Board resulted this year in 99% of our Bachelor of Nursing students gaining employment. Moving

into Manawa, the new health research and education facility, with the CDHB and the University of Canterbury has increased the potential for collaboration, innovation and resource as we work together to train the health workforce for Canterbury's future.

Ara has continued to add value to industry across many sectors as we work alongside businesses and the community to provide work integrated learning and research opportunities for our students, expert feedback to our tutors and employment opportunities to our graduates. These cooperative relationships benefit all of Canterbury's communities and our regional economy.

Programme development has been led by industry engagement as well as responding to the learning needs of our students. In 2018 we launched our industry-led transport and logistics programme in Timaru to meet the need for new heavy goods vehicle drivers nationally. We gained approval for a new cross-disciplinary Master of Sustainable Practice which is a first for New Zealand. These were just two of the headlines in a year of critical evaluation and continuous improvement across all of our learning and teaching departments and business support areas.

Total student numbers were 15,718 reflecting 7,042 EFTS in 2018. We welcomed 1,713 international students from 93 countries as we continue to internationalise and build relationships globally. Our Timaru campus welcomed its first group of Japanese study exchange students to South Canterbury.

Ara will continue to ensure that we are a sustainable and thriving future focussed organisation with students, businesses and communities at the heart of all that we do.

**Thérèse Arseneau**  
**Ara Council Chair**

**Tony Gray**  
**Chief Executive**

## **Our Values**

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

**Aroha - Respect**

**Hono - Connect**

**Hihiri - Inspire**

## **Our Vision**

**Successful Students**

**Value for Employers**

**Effective Staff**

## **Our Appreciation**

Thank you to all of our students, colleagues, partner institutions, communities, industries and businesses for contributing to such a successful 2018.

## **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). It is made up of eight members, four of whom are appointed by the Minister for Tertiary Education, 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.

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## **Kā Mema o te Kaunihera** **Ara Council Members**

### **Chair**

Ms Dona Thérèse Arseneau

### **Deputy Chair**

Ms Janie Annear

### **Independent Chair, Council Audit and Risk Committee**

Mr Michael P Rondel

### **Chair, Chief Executive Remuneration and Performance Review Committee**

Ms Janie Annear

### **Chair, Council Campus Redevelopment Committee**

Mr John J Hunter

### **Members appointed by the Minister**

Ms Janie Annear

Ms Dona Thérèse Arseneau

Mr Stephen J Collins

Mrs Elizabeth M Hopkins

### **Members appointed by the Ara Council**

Mr Jeremy Boys

Ms Jane C Cartwright

Mr John J Hunter

Ms Melanie Taite-Pitama

## **Kā Āpiha o te Kaunihera** **Ara Council Officers**

### **Chief Executive**

#### **Kaiārahi**

#### **Council Secretary**

#### **Minute Secretary**

#### **Governance and Strategy Unit Senior Administrator**

Mr Tony Gray

Mr S Te Marino Lenihan

Ms Tracey E McGill

Ms Christina Yeates

Ms Christina Yeates

## **Te Kāhui Manukura Senior Leadership Team**

### **Chief Executive**

Mr Tony J Gray

### **Kaiārahi**

Mr S Te Marino Lenihan

### **Director, Academic Services**

Ms Sheila T McBreen-Kerr (until 26 September 2018)

### **Director, Business Development**

Mr Philip J Agnew (until 3 July 2018)

### **Director, Corporate Services and Chief Financial Officer**

Mr Darren J Mitchell (until 31 August 2018)

### **Director, Education and Applied Research**

Ms Judith A Brown (until 31 July 2018)

### **Director, Governance and Strategy**

Ms Tracey E McGill (until 3 January 2018)

### **Director, Strategic Innovations**

Ms Ann M Kilgour (until 2 May 2018)

### **Director, Student Services**

Mr John West (until 28 September 2018)

### **Deputy Chief Executive - Academic Innovation and Research**

Mr George Nelson (from 17 September 2018)

### **Deputy Chief Executive - Chief Operating Officer**

Mr Darren J Mitchell (from 1 September 2018)

### **Deputy Chief Executive - Customer Experience and Engagement**

Ms Tracey Berry (from 17 September 2018)

### **Deputy Chief Executive - People and Culture**

Ms Belinda de Zwart (from 1 October 2018)

## Ara Strategic Plan 2017-2019

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 2017-19 Strategic Plan sets our values, vision and outcomes.

The plan on this page is the Ara Strategic Plan updated for 2018.

### Our Values

Aroha - Respect

Hono - Connect

Hihiri - Inspire

### Our Vision

Successful Students

Value for Employers

Effective Staff

<p><b>Outcome 1: Successful Learners</b></p>	<p><b>Focus area 1: Students at the heart of everything we do</b></p> <ul style="list-style-type: none"> <li>• Increase Māori and Pasifika achievement</li> <li>• Personalised, lifelong student journeys</li> <li>• Service, monitoring, and intervention strategies that drive student success</li> <li>• Opportunities for students to contribute to organisational planning and decision making as part of their learning</li> </ul>
<p><b>Outcome 2: Prosperous individuals and communities</b></p>	<p><b>Focus area 2: Dynamic world-class programmes and delivery</b></p> <ul style="list-style-type: none"> <li>• Teachers and delivery methods are leading edge and inspire students</li> <li>• Products are responsive, agile, and renewed</li> <li>• Learning design maximises achievement</li> <li>• Industry and businesses partner with us to develop and upskill their employees</li> </ul>
<p><b>Outcome 3: Working together</b></p>	<p><b>Focus area 3: High performing customer-focussed teams</b></p> <ul style="list-style-type: none"> <li>• A culture of collaboration, information sharing, capability development, responsibility and accountability</li> <li>• Targets are set, strategies planned, progress monitored</li> <li>• Continuous improvement underpins everything we do</li> <li>• We value, prioritise and action cultural competency and confidence</li> <li>• Relationships with our iwi partners are strong and focussed on improving outcomes for Māori</li> </ul>
<p><b>Outcome 4: Sustainable future</b></p>	<p><b>Focus area 4: Investment decisions that deliver a sustainable future</b></p> <ul style="list-style-type: none"> <li>• A thriving and sustainable education business</li> <li>• Leveraging value from our assets and people</li> </ul>



The original Ara Strategic Plan for 2017-2019 had the following outcomes and innovations.  
These were the outcomes and innovations included in the 2017-2019 Investment Plan.

<b>Outcomes</b>	<b>Innovations</b>
<b>1 Personalised, flexible student journey to achievement</b>	<ul style="list-style-type: none"><li>• Embedding the Ara Advantage</li><li>• Aligning to the Ara market segments</li></ul>
<b>2 Responsive and agile portfolio and delivery</b>	<ul style="list-style-type: none"><li>• Renewing the portfolio</li><li>• Enhancing learning design</li></ul>
<b>3 High performing organisation</b>	<ul style="list-style-type: none"><li>• Developing the organisation</li><li>• Lifting planning and performance management</li></ul>

## Statement of Service Performance

The purpose of the Statement of Service Performance (SSP) is to provide evidence of performance against non-financial targets.

Measures included in the Statement of Service Performance include both those specified as performance commitments in the 2017-2019 Investment Plan, some other commitments agreed with TEC, plus some additional internal measures to provide a balanced view of performance. The measures 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 7 March 2019. The final TEC confirmed results are not generally known until mid-2019.

## Enrolments

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
SAC Level 1-2 EFTS enrolled	88	-	100	110
SAC Level 3+ EFTS enrolled	5,447	-	5,712	5,523
International EFTS enrolled	879	1,125	889	854
ACE EFTS enrolled	125	-	128	127
CTC EFTS enrolled	143	-	138	134
Youth Guarantee EFTS enrolled	144	-	170	108
Other EFTS enrolled	235	-	172	186
Total EFTS enrolled	7,062	-	7,308	7,042
Proportion of SAC EFTS delivered to students under 25 years old:				
at Levels 1-2	0.8%	-	-	0.8%
at Levels 3+	62.6%	62.3%	-	63.2%
at Levels 4+	51.6%	53.0%	-	51.6%
at all levels	63.5%	-	-	63.9%

### Overall

In 2018, Ara enrolled a total of 7,042 Equivalent Full-Time Students (EFTS). This was 20 EFTS (0.3%) less than 2017, and 266 EFTS below the 2018 target of 7,308 EFTS. The key areas below target was Student Achievement Component (SAC) Level 3+ provision, noting this did increase from 2017, and Youth Guarantee enrolments, which were lower than in 2017.

### Student Achievement Component (SAC) Level 3+ Enrolments

SAC Level 3+ enrolments, which make up the majority of Ara provision, increased by 76 EFTS (1.4%) in 2018. Whilst this was an improvement, there was a growth target of 265 EFTS (4.9%) which was not achieved. A key contributing factor was a reduction in enrolment numbers in SAC 3+ Business programmes, which declined by 37 EFTS compared to 2017 and were 103 EFTS below the 2018 target. Computing SAC 3+ enrolments also declined by 10 EFTS in 2018, and SAC 3+ enrolments in South Canterbury went from 334 EFTS in 2017 to 306 EFTS in 2018.

SAC 3+ enrolments in many other areas increased in 2018, including Creative Industries, Hospitality and Service Industries, Humanities, and Nursing, Midwifery and Allied Health. A particular area of growth was TANZ eCampus, which grew from 20 EFTS in 2017 to 125 EFTS in 2018, this option provides wholly online courses in a number of areas, such as Business Management, Project Management and ICT.

### Youth Guarantee Enrolments

Youth Guarantee enrolments in 2018 were below 2017 levels and the 2018 target. The weakening uptake of this provision was at Level 2, with Level 3 growing slightly in 2018, and is assessed to be due to a combination of factors. The continued offering of secondary-tertiary pathways (such as Trades Academies) provides an alternate option for those school students who may otherwise have left school and enrolled in a Youth Guarantee programme. In addition, continued improvements in the NCEA achievement of school leavers in the Canterbury region is reducing the overall need for further lower level study by young people. This is compounded by good employment opportunities for young people who otherwise may have enrolled in a Youth Guarantee programme.

### International Enrolments

The number of international students increased from 1,623 in 2017 to 1,713 in 2018. In EFTS terms this was 35 EFTS below target and 25 EFTS below 2017 numbers. The change between 2017 and 2018 was made up of a 60 EFTS reduction in international students from India and 14 less from China, but an increase in those coming from other countries, particularly Japan and the Philippines.

Over the 2016-2018 period there was some uncertainty and ultimately change in government immigration policies for international students. This, plus other factors, have caused significant fluctuations in numbers of international students particularly for tertiary providers in the Canterbury region. These factors have impacted international enrolment numbers at Ara.

### **Other Domestic Enrolments**

2018 enrolments in Student Achievement Component (SAC) Levels 1 and 2 provision were up on 2017 numbers and exceeded the 2018 target. This was due to an increase in domestic students enrolling into English Language and Trades programmes at these lower levels.

ACE (Adult and Community Education) enrolments were at a similar level to 2017 and just below the 2018 target. There was a reduction in enrolments into Computing programmes through this fund, matched by an increase in humanities-based courses such as Te Reo Māori, ESOL and life skills.

Canterbury Tertiary College (CTC) Trades Academy enrolments were at similar level to 2017. These enrolments are secondary school students who attend 1 to 3 days per week at Ara and the other days at their secondary school (depending on the specific programme). This funding is based on places rather than EFTS and in 2018 there were 447 enrolments out of 450 funded places. In addition to these Trades Academy-funded enrolments, a further 21 secondary students enrolled through the Dual Pathways funding stream. These dual enrolment options continue to be popular amongst secondary school students across the Canterbury region.

"Other EFTS" includes a number of smaller and more specialised types of provision. In 2018 there was a reduction in ITO off job training provided plus a reduction in intensive literacy and numeracy enrolments. These were planned and reflected in the reduced 2018 budget figure.

### **Youth Participation**

There was a 0.4% lift in the participation rate for those aged under 25 in SAC provision. This was largely due to increased numbers of young students enrolling in Level 3 programmes in the Department of Trades.

**Student Achievement - SAC and Under 25**

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
Successful Course Completion Rate for SAC-funded students				
at Levels 1-2	70.7%	77.0%	-	73.6%
at Levels 3+	84.8%	91.0%	-	84.2%
at Levels 4+	86.5%	91.5%	-	86.1%
at all levels	84.5%	-	-	84.0%
aged under 25 at Levels 1-2	78.0%	-	-	82.1%
aged under 25 at Levels 3+	84.6%	91.0%	-	84.2%
aged under 25 at Levels 4+	86.5%	91.5%	-	86.1%
aged under 25 at all levels	84.5%	-	-	84.1%
Qualification Completion Rate for SAC-funded students				
at Levels 1-2	87.9%	60.0%	-	52.2%
at Levels 3+	79.9%	81.0%	-	76.7%
at Levels 4+	84.6%	83.0%	-	80.3%
at all levels	80.0%	-	-	76.2%
aged under 25 at Levels 1-2	117.5%	-	-	47.0%
aged under 25 at Levels 3+	71.5%	81.0%	-	71.8%
aged under 25 at Levels 4+	75.2%	83.0%	-	74.1%
aged under 25 at all levels	72.1%	-	-	71.5%
Student retention rate for SAC-funded students				
at Levels 1-2	64.8%	60.0%	-	69.1%
at Levels 3+	68.3%	78.0%	-	68.8%
Student Progression Rate for SAC-funded students				
from Level 1-2 to a higher level	24.1%	50.0%	-	26.9%
from Level 1-3 to a higher level	25.8%	60.0%	-	25.5%

The overall successful course completion rate for SAC students in 2018 was 84.0%, which is 0.5% lower than that achieved in 2017. There was an increase in performance at Levels 1-2, however with 98% of SAC provision in 2018 at Level 3 and above the -0.5% change at these higher levels has caused the overall reduction in performance. Achievement by those aged under 25 broadly corresponds to the overall performance showing a parity of achievement for young SAC students.

The targets for these measures were set in 2016 based on an ambitious goal of achieving 90% overall successful course completion by 2018. As the annual improvements to reach this goal have not been fully met there is a shortfall in many areas between 2018 actual and targeted performance.

Ara's 2018 result would see it continue to have the third highest result for overall SAC successful course completion across the Institutes of Technology and Polytechnics (ITP) sector.

The overall qualification completion rates for SAC students have reduced by 3.9%, largely driven by a 4.4% drop at Level 4 and above. This measure is EFTS-weighted and should be considered alongside the retention rates, which are based on student numbers and whether they have re-enrolled and/or qualified. The retention rates have maintained relatively static. On balance this shows an overall lower level of SAC qualification than in 2017, which also means the targets were not achieved. It is notable that qualifications relating to study completed in 2018 are still being awarded, which will see these numbers increase until the final external return is submitted in April 2019.

The reduction in qualification completion rates at SAC Level 1-2 compared to 2017 is related to a change in provision at these levels, with a higher proportion in 2018 being English Language enrolments with lower qualification completions. This is impacting both the overall SAC Level 1-2 qualification completion rates and for those aged under 25.

The progression rates for SAC students at levels 1-2 and 1-3 to higher levels have remained at similar levels to 2017, below the performance targets for 2018. As mentioned elsewhere in this commentary, a key factor driving this is the movement of lower level graduates into the workforce, including starting apprenticeships, rather than progressing to higher level study at Ara. This is a positive outcome for these graduates and in line with the purposes of those programmes.

The investment plan targets for the progression and Level 3+ retention rates were set with ambitious expectations of improvement in those measures. This improvement has not occurred.

## Youth Guarantee

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
Successful Course Completion Rate for YG-funded students				
at Level 2	79.1%	70.0%	-	76.5%
at Level 3	78.6%	75.0%	-	78.2%
Qualification Completion Rate for YG students				
at Level 2	57.4%	60.0%	-	56.8%
at Level 3	58.2%	75.0%	-	68.1%
Student Retention Rate for YG-funded students				
at Level 2	52.2%	64.0%	-	65.0%
at Level 3	67.8%	74.0%	-	63.8%
Student Progression rate for YG-funded students				
at Level 2	37.3%	61.0%	-	46.6%
at Level 3	24.1%	51.0%	-	48.6%

Ara achieved the nationally-set successful course completion rates targets for Youth Guarantee students in 2018, however the achievement at both Level 2 and 3 was below that achieved in 2017. Based on 2017 published results, this would still place Ara as the top in the ITP sector for Youth Guarantee successful course completion.

For Level 2 Youth Guarantee students, there has been a drop in the EFTS-weighted qualification completion rate but a rise in student-based retention and qualification rate. Level 3 sees the opposite case. On balance this is showing a similar level of Youth Guarantee student qualification as in 2017, in most cases below the 2018 targets. The Level 2 retention rate has increased as in 2017 this provision included Dual Pathway provision which supported students towards an NCEA qualification and was recognised at their secondary school (but not recorded by Ara as a positive retention result), whereas in 2018 Ara was able to recognise all completed Youth Guarantee qualifications.

The progression of Youth Guarantee graduates into higher levels of study at Ara improved in 2018, due to a large number of Youth Guarantee students in Trades and Hospitality and Service Industries pathwaying into higher level mainstream programmes.

The investment plan targets for the progression and Level 3 retention rates were set with ambitious expectations of improvement in these measures. This improvement has not occurred.

**Māori and Pasifika**

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
Proportion of EFTS enrolled who are Māori students:				
at Levels 1-2*	5.7%	11.0%	-	9.8%
at Levels 3+	12.8%	12.0%	-	12.9%
at Levels 4+	9.3%	10.1%	-	9.4%
at all levels	12.9%	-	-	13.1%
Proportion of EFTS enrolled who are Pasifika students:				
at Levels 1-2*	3.1%	2.5%	-	3.7%
at Levels 3+	4.5%	4.1%	-	4.7%
at Levels 4+	3.3%	3.5%	-	3.5%
at all levels	4.6%	-	-	4.8%
Successful Course Completion Rate for Māori SAC-funded students				
at Levels 1-2	57.5%	-	-	74.6%
at Levels 3-7	77.1%	91.0%	-	74.7%
at Levels 4-7	78.8%	91.5%	-	78.1%
at all levels	77.0%	-	-	74.7%
Successful Course Completion Rate for Pasifika SAC-funded students				
at Levels 1-2	59.1%	-	-	69.4%
at Levels 3+	71.3%	91.0%	-	71.7%
at Levels 4+	71.3%	91.5%	-	72.9%
at all levels	71.2%	-	-	71.7%
Qualification Completion Rate for Māori students				
at Levels 1-2	90.7%	-	-	28.0%
at Levels 3+	63.5%	81.0%	-	58.1%
at Levels 4+	69.1%	83.0%	-	61.6%
at all levels	63.7%	-	-	57.7%
Qualification Completion Rate for Pasifika students				
at Levels 1-2	54.5%	-	-	49.0%
at Levels 3+	55.0%	81.0%	-	54.7%
at Levels 4+	54.7%	83.0%	-	56.6%
at all levels	55.0%	-	-	54.6%
Student Progression Rate for Māori students from Levels 1-3, to a higher level	24.3%	60.0%	-	15.4%
Student Progression Rate for Pasifika students from Levels 1-3, to a higher level	24.0%	60.0%	-	18.3%
Student retention rate for Māori students				
at Levels 1-2	50.7%	-	-	44.4%
at Levels 3+	60.3%	78.0%	-	62.8%
Student retention rate for Pasifika students				
at Levels 1-2	57.1%	-	-	50.0%
at Levels 3+	67.3%	78.0%	-	66.8%

\*Note the targets and actual figures for Level 1-2 participation are based on a different methodology than the Level 3+, 4+ and all levels measures. This is due to the Level 1-2 targets coming from an earlier SAC Level 1-2 funding bid, rather than originating in the investment plan. The calculation methodology for the Level 1-2 measures is the EFTS-weighted number of SAC-funded enrolments by Māori (or Pasifika) students at Levels 1-2, divided by the total SAC-funded EFTS-weighted number of enrolments at Levels 1-2. The Level 3+, 4+ and all levels measures are calculated as the EFTS-weighted number of SAC-funded enrolments by Māori (or Pasifika) students at within those level groups, divided by the total SAC-funded number of EFTS at all levels. Under the alternate methodology, the participation rates for Māori students at Level 1-2 would be 0.2% (2017: 0.1%) and for Pasifika students 0.1% (2017: 0.0%).

Participation rates of Māori and Pasifika students in SAC programmes at Ara improved overall in 2018 and three of the six targets were met, including the overall rates. The distribution by Māori and Pasifika student enrolments over Levels 1 to 9 impacts the exact performance against the various level targets, with strong enrolments in 2018 into Level 3 Trades programmes reflected in these figures. It is notable the overall participation rate for both Māori and Pasifika continues to be significantly higher than the regional demographic average.

The overall achievement rates of Māori SAC students reduced in 2018, in terms of both course and qualification completions. Whilst the achievement of all SAC students declined in 2018, the drop for Māori students was higher.

In contrast, the successful course completion rates for Pasifika SAC students increased in 2018, as well as the qualification completion rates at higher levels. However, the achievement of Pasifika students is in most cases still below that for Māori students.

It is notable that there were low numbers of Māori and Pasifika students enrolled in SAC Level 1-2 provision in both 2017 and 2018. Thus an increase in achievement by a relatively small number of students has caused a significant lift in the course completion rates in those metrics. Conversely, slightly fewer students completing qualifications at these levels have caused a large drop in the SAC Level 1-2 qualification completion rates for Māori and Pasifika students. A similar factor has occurred with the Level 1 and 2 retention results.

The lower progression rates are largely due to Trades Level 3 graduates generally not re-enrolling with Ara at Level 4. This group is likely to instead be entering industry in an apprenticeship or other pathway.

The targets for Māori and Pasifika student achievement were set in 2016 based on an ambitious goal of achieving firstly 90% overall successful course completion by 2018, and also reducing any disparity in Māori and Pasifika achievement by that time. As the annual improvements to reach these goals have not been fully met there is a shortfall in many areas between 2018 actual and targeted performance.

Lifting the achievement of Māori and Pasifika students continues to be a key focus for Ara. Whilst gains have been made in some areas, overall the disparity in achievement for these students has remained fairly consistent in 2018.

## International students

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
Successful Course Completion Rate for International students	90.1%	90.0%	-	88.5%
Qualification Completion Rate for international students	96.5%	80.0%	-	89.2%

The successful course completion rate for international students at Ara reduced by 1.6% in 2018 and was below target. This small drop occurred across a number of programme areas. This level of performance is still significantly higher than that for domestic students and reflects the strong support Ara provides to international learners.

The methodology for calculating the qualification completion rate for multi-year programmes is influenced by enrolment numbers in prior years. In the case of international students, the artificially high performance in 2017 was due to higher enrolment numbers in 2016, and in 2018 the result was lower due to fewer enrolments in 2017 feeding in to 2018 qualification completions. The 2018 result for this measure was still 9.2% above the target for 2018 showing international students are both performing well both in their courses, and remaining to successfully complete their qualifications.

## Student survey results

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
Student satisfaction	82.4%	-	-	83.3%
Proportion of graduates in employment or further study in the year following graduation	85.4%	-	-	86.2%

In 2018, there was a 0.9% increase in student satisfaction with their programme of study. This was based on students being more likely to 'Agree' or 'Strongly Agree' with the statement "Overall, I am satisfied with the programme" compared to the previous year. This is a pleasing shift and reverses a downward trend of previous years. There was also an improvement in student satisfaction with teaching and with Ara overall.

There was an improvement in the proportion of graduates in employment or further study in the year following graduation, also up on the 2016 result (83.0%). This measure is based on the proportion of Ara graduates who respond to the questions about employment and further education in the Graduate Outcome Survey, and recognises those who were either currently employed, currently enrolled in study, or intend to enrol further study.

In 2018, there was a drop in the response rate for the Student Experience Survey (40.8% to 36.4%) and an increase in the response rate for the Graduate Outcome Survey (42.0% to 50.6%) compared to 2017. These are both still high response rates for this type of survey and include a broad section of the surveyed population. Ara employs a range of measures to achieve maximise survey response rates and the specific approach is adjusted in each survey round to this end. A different approach to reminders in 2018 is likely to have contributed to the differing response rates. The Student Experience Survey sample includes all students, less those on certain short-duration courses and those aimed at learners with low levels of English language skills. The Graduate Outcome Survey sample is all graduates.

## Research

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
The amount of external research income earned	83,120	100,000	-	99,374
The number of research degrees completed	0	0	-	0

The amount of external research income earned in 2018 was significantly above that earned in 2017, and effectively achieved the target. It is notable that only a portion of Ara research activity results in external research income, and the proportion of research earning this income in 2018 was higher than in 2017. There was a similar overall level of research activity in 2018.

## Campus redevelopment programme

Measure	2017 Actual	2018 Investment Plan Target	2018 Revised Target	2018 Actual
Campus Redevelopment Work Programme continues within scope, on time, within budget	Mostly achieved	-	-	Mostly achieved

The major capital works project delivered during 2018 was the Manawa (Health Research and Education Facility - HREF) project. Occupation of the Manawa facility started mid July 2018 and has been a major success for the three collaborating partners (Ara, CDHB, UC). This building is located within the Health Precinct, and is now the base for most of Ara's health-related provision, alongside other research, teaching and health services by CDHB and UC. The project, which Ara led the client side project management for, has delivered the full scope, to plan and significantly under budget. Other projects incepted during 2018 were the final stages of the Woolston Trades Training initiative and the next stage of the City Campus landscaping project.

The Regional Master Planning process continued during 2018, with work underway to incorporate Southern Campuses into the overall long-term capital works programme. The regional master plan continues to be refined as part of wider strategic planning, with Chow Hill engaged to establish strategic requirements and principles.

## Note on Student Progression

	2014	2015	2016	2017
Student progression rate for SAC students from Level 1-2 to a higher level				
Internal measure	not reported	32.6%	34.2%	24.1%
TEC	44.9%	46.8%	48.6%	44.8%
Difference	-	14.2%	14.4%	20.7%
Student progression rate for SAC students from Level 1-3 to a higher level				
Internal measure	37.9%	38.5%	37.9%	25.8%
TEC	48.7%	51.8%	50.0%	46.9%
Difference	-	13.3%	12.1%	21.1%

The internal measure is what CPIT (2014-2015) and Ara (2016-2017) reported in the Annual Reports, based on provisional data available from internal systems at the time of the preparation of the Annual Report.

The TEC measure is what TEC reported for CPIT (2014-2015) and Ara (2016-2017). The reasons why these numbers are higher are due to 1) the later date the measure is calculated allowing more time for students to re-enrol and 2) TEC can report where a student moves from Ara to another provider. Ara does not have access to this information.

Thus the progression measures reported in the 2018 Ara Annual Report should be considered in this context, and the final TEC measures are likely to be 12-20% higher.



## 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 2018.

The financial statements were authorised for issue by the Ara Institute of Canterbury Council on 30 April 2019.



**Thérèse Arseneau**  
Chair of Council



**Tony Gray**  
Chief Executive



**Darren J Mitchell**  
Deputy Chief Executive - Chief Operating Officer

**Statement of Comprehensive Revenue and Expenses**

for the Year Ended 31 December 2018

	Notes	Parent			Group		
		Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Revenue</b>							
Government Grants	2	62,707	61,413	62,962	62,707	61,413	62,962
Student Tuition Fees	2	40,490	41,141	39,182	40,490	41,141	39,182
Other Revenue	2	8,223	8,086	8,251	8,678	8,432	8,539
Finance Revenue	2	2,049	2,000	2,045	2,282	2,150	2,536
Gain on Property Investment Revaluations	2	-	-	-	130	50	60
<b>Total Revenue</b>		<b>113,469</b>	<b>112,640</b>	<b>112,440</b>	<b>114,287</b>	<b>113,186</b>	<b>113,279</b>
<b>Operating Expenses</b>							
Employee Benefit Expenses	2	70,544	69,235	70,928	70,544	69,235	70,928
Depreciation Expense	2,8	10,017	10,444	9,193	10,750	10,946	10,087
Amortisation Expense	2,9	364	301	233	364	301	233
Finance Costs	2	-	-	-	545	508	492
Other Expenses	2	29,910	30,768	29,975	28,837	29,502	28,713
Loss on Sale of Land and Buildings	2	-	-	-	561	-	-
Earthquake Related Expenses	2	-	-	1,750	-	-	-
Transformation Expenses	2	1,795	1,800	-	1,795	1,800	-
<b>Total Operating Expenses</b>		<b>112,630</b>	<b>112,548</b>	<b>112,079</b>	<b>113,396</b>	<b>112,292</b>	<b>110,453</b>
Share of Associate's Surplus	16	75	-	-	78	-	(3)
<b>Net Surplus</b>		<b>914</b>	<b>92</b>	<b>361</b>	<b>969</b>	<b>894</b>	<b>2,823</b>
<b>Other Comprehensive Revenue and Expenses</b>							
Gains/(Losses) on Property Revaluations	8	1,863	-	(43)	1,872	-	(1,108)
<b>Total Other Comprehensive Revenue and Expenses</b>		<b>1,863</b>	<b>-</b>	<b>(43)</b>	<b>1,872</b>	<b>-</b>	<b>(1,108)</b>
<b>Total Comprehensive Revenue and Expenses</b>		<b>2,777</b>	<b>92</b>	<b>318</b>	<b>2,841</b>	<b>894</b>	<b>1,715</b>

**Net Operating Surplus analysed for non-recurring items**

	Parent			Group		
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Net operating surplus</b>	<b>2,709</b>	<b>1,892</b>	<b>2,111</b>	<b>2,764</b>	<b>2,694</b>	<b>2,823</b>
Earthquake Related Expenses*	-	-	(1,750)	-	-	-
Transformation Expenses*	(1,795)	(1,800)	-	(1,795)	(1,800)	-
<b>Net Surplus</b>	<b>914</b>	<b>92</b>	<b>361</b>	<b>969</b>	<b>894</b>	<b>2,823</b>

Items that are non-recurring in nature (not part of normal operations) are indicated with an asterisk.

The accompanying notes form part of these financial statements.

**Statement of Financial Position**

as at 31 December 2018

Notes	Parent			Group			
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	3, 18	12,943	7,046	31,039	15,773	11,697	32,623
Trade and Other Receivables	4, 18	3,833	2,046	4,005	4,044	2,096	4,186
Inventories	5	1,321	1,178	1,248	1,321	1,178	1,248
Prepayments		1,794	1,246	1,998	1,794	1,246	1,998
Other Financial Assets	6, 18	50,600	43,000	31,400	50,600	43,000	31,400
<b>Total Current Assets</b>		<b>70,491</b>	<b>54,516</b>	<b>69,690</b>	<b>73,532</b>	<b>59,217</b>	<b>71,455</b>
<b>Non-Current Assets</b>							
Land and Buildings	8	297,111	284,468	268,081	323,569	311,398	296,706
Plant and Equipment	8	15,109	15,791	16,360	15,284	15,793	16,556
Investment in Associate	16	1,209	1,517	757	1,209	1,517	757
Other Financial Assets	6	-	-	-	6,345	4,875	5,622
Investment Properties	7	-	-	-	3,000	2,900	2,870
Intangible Assets	9	2,834	2,149	2,329	2,834	2,149	2,329
<b>Total Non-Current Assets</b>		<b>316,263</b>	<b>303,925</b>	<b>287,530</b>	<b>352,241</b>	<b>338,632</b>	<b>324,840</b>
<b>TOTAL ASSETS</b>		<b>386,754</b>	<b>358,441</b>	<b>357,221</b>	<b>425,773</b>	<b>397,849</b>	<b>396,296</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and Other Payables	10, 18	7,903	5,931	6,665	7,968	6,014	7,021
Finance Leases	11	790	612	802	790	612	802
Loans and Borrowings	11	-	-	-	467	-	600
Employee Benefit Liabilities	12	2,424	2,544	3,080	2,424	2,544	3,080
Revenue Received in Advance	13	8,864	10,822	7,607	8,864	10,822	7,607
<b>Total Current Liabilities</b>		<b>19,981</b>	<b>19,909</b>	<b>18,154</b>	<b>20,513</b>	<b>19,992</b>	<b>19,110</b>
<b>Non-Current Liabilities</b>							
Finance Leases	11	25,585	396	656	25,585	396	656
Loans and Borrowings	11	-	-	-	12,348	12,600	12,044
Employee Benefit Liabilities	12	238	829	238	238	828	238
<b>Total Non-Current Liabilities</b>		<b>25,823</b>	<b>1,225</b>	<b>894</b>	<b>38,171</b>	<b>13,824</b>	<b>12,938</b>
<b>TOTAL LIABILITIES</b>		<b>45,804</b>	<b>21,134</b>	<b>19,048</b>	<b>58,684</b>	<b>33,816</b>	<b>32,048</b>
<b>NET ASSETS</b>		<b>340,950</b>	<b>337,307</b>	<b>338,173</b>	<b>367,089</b>	<b>364,033</b>	<b>364,248</b>
<b>EQUITY</b>							
Accumulated Comprehensive Revenue and Expense		236,325	234,574	235,482	252,574	251,992	251,675
Asset Revaluation Reserve		103,782	101,961	101,919	113,672	111,269	111,801
Trusts and Bequests Reserves		843	772	772	843	772	772
<b>TOTAL EQUITY</b>		<b>340,950</b>	<b>337,307</b>	<b>338,173</b>	<b>367,089</b>	<b>364,033</b>	<b>364,248</b>

The accompanying notes form part of these financial statements

**Statement of Cash Flows**

for the Year Ended 31 December 2018

Notes	Parent			Group			
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	
<b>Cash Flows from Operating Activities</b>							
Receipts of Government Grants	62,721	61,413	63,002	62,721	61,413	63,002	
Receipts of Student Tuition Fees	40,108	39,878	39,401	40,108	39,878	39,401	
Receipts of Other Income	10,037	8,266	5,286	10,526	8,612	5,420	
Interest Received	1,993	2,000	2,173	2,138	2,150	3,026	
Payments to Employees	(71,200)	(69,151)	(72,270)	(71,200)	(69,151)	(72,270)	
Payments to Suppliers	(28,541)	(29,672)	(33,087)	(27,369)	(28,414)	(33,836)	
Payments relating to Transformation Costs	(1,795)	(1,800)	-	(1,795)	(1,800)	-	
Interest Paid	-	-	-	(585)	(500)	(492)	
<b>Net Cash Flows from Operating Activities</b>	<b>3</b>	<b>13,323</b>	<b>10,934</b>	<b>4,505</b>	<b>14,544</b>	<b>12,188</b>	<b>4,251</b>
<b>Cash Flows from Investing Activities</b>							
Proceeds from Sale of Property, Plant and Equipment	40	-	32	1,060	1,585	32	
Proceeds from Sale and Maturity of Investments	178,424	12,000	159,140	178,424	12,000	159,140	
Proceeds from Insurance Settlement	-	-	26,995	-	-	26,995	
Onwards Payment of Insurance Settlement	-	-	(1,602)	-	-	-	
Purchase of Investment in Associate	(374)	(453)	(760)	(374)	(453)	(760)	
Purchase of Intangible Assets	(869)	(550)	(931)	(869)	(550)	(931)	
Purchase of Property, Plant and Equipment	(8,494)	(19,533)	(26,273)	(8,848)	(20,033)	(28,205)	
Purchase of Investments	(197,624)	-	(149,840)	(198,265)	(100)	(151,521)	
<b>Net Cash Flows from Investing Activities</b>		<b>(28,897)</b>	<b>(8,536)</b>	<b>6,760</b>	<b>(28,872)</b>	<b>(7,551)</b>	<b>4,749</b>
<b>Cash Flows from Financing Activities</b>							
Proceeds from Loans and Borrowings	-	-	-	-	-	2,134	
Scholarship	-	-	60	-	-	60	
Repayments of Loans and Borrowings	-	-	-	-	-	-	
Repayment of Finance Lease Liabilities	(2,522)	(775)	(861)	(2,522)	(775)	(861)	
<b>Net Cash Flows from Financing Activities</b>		<b>(2,522)</b>	<b>(775)</b>	<b>(801)</b>	<b>(2,522)</b>	<b>(775)</b>	<b>1,333</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		<b>(18,096)</b>	<b>1,623</b>	<b>10,465</b>	<b>(16,850)</b>	<b>3,862</b>	<b>10,334</b>
Cash and Cash Equivalents at the beginning of the year		31,039	5,423	20,574	32,623	7,836	22,289
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3</b>	<b>12,943</b>	<b>7,046</b>	<b>31,039</b>	<b>15,773</b>	<b>11,698</b>	<b>32,623</b>

The accompanying notes form part of these financial statements

**Statement of Changes in Equity**

for the Year Ended 31 December 2018

Notes	Parent			Group		
	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Balance at 1 January	338,173	337,215	337,795	364,248	354,689	362,473
Bequest funds	-	-	60	-	-	60
Total Comprehensive Revenue and Expenses	2,777	92	318	2,841	894	1,715
Revaluation Adjustment	-	-	-	-	8,450	-
<b>Balance at 31 December</b>	<b>340,950</b>	<b>337,307</b>	<b>338,173</b>	<b>367,089</b>	<b>364,033</b>	<b>364,248</b>

**By Class****Accumulated comprehensive revenue and expense**

Balance at 1 January	235,482	234,482	235,116	251,675	251,956	248,847
Net Surplus/(Deficit) for the year	914	92	361	969	894	2,823
Appropriation of Net Surplus to Restricted Reserves	(71)	-	5	(70)	-	5
<b>Balance at 31 December</b>	<b>236,325</b>	<b>234,574</b>	<b>235,482</b>	<b>252,574</b>	<b>252,850</b>	<b>251,675</b>

**Trusts and Bequests Reserves**

Balance at 1 January	772	772	717	772	772	717
General Bequest Funds	74	-	60	74	-	60
Appropriation of Net Surplus	25	-	24	25	-	24
Application of Trusts and Bequests	(28)	-	(29)	(28)	-	(29)
<b>Balance at 31 December</b>	<b>843</b>	<b>772</b>	<b>772</b>	<b>843</b>	<b>772</b>	<b>772</b>

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

**Asset Revaluation Reserve**

Balance at 1 January	101,919	101,961	101,962	111,801	111,269	112,909
Fair Value Revaluation of Land and Buildings	1,863	-	(43)	1,872	-	(1,108)
<b>Balance at 31 December</b>	<b>103,782</b>	<b>101,961</b>	<b>101,919</b>	<b>113,672</b>	<b>111,269</b>	<b>111,801</b>

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:

Land	40,104	35,041	35,040	47,674	35,041	42,610
Buildings	63,678	66,920	66,879	65,999	76,228	69,191
	<b>103,782</b>	<b>101,961</b>	<b>101,919</b>	<b>113,672</b>	<b>111,269</b>	<b>111,801</b>

The accompanying notes form part of these financial statements

**Statement of Childcare Operating Income and Expenditure**

for the Year Ended 31 December 2018 (Parent and Group)

	<b>Actual 2018 \$</b>	<b>Budget 2018 \$</b>	<b>Actual 2017 \$</b>
<b>Revenue</b>			
Operating Grants	511,797	529,253	520,045
Fees	231,832	264,457	240,753
<b>Total</b>	<b>743,629</b>	<b>793,710</b>	<b>760,798</b>
<b>Expenditure</b>			
Salaries and Related Costs	666,266	617,436	730,691
Consumables	6,623	6,000	5,898
Administration	8,767	10,729	10,583
Occupancy Costs	58,000	58,000	58,000
Depreciation	1,203	1,453	1,203
<b>Total</b>	<b>740,859</b>	<b>693,618</b>	<b>806,375</b>
<b>Net Surplus/(Deficit)</b>	<b>2,770</b>	<b>100,092</b>	<b>(45,577)</b>
<b>Total Child Funded Hours</b>			
	<b>2018</b>		<b>2017</b>
Children Aged Under Two	11,003		12,314
Children Aged Two and Over	11,009		10,654
20 Hours ECE	27,460		29,096
Plus 10 Subsidy	7,033		6,567
<b>Total</b>	<b>56,505</b>		<b>58,631</b>

## Statement of Special Supplementary Grants

Ara received funding as Special Supplementary Grants during 2018. 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.

<b>Grant Title</b>	<b>Grant Amount</b>	<b>Applied to</b>	<b>Salaries &amp; Related Costs</b>	<b>Materials &amp; Services</b>	<b>Total Cost</b>	<b>Net Cost to Ara</b>
	<b>\$</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Students with Disabilities	168,499	Students with Disabilities	377,431	13,052	390,483	221,984
Support for Māori and Pasifika people	124,383	Support for Māori and Pasifika people	186,384	17,603	203,987	79,604
<b>Total</b>	<b>292,882</b>		<b>563,815</b>	<b>30,655</b>	<b>594,470</b>	<b>301,588</b>

## Statement of 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. Students are charged \$250 including GST for a full time equivalent per annum. If the student is enrolled less than a full time equivalent the fee is pro-rated. Income and expenditure associated with the provision of these services is separately accounted for. Details of the types of service and of the income and expenditure for the year are set out below. In 2018, Income from Compulsory Student Service fees was pro-rated across categories on the basis of relative expenditure.

Actual 2018	Total \$000	Advocacy and Legal Advice \$000	Careers Information, Advice and Guidance \$000	Counselling Services \$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	1,279	34	427	31	19	226	47	395	100
Other Revenue	1,100	-	-	-	-	148	-	744	208
<b>Total Revenue</b>	<b>2,379</b>	<b>34</b>	<b>427</b>	<b>31</b>	<b>19</b>	<b>374</b>	<b>47</b>	<b>1,139</b>	<b>308</b>
Expenditure	2,401	64	801	59	36	424	88	741	188
<b>Surplus/(Deficit)</b>	<b>(22)</b>	<b>(30)</b>	<b>(374)</b>	<b>(28)</b>	<b>(17)</b>	<b>(50)</b>	<b>(41)</b>	<b>398</b>	<b>120</b>

Actual 2017	Total \$000	Advocacy and Legal Advice \$000	Careers Information, Advice and Guidance \$000	Counselling Services and Pastoral Care \$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	1,249	36	495	30	5	146	40	333	164
Other Revenue	1,052	-	-	-	-	138	-	761	153
<b>Total Revenue</b>	<b>2,301</b>	<b>36</b>	<b>495</b>	<b>30</b>	<b>5</b>	<b>284</b>	<b>40</b>	<b>1,094</b>	<b>317</b>
Expenditure	3,160	88	1,163	73	11	358	97	816	554
<b>Surplus/(Deficit)</b>	<b>(859)</b>	<b>(52)</b>	<b>(668)</b>	<b>(43)</b>	<b>(6)</b>	<b>(74)</b>	<b>(57)</b>	<b>278</b>	<b>(237)</b>



## **Statement of Compulsory Student Services Fees (continued)**

### **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 Advice and Guidance**

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 their study options. 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/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 and contract negotiation. Students use myGPS App to guide them through the career and work readiness process and to maximise their potential outcomes.

### **Student Advice and Guidance**

Student advice and guidance includes all generic student advisors (not including the library, learning staff and those who are funded from other sources) who offer support to students to enable them to succeed in their studies, to find solutions and to access services that assist with solving problems they may face. This may include a listening ear, information and support for matters related to Studylink, programme/course selection, accommodation, personal, spiritual, cultural, financial, legal, 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 support with 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. Woolston campus has an on-site nurse part time during the academic year. In Timaru the Health Centre oversees information about access to low cost health services. 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 information for current students - 'MyAra'. This holds all key relevant and up to date information for students. My Ara has had significant development during 2018 and includes 'Online Orientation'. MyGPS is another tool that has been developed to assist students to develop their career skills, attributes and experience while they study in preparation for securing relevant work.

### **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 at the Early Learning Centre opposite the Timaru Campus.

### **Sports, Recreation and Cultural Activities**

Ara provides a wide range of free student events, recreation and activities throughout the academic year at all sites. The events are structured to support student wellbeing and success, for example, exam breakfasts.

In addition both Christchurch City and Timaru campuses have gymnasium facilities. Students can purchase 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 balls, racquets, etc.

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 the Financial Statements

### 1 General Information

#### 1.1 Reporting Entity

Ara Institute of Canterbury (Ara or the Institute) is a Crown Entity established under the Education Act 1989 as a tertiary education institution (TEI). It provides full-time and part-time tertiary education in New Zealand. Ara is established and domiciled in New Zealand. The relevant legislation governing Ara's operations includes the Crown Entities Act 2004 and the Education Act 1989.

The financial statements are for Ara, its subsidiaries, its associate and its joint venture (together, the Group).

Ara and the Group provide educational and research services for the benefit of the community. It does not operate to make a financial return. Accordingly, 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 2018. The financial statements were authorised for issue by the Council on 30 April 2019.

#### 1.2 Basis of Preparation

The financial statements of the 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 measurement base applied is historical cost except where otherwise identified.

The financial statements have been prepared on a going concern basis and in accordance with Tier 1 PBE accounting standards. These accounting standards have been applied consistently throughout the period. The financial statements comply with Tier 1 PBE accounting standards.

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

#### 1.3 Budget Figures

The budget figures for Ara are those approved by the Council prior to the beginning of the financial year. The Group budget figures consists of a combination of the budget of Ara and the individual budgets of the Institute's subsidiary and associate entities. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Ara in preparing these financial statements.

#### 1.4 Group Structure

##### Subsidiaries

Ara has the following subsidiaries: Ara Foundation and Ōtautahi Education Development Trust (OEDT). All subsidiaries are incorporated and domiciled in New Zealand.

##### Associate

Ara holds a 16.7% equity share of its associate TANZ eCampus Limited.

##### Joint Venture

Ara holds its 50% interest in the Health precinct lease by way of a joint venture. Ara has determined that its interest in the jointly controlled asset constitutes a joint venture as the parties have joint control. Ara recognises its share of assets, liabilities, revenue and expenses of the joint venture. For further details of the lease, refer to note 11.

##### Principles of Consolidation

The consolidated financial statements comprise the financial statements of Ara (the Parent), its subsidiaries, its associate and its joint venture, as at 31 December each year. The financial statements of subsidiaries and the associate 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. Subsidiaries are consolidated by aggregating like items of assets, liabilities, revenues, expenses and cash flows on a line-by-line basis. The balances and transactions between subsidiaries and the Parent are eliminated in full.

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.

An associate is an entity over which the Parent has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Parent's associate investment is accounted for in the Group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the change in net assets of the associate after the date of acquisition. The Group's share of the associate's surplus or deficit is recognised in the Group surplus or deficit. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

Accordingly, the results of Ara, the Ara Foundation and OEDT have been consolidated into Ara's financial statements for the year ended 31 December 2018. Its 16.7% equity share of its associate TANZ eCampus Limited has been equity accounted. Its joint venture with CDHB is accounted for as noted under 'Joint Venture' above.

## 1.5 New Standards

### New standards

#### *Interest in other entities*

In January 2017, the External Reporting Board (XRB) issued new standards for interest in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019. Ara has not yet assessed the impact of these new standards.

#### *Financial instruments*

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021. Ara has not yet assessed the impact of this new standard.

#### *Employee benefits*

In May 2017, the XRB issued PBE IPSAS 39 Employee Benefits. PBE IPSAS 39 replaces PBE IPSAS 25 Employee Benefits. PBE IPSAS 39 is effective for annual periods beginning on or after 1 January 2019. Ara has not yet assessed the impact of this new standard.

#### *Service Performance Reporting*

In November 2017, the XRB issued PBE FRS 48 Service Performance Reporting which replaces the service performance reporting requirements of PBE IPSAS 1. PBE FRS 48 is effective for annual periods beginning on or after 1 January 2021. Ara has not yet assessed the impact of this new standard.

## 1.6 Summary of Significant Accounting Policies

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

Significant accounting policies that do not relate to a specific note are outlined below:

### Foreign currency transactions

Foreign exchange transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for trade receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

### Taxation

Ara and the Group are exempt from the payment of income tax as it is classified by the IRD as a charitable organisation. Accordingly, no charge for income tax applies or has been provided for.

### Critical accounting judgements, 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:

- Estimating the fair value of land, buildings and infrastructure - refer to note 8.
- Retirement gratuities - refer to note 12.

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

- Crown owned land and buildings - refer to note 8.
- Accounting treatment of the Manawa lease - refer to Note 11.

### 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.

## Notes to the Financial Statements

### 2 Revenue and Expenses

#### Revenue Accounting Policy

##### 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 Ara 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 Ara 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:

##### Student Achievement Component (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.

##### Government Fees Free

The Institute considers Government Fees Free funding to be non-exchange and recognises it as revenue when the course withdrawal date has been passed by an eligible student.

##### 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. Ara recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as Ara's financial year. PBRF revenue is measured based on Ara's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

##### Student Tuition Fees

Domestic student tuition fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course. International student tuition fees are accounted for as exchange transactions and recognised as revenue on a course percentage of completion basis. The percentage of completion is measured by reference to the days of the course completed as a proportion of the total course days.

##### Interest

Interest revenue is recognised using the effective interest method.

Revenue	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Government Grants</b>				
Normal Operational Grants	62,414	62,669	62,414	62,669
Special Supplementary Grants	293	293	293	293
<b>Total Government Grants</b>	<b>62,707</b>	<b>62,962</b>	<b>62,707</b>	<b>62,962</b>
<b>Student Tuition Fees</b>	<b>40,490</b>	<b>39,182</b>	<b>40,490</b>	<b>39,182</b>
<b>Other Revenue</b>				
Gains on Disposal of Property, Plant and Equipment	40	32	40	32
Revenue from Other Operating Activities	8,183	8,219	8,638	8,507
<b>Total Other Revenue</b>	<b>8,223</b>	<b>8,251</b>	<b>8,678</b>	<b>8,539</b>
<b>Finance Revenue</b>				
Interest Earned on Investments (including Bank Deposits)	2,049	2,045	2,201	2,175
Gains on Changes in Investments classified as Fair Value through Profit and Loss	-	-	81	361
<b>Total Finance Revenue</b>	<b>2,049</b>	<b>2,045</b>	<b>2,282</b>	<b>2,536</b>
<b>Gain on Property Investment Revaluations</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>60</b>
<b>Total Revenue</b>	<b>113,469</b>	<b>112,440</b>	<b>114,287</b>	<b>113,279</b>
<b>Revenue under exchange and non exchange transactions</b>				
<b>Revenue under exchange transactions</b>				
International Student Fees	14,232	14,770	14,232	14,770
Other Revenue	6,694	6,385	7,149	6,673
Finance Revenue	2,049	2,045	2,282	2,536
Gain on Property Investment Revaluations	-	-	130	60
<b>Total Exchange Revenue</b>	<b>22,975</b>	<b>23,200</b>	<b>23,793</b>	<b>24,039</b>
Other exchange revenue is mainly made up of: teaching delivery to external parties, student accommodation rent, facilities hire and restaurant revenue.				
<b>Revenue under non exchange transactions</b>				
Government Grants	62,707	62,962	62,707	62,962
Domestic Student Fees	26,258	24,412	26,258	24,412
Other Revenue	1,529	1,866	1,529	1,866
<b>Total Non Exchange Revenue</b>	<b>90,494</b>	<b>89,240</b>	<b>90,494</b>	<b>89,240</b>
Other Non Exchange revenue is mainly Industry Training Organisations (ITOs) revenue.				
<b>Total Revenue</b>	<b>113,469</b>	<b>112,440</b>	<b>114,287</b>	<b>113,279</b>
<b>Expenses</b>				
Interest on Bank Loans	-	-	545	492
<b>Total Finance Costs</b>	<b>-</b>	<b>-</b>	<b>545</b>	<b>492</b>
<b>Employee Benefit Expenses</b>				
Wages and Salaries	71,200	72,270	71,200	72,270
Increase (Decrease) in Employee Benefit Liabilities	(656)	(1,342)	(656)	(1,342)
<b>Total Employee Benefit Expenses</b>	<b>70,544</b>	<b>70,928</b>	<b>70,544</b>	<b>70,928</b>
<b>Depreciation Expense</b>	<b>10,017</b>	<b>9,193</b>	<b>10,750</b>	<b>10,087</b>
<b>Amortisation Expense</b>	<b>364</b>	<b>233</b>	<b>364</b>	<b>233</b>

## Notes to the Financial Statements

### 2 Revenue and Expenses (continued)

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Other Expenses</b>				
Audit New Zealand Fees for Financial Statement Audits	186	181	186	181
Other Auditor Fees for Audit of Ara Foundation and OEDT Financial Statements	-	-	9	10
Donations Made	8	7	8	7
Impairment of Receivables (Note 4)	(8)	(10)	(8)	(10)
Research and Development Expenditure	351	293	351	293
Minimum Lease Payments under Operating Leases	2,256	2,085	2,256	2,085
Other Operating Expenses	27,117	27,419	26,035	26,147
<b>Total Other Expenses</b>	<b>29,910</b>	<b>29,975</b>	<b>28,837</b>	<b>28,713</b>
There are no unfulfilled conditions or other contingencies attached to government grants recognised.				
<b>Gains(losses) on sale of land and buildings</b>	-	-	<b>561</b>	-
<b>Earthquake Related Expenses</b>	-	<b>1,750</b>	-	-
<b>Transformation Expenses</b>	<b>1,795</b>	-	<b>1,795</b>	-
<b>Total Expenses</b>	<b>112,630</b>	<b>112,079</b>	<b>113,396</b>	<b>110,453</b>

## Notes to the Financial Statements

### 3 Cash and Cash Equivalents

#### Accounting Policy

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original 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. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Cash at Bank and in Hand	12,943	24,257	15,773	25,841
Short-Term Deposits	-	6,782	-	6,782
<b>Total Cash and Cash Equivalents</b>	<b>12,943</b>	<b>31,039</b>	<b>15,773</b>	<b>32,623</b>

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

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

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

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Net Surplus</b>	914	361	969	2,823
<b>Add/(Subtract) Non-Cash Items:</b>				
Depreciation and Amortisation Expense	10,381	9,426	11,114	10,320
Non-Cash Sales	-	(19)	-	(19)
Share of Associate's Surplus	(75)	-	(78)	3
Gains/(Losses) on the Revaluation of Investments	-	-	90	361
Recognition of Movement in Term Employee Benefits in Employee Benefit Expenses	-	(591)	-	(591)
<b>Add/(Subtract) items classified as investing or financing activities:</b>				
(Gains)/Losses on Disposal of Property, Plant and Equipment	(40)	(32)	(40)	(32)
(Gains)/Losses on Sale of Land and Buildings	-	-	561	-
Revaluation of Investment Properties	-	-	(130)	(60)
Receipts of Earthquake Related Proceeds	-	(26,995)	-	(26,995)
Onwards Payment of Insurance Settlement	-	1,602	-	-
<b>Add/(Subtract) movements in working capital items:</b>				
Accounts Receivable	173	25,967	142	25,816
Inventories	(73)	(70)	(73)	(70)
Prepayments	204	(1,030)	204	(1,030)
Accounts Payable	1,238	(1,864)	1,184	(4,025)
Income in Advance	1,257	(1,499)	1,257	(1,499)
Employee Benefits	(656)	(751)	(656)	(751)
<b>Net Cash Inflow from Operating Activities</b>	<b>13,323</b>	<b>4,505</b>	<b>14,544</b>	<b>4,251</b>

## Notes to the Financial Statements

### 4 Trade and Other Receivables

#### Accounting Policy

Student fees and other receivables are classified as loans and receivables and carried at the amount due less any provision for uncollectability. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Current</b>				
Trade Receivables	2,891	3,889	3,102	4,070
Bank Interest Receivable	294	237	294	237
Related Party Receivables	927	166	927	166
Less Provision for Impairment of Receivables	(279)	(287)	(279)	(287)
<b>Total Current Receivables</b>	<b>3,833</b>	<b>4,005</b>	<b>4,044</b>	<b>4,186</b>

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

Total Receivables comprise:

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Receivables from exchange transactions	1,973	1,937	2,184	2,118
Receivables from non-exchange transactions	1,860	2,068	1,860	2,068
<b>Total Receivables</b>	<b>3,833</b>	<b>4,005</b>	<b>4,044</b>	<b>4,186</b>

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Maturity Analysis</b>				
Current	3,218	3,245	3,429	3,426
Overdue but not Impaired 61 to 90 days	112	198	112	198
Overdue but not Impaired > 90 days	503	562	503	562
	<b>3,833</b>	<b>4,005</b>	<b>4,044</b>	<b>4,186</b>

Due to the large number of receivables, the assessment for collectability is 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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Opening Balance	287	296	287	296
Receivables Written Off During Period	2	73	2	73
Additional Provisions Made During the Year	(10)	(83)	(10)	(83)
<b>Closing Balance</b>	<b>279</b>	<b>287</b>	<b>279</b>	<b>287</b>



## Notes to the Financial Statements

### 5 Inventories

#### Accounting Policy

Inventories are valued at the lower of cost and net realisable value. The cost of inventory is based on a first-in, first-out (FIFO) 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.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Held for Resale	12	12	12	12
Materials and Consumables	1,309	1,236	1,309	1,236
<b>Total Inventories</b>	<b>1,321</b>	<b>1,248</b>	<b>1,321</b>	<b>1,248</b>

The write-down of inventories held for sale amounted to \$Nil (2017 \$Nil).

## Notes to the Financial Statements

### 6 Other Financial Assets and Liabilities

#### Accounting Policy

All financial assets and financial liabilities are initially recognised at fair value. Ara and the Group determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

#### Financial assets

The financial assets consist of cash and cash equivalents, receivables, term deposits and managed funds.

#### Financial liabilities

The financial liabilities consist of payables and secured loans. Further details on the financial liabilities can be found in Notes 10 and 11.

#### Subsequent measurement

After initial recognition at fair value, other financial assets are measured as follows:

- fair value through surplus or deficit - at fair value
- loans and receivables - at amortised cost using the effective interest rate method less any provision for impairment
- held to maturity investments - at amortised cost using the effective interest rate method
- available for sale - at fair value

#### Term deposits

Term deposits are initially measured at the amount invested. Where applicable, interest is subsequently accrued and added to the investment balance.

At year end, term deposits are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in the surplus or deficit

#### Managed fund

The managed fund is a portfolio of financial assets that are actively traded with the intention of making profits. Therefore, the managed fund is classified as held for trading.

After initial recognition, the managed fund is measured at fair value, with gains and losses recognised in the surplus or deficit.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Current Portion</b>				
Bank Deposits Maturing within 12 months	50,600	31,400	50,600	31,400
<b>Total Current Portion</b>	<b>50,600</b>	<b>31,400</b>	<b>50,600</b>	<b>31,400</b>
<b>Non-current Portion</b>				
Bank deposits - OEDT	-	-	2,400	1,600
<b>Fair Value through Profit and Loss</b>				
Managed Funds - Ara Foundation	-	-	3,945	4,022
<b>Total Non-current Portion</b>	<b>-</b>	<b>-</b>	<b>6,345</b>	<b>5,622</b>
<b>Effective Interest Rates</b>				
Bank Deposits with Maturities of 3-12 months	2.92%	3.27%	2.92%	3.27%

There were no impairment provisions for other financial assets.

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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Counterparties with Credit Ratings</b>				
<b>Cash and Cash Equivalents:</b>				
AA- Cash at Bank and in Hand	12,943	24,257	15,773	25,841
AA- Short-Term Deposits	-	6,782	-	6,782
A Short-Term Deposits	-	-	-	-
<b>Total Cash and Cash Equivalents</b>	<b>12,943</b>	<b>31,039</b>	<b>15,773</b>	<b>32,623</b>
<b>Term deposits:</b>				
A	8,500	7,000	8,500	7,000
AA-	42,100	24,000	44,500	26,000
<b>Total Term Deposits</b>	<b>50,600</b>	<b>31,400</b>	<b>53,000</b>	<b>33,000</b>
<b>Counterparties without Credit Ratings</b>				
<b>Other investments:</b>				
Existing Counterparty with no Defaults in the Past	-	-	3,945	4,022
<b>Total Other Investments</b>	<b>-</b>	<b>-</b>	<b>3,945</b>	<b>4,022</b>

## Notes to the Financial Statements

### 7 Investment Properties

#### Accounting Policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Property held to meet service delivery objectives is classified as property, plant and equipment.

Investment properties are initially measured at cost, plus related costs of acquisition.

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.

After initial recognition, investment properties are measured at fair value as determined by independent registered valuers. The fair valuation uses market based evidence. For further details of this type of valuation, refer to the appropriate section of Note 8 discussing market based valuation. Investment properties are valued annually.

Any gains or losses arising from changes in fair value are recognised in the surplus or deficit in the reporting period 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. The net gain or loss on disposal is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in the surplus or deficit in the reporting period in which the disposal is settled.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance 1 January	-	-	2,870	2,810
Fair Value Gain/(Loss)	-	-	130	60
<b>Balance 31 December</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>2,870</b>

The valuation of investment property for OEDT as at 31 December 2018 was performed by Mark Dunbar (Bcom (VPM)), ANZIV, SPINZ, AREINZ), an independent registered valuer from Telfer Young. Telfer Young are experienced valuers with extensive market knowledge in the types and location of investment property owned by the Group.

## Notes to the Financial Statements

### 8 Property, Plant and Equipment

#### Accounting Policy

Property, plant and equipment consists of land, buildings, buildings under finance lease, leasehold improvements, computer equipment, computer equipment under finance lease, plant, furniture, vehicles, library collection and art collection.

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 and impairment losses.
- All other asset classes are measured at cost less accumulated depreciation and impairment losses.

#### Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Ara and the 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 disposed, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

#### Subsequent costs

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

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

#### Depreciation

All items of property, plant and equipment, other than land and the art collection, are depreciated using the straight-line method, at rates that will write off the cost of assets less their residual values, over their estimated remaining useful lives. Depreciation rates used are as follows:

##### Ara

- Buildings - 1.1% - 3.3%
- Buildings under finance lease - 3.33%
- Computer equipment - 10% - 33.3%
- Plant - 5% - 20%
- Furniture - 10%
- Vehicles - 20%
- Library collection - 10%
- Computer equipment under finance lease - 33.3%

Land and the art collection are not depreciated because they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

##### The Group

- Buildings - 1.1% - 4.8%
- Buildings under finance lease - 3.33%
- Computer equipment under finance lease - 10% - 33.3%
- Plant - 5% - 21.6%
- Furniture - 10%
- Vehicles - 20%
- Library collection - 10%
- Computer equipment under finance lease - 33.3%

Land and the art collection are not depreciated because they have indefinite or sufficiently long useful lives that any depreciation is considered negligible.

#### Impairment of property, plant and equipment held at cost

Property, plant and equipment held at cost that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For revalued assets, any impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, any impairment loss is recognised in the surplus or deficit.

#### Revaluations

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

The carrying values of revalued assets are assessed annually to ensure 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 for property, plant and equipment are accounted for on a class of asset basis.

The revaluation results are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that offsets 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 the asset revaluation reserve for that class of asset.

## Land

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

## Buildings

Non-specialised buildings (for example, residential buildings and office buildings) are valued at fair value using market based evidence. Fair values determined by market based evidence is the estimated amount the property would sell for on the date of valuation, between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction, acting knowledgeably, prudently and without compulsion. The market value methodology takes into account recent sales of comparable properties. Thus, this valuation method is only utilised when there are appropriate comparable property sales to utilise for the valuation. Market based evidence valuation is determined using a number of assumptions. Assumptions used in the 31 December 2018 valuation include:

- Market rents are applied to reflect market value while considering the highest and best use alternatives. An increase (decrease) in market rents would increase (decrease) the fair value of non-specialised buildings.
- Market rents are applied to reflect market value while considering the highest and best use alternatives. An increase (decrease) in the capitalisation rate would decrease (increase) the fair value of non-specialised buildings.

Where market based evidence is inappropriate due to its specialised nature, then buildings are valued on an optimised depreciated replacement cost (DRC) basis. Specialised buildings are buildings specifically designed for educational purposes. They are valued using DRC because no reliable market data is available for such buildings. Depreciated replacement cost valuation is determined using a number of assumptions. Assumptions used in the 31 December 2018 valuation include:

- The replacement costs of the specific assets are adjusted where appropriate for optimisation due to over-design or surplus capacity. There has been no optimisation adjustments for the most recent valuations.
- Replacement costs are derived from construction contracts of like assets, reference to publications such as QV costbuilder, recent costings obtained from construction details and the Property Institute of New Zealand's cost information.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, future maintenance and replacement plans, and experience with similar buildings.
- Straight line depreciation has been applied in determining the DRC value of the asset.

## Revaluation

- All Parent land and buildings were revalued as at 31 December 2018 in accordance with PBE IPSAS 17. The land and buildings valuation was completed by independent valuers: Daryl Taggart (BCom (VPM), MPINZ, ANZIV) and Hamish Collins (BCom (VPM), MPINZ) both, Registered Valuers of Quotable Value (QV).
- Land and buildings held under the Ara Foundation were revalued as at 31 December 2018 in accordance with PBE IPSAS 17. The valuation was completed by independent valuer Brent McGrath (BCom (VPM)) of Colliers International.
- Land and buildings held under the Ōtautahi Education Development Trust were revalued as at 31 December 2017 in accordance with PBE IPSAS 17. The valuation was completed by independent valuer Mark Dunbar (BCom (VPM), ANZIV, SPINZ, AREINZ) of Telfer Young.
- 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.

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

## Loss on Property Revaluation

The loss on Property Revaluation in 2017 had arisen due to the correction of an historical error.

## Property, Plant and Equipment Critical judgements in applying accounting policies

### Crown owned land and buildings

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

Notes to Financial Statements  
8 Property, Plant and Equipment (continued)

2018 Parent	Cost/ Revaluation 1 January 2018 \$000	Accumulated Depreciation and Impairment 1 January 2018 \$000	Carrying Amount 1 January 2018 \$000	Current Year Additions \$000	Reclassification	Current Year Disposals \$000	Current Year Depreciation \$000	Revaluation Changes \$000	Cost/ Revaluation 31 December 2018 \$000	Accumulated Depreciation and Impairment 31 December 2018 \$000	Carrying Amount 31 December 2018 \$000
Institution Land and Buildings	160,814	(2,432)	158,382	7147	-	-	(2,899)	(6,349)	156,384	(103)	156,281
Crown Land and Buildings	112,220	(2,521)	109,699	127	-	-	(2,522)	8,212	115,517	-	115,517
Buildings under Finance Lease	-	-	-	25,736	-	-	(423)	-	25,736	(423)	25,313
Computer Equipment	14,021	(9,987)	4,034	1,481	-	-	(1,559)	-	15,502	(11,546)	3,956
Computer Equipment under Finance Lease	1,458	-	1,458	572	-	(313)	(615)	-	1,102	-	1,102
Plant	12,080	(8,240)	3,840	460	-	2	(920)	-	12,530	(9,148)	3,382
Furniture	10,744	(7,305)	3,439	375	-	-	(484)	-	11,119	(7,789)	3,330
Vehicles	1,868	(1,078)	790	150	-	-	(316)	-	1,942	(1,318)	624
Library Collection	6,254	(4,493)	1,761	137	-	-	(279)	-	6,391	(4,772)	1,619
Art Collection	1,038	-	1,038	58	-	-	-	-	1,096	-	1,096
<b>Total Parent</b>	<b>320,497</b>	<b>(36,056)</b>	<b>284,441</b>	<b>36,243</b>	<b>-</b>	<b>(311)</b>	<b>(10,017)</b>	<b>1,863</b>	<b>347,319</b>	<b>(35,099)</b>	<b>312,220</b>
<b>2018 Group</b>	<b>Cost/ Revaluation 1 January 2018 \$000</b>	<b>Accumulated Depreciation and Impairment 1 January 2018 \$000</b>	<b>Carrying Amount 1 January 2018 \$000</b>	<b>Current Year Additions \$000</b>	<b>Reclassification</b>	<b>Current Year Disposals \$000</b>	<b>Current Year Depreciation \$000</b>	<b>Revaluation Changes \$000</b>	<b>Cost/ Revaluation 31 December 2018 \$000</b>	<b>Accumulated Depreciation and Impairment 31 December 2018 \$000</b>	<b>Carrying Amount 31 December 2018 \$000</b>
Group Land and Buildings	192,549	(5,542)	187,007	7,263	-	(1,585)	(3,606)	(6,340)	186,659	(3,920)	182,739
Crown Land and Buildings	112,220	(2,521)	109,699	127	-	-	(2,522)	8,212	115,517	-	115,517
Buildings under Finance Lease	-	-	-	25,736	-	-	(423)	-	25,736	(423)	25,313
Computer Equipment	17,591	(13,551)	4,040	1,481	-	-	(1,560)	-	19,072	(15,111)	3,961
Computer Equipment under Finance Lease	1,458	-	1,458	572	-	(313)	(615)	-	1,102	-	1,102
Plant	17,247	(13,218)	4,029	465	-	2	(945)	-	17,702	(14,151)	3,551
Furniture	10,744	(7,305)	3,439	375	-	-	(484)	-	11,119	(7,789)	3,330
Vehicles	2,202	(1,411)	791	150	-	-	(316)	-	2,276	(1,651)	625
Library Collection	6,254	(4,493)	1,761	137	-	-	(279)	-	6,391	(4,772)	1,619
Art Collection	1,038	-	1,038	58	-	-	-	-	1,096	-	1,096
<b>Total Group</b>	<b>361,303</b>	<b>(48,041)</b>	<b>313,262</b>	<b>36,364</b>	<b>-</b>	<b>(1,896)</b>	<b>(10,750)</b>	<b>1,872</b>	<b>386,670</b>	<b>(47,817)</b>	<b>338,853</b>

Notes to Financial Statements  
8 Property, Plant and Equipment (continued)

	Cost/ Revaluation 1 January 2017 \$000	Accumulated Depreciation and Impairment 1 January 2017 \$000	Carrying Amount 1 January 2017 \$000	Current Year Additions \$000	Reclassification	Current Year Disposals \$000	Current Year Depreciation \$000	Revaluation Changes \$000	Cost/ Revaluation 31 December 2017 \$000	Accumulated Depreciation and Impairment 31 December 2017 \$000	Carrying Amount 31 December 2017 \$000
<b>2017 Parent</b>											
Institution Land and Buildings	150,975	(1)	150,974	21,406	(11,566)	-	(2,431)	-	160,814	(2,432)	158,382
Crown Land and Buildings	100,654	-	100,654	-	11,566	-	(2,521)	-	112,220	(2,521)	109,699
Computer Equipment	12,323	(8,335)	3,988	1,653	-	-	(1,607)	-	14,021	(9,987)	4,034
Computer Equipment under Finance Lease	1,383	-	1,383	936	-	-	(861)	-	1,458	-	1,458
Plant	11,362	(7,415)	3,947	820	-	(48)	(879)	-	12,080	(8,240)	3,840
Furniture	8,902	(6,933)	1,969	1,842	-	-	(372)	-	10,744	(7,305)	3,439
Vehicles	1,728	(1,010)	718	298	-	(3)	(223)	-	1,868	(1,078)	790
Library Collection	6,101	(4,194)	1,907	153	-	-	(299)	-	6,254	(4,493)	1,761
Art Collection	909	-	909	129	-	-	-	-	1,038	-	1,038
<b>Total Parent</b>	<b>294,337</b>	<b>(27,888)</b>	<b>266,449</b>	<b>27,237</b>	<b>-</b>	<b>(51)</b>	<b>(9,193)</b>	<b>-</b>	<b>320,497</b>	<b>(36,056)</b>	<b>284,441</b>
<b>2017 Group</b>											
Group Land and Buildings	181,994	(2,225)	179,769	23,186	(11,566)	-	(3,317)	(1,065)	192,549	(5,542)	187,007
Crown Land and Buildings	100,654	-	100,654	-	11,566	-	(2,521)	-	112,220	(2,521)	109,699
Computer Equipment	15,893	(11,899)	3,994	1,653	-	-	(1,607)	-	17,591	(13,551)	4,040
Computer Equipment under Finance Lease	1,383	-	1,383	936	-	-	(861)	-	1,458	-	1,458
Plant	16,380	(12,385)	3,995	969	-	(48)	(887)	-	17,247	(13,218)	4,029
Furniture	8,902	(6,933)	1,969	1,842	-	-	(372)	-	10,744	(7,305)	3,439
Vehicles	2,062	(1,343)	719	298	-	(3)	(223)	-	2,202	(1,411)	791
Library Collection	6,101	(4,194)	1,907	153	-	-	(299)	-	6,254	(4,493)	1,761
Art Collection	909	-	909	129	-	-	-	-	1,038	-	1,038
<b>Total Group</b>	<b>334,278</b>	<b>(38,979)</b>	<b>295,299</b>	<b>29,166</b>	<b>-</b>	<b>(51)</b>	<b>(10,087)</b>	<b>(1,065)</b>	<b>361,303</b>	<b>(48,041)</b>	<b>313,262</b>



## Notes to the Financial Statements

### 8 Property, Plant and Equipment (continued)

#### Capital Work in Progress

##### Accounting Policy

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.

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

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Institution Land and Buildings	669	8,399	669	8,399

##### 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.

##### Assets as Security

There are no assets pledged as security for liabilities (2017: Nil).

#### Capital Commitments

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Capital Commitments Approved and Contracted</b>				
Land and Buildings	2,593	1,253	2,593	1,602

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

## **Notes to Financial Statements**

### **9 Intangible Assets**

#### **Accounting Policy**

##### **Software acquisition and development**

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

##### **Radio Frequency acquisition and development**

Radio frequency is capitalised on the basis of the costs incurred to acquire.

##### **Amortisation**

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

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 when the asset is derecognised.

The amortisation rates for computer software licenses range from 10-33.3%. The amortisation rates for radio frequency is currently 5%.

##### **Impairment of intangible assets**

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details on impairment, refer to the policy for impairment of property, plant and equipment in Note 8. The same approach applies to the impairment of intangible assets.

##### **Research and course development costs**

Research and course development costs are recognised as an expense in the year in which they are incurred.

## Notes to Financial Statements

### 9 Intangible Assets (continued)

	Gross Carrying Amount 1 January 2018 \$000	Accumulated Amortisation 1 January 2018 \$000	Net Carrying Amount 1 January 2018 \$000	Current Year Additions \$000	Current Year Disposals \$000	Current Year Amortisation \$000	Gross Carrying Amount 31 December 2018 \$000	Accumulated Amortisation 31 December 2018 \$000	Net Carrying Amount 31 December 2018 \$000
Parent and Group - Radio Frequency	410	(138)	272	540	-	(30)	950	(168)	782
Parent and Group - Software	3,656	(1,599)	2,057	329	-	(334)	3,985	(1,933)	2,052
<b>Total Group</b>	<b>4,066</b>	<b>(1,737)</b>	<b>2,329</b>	<b>869</b>	<b>-</b>	<b>(364)</b>	<b>4,935</b>	<b>(2,101)</b>	<b>2,834</b>
	Gross Carrying Amount 1 January 2017 \$000	Accumulated Amortisation 1 January 2017 \$000	Net Carrying Amount 1 January 2017 \$000	Current Year Additions \$000	Current Year Disposals \$000	Current Year Amortisation \$000	Gross Carrying Amount 31 December 2017 \$000	Accumulated Amortisation 31 December 2017 \$000	Net Carrying Amount 31 December 2017 \$000
Parent and Group - Radio Frequency	410	(18)	292	-	-	(20)	410	(138)	272
Parent and Group - Software	2,725	(1,386)	1,339	1,282	(351)	(213)	3,656	(1,599)	2,057
<b>Total Group</b>	<b>3,135</b>	<b>(1,504)</b>	<b>1,631</b>	<b>1,282</b>	<b>(351)</b>	<b>(233)</b>	<b>4,066</b>	<b>(1,737)</b>	<b>2,329</b>

All intangible assets are externally acquired.

In 2018, there was no impairment or disposal of intangible assets.

In 2017, \$351,000 of costs are recorded as disposed. This represents a transfer of spend on Intangible Assets into a collective Intangible Asset held by a third party. This Investment in Associate is recorded in the Statement of Financial Position under Non-Current Assets.

#### Work in Progress

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

	Parent 2018 \$000	Parent 2017 \$000	Group 2018 \$000	Group 2017 \$000
Software	3,784	983	3,784	983

**Notes to Financial Statements****10 Trade and Other Payables****Accounting Policy**

Trade payables are recorded at the amount payable.

	Parent		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Trade Payables	4,350	3,809	4,415	4,165
Other Payables	2,939	2,847	2,939	2,847
Related Party Payables	614	9	614	9
<b>Total Payables</b>	<b>7,903</b>	<b>6,665</b>	<b>7,968</b>	<b>7,021</b>

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.

**Payables under Exchange Transactions**

Trade Payables	4,962	3,670	4,961	4,004
Other Payables	818	772	818	778
<b>Total Payables under Exchange Transactions</b>	<b>5,780</b>	<b>4,442</b>	<b>5,779</b>	<b>4,782</b>

**Payables under Non-exchange Transactions**

Taxes payable (GST and rates)	1,828	1,752	1,842	1,768
Other Payables	295	471	347	471
<b>Total Payables under Non-exchange Transactions</b>	<b>2,123</b>	<b>2,223</b>	<b>2,189</b>	<b>2,239</b>

<b>Total Payables</b>	<b>7,903</b>	<b>6,665</b>	<b>7,968</b>	<b>7,021</b>
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## Notes to Financial Statements

### 11 Loans and Finance Leases

#### Accounting Policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs.

After initial recognition, all 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.

Borrowings are classified as current liabilities unless Ara or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

#### Finance Leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities at the lower of the fair value of the leased item or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether Ara and the Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

#### Lease critical judgements in applying accounting policies

##### Manawa Lease

Ara and Canterbury District Health Board (CDHB), collectively the Tenants, have entered into a lease with HREF Health Precinct Limited (HREF), the landlord for the building known now as Manawa (276 Antigua Street). This lease has commenced on 16 July 2018. The lease is a long term agreement where each tenant is responsible for 50% of the lease obligations. Ara and the Group have carefully considered the accounting treatment of the lease. After much deliberation, it has been determined that Ara and the Group have substantially all of the risks and rewards of ownership and thus, have classified the lease as a finance lease. Ara and the Group have recognised their portion (50%) of the lease.

#### Maturity Analysis

	Parent		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
<b>Lease Liabilities</b>				
Less than One Year	790	802	790	802
Later than One Year but not more than Five Years	25,585	656	25,585	656
<b>Total Lease Liabilities</b>	<b>26,375</b>	<b>1,458</b>	<b>26,375</b>	<b>1,458</b>
Weighted Average Interest Rate	5.42%	3.50%	5.42%	3.50%

#### Description of Material Leasing Arrangements

Ara has entered into finance leases for various IT assets as well as for the building discussed in the Manawa lease section above. The net carrying amount of the leased items is shown in Note 8. 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 for the various IT assets. Ara does not have the option to purchase the building for the Manawa lease 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
<b>Parent 2018</b>							
Finance Leases	26,375	54,743	1,088	1,148	2,210	1,692	48,605
Secured Loans	-	-	-	-	-	-	-
<b>Total</b>	<b>26,375</b>	<b>54,743</b>	<b>1,088</b>	<b>1,148</b>	<b>2,210</b>	<b>1,692</b>	<b>48,605</b>
<b>Group 2018</b>							
Finance Leases	26,375	54,743	1,088	1,148	2,210	1,692	48,605
Secured Loans	12,815	17,239	511	511	1,000	978	14,239
<b>Total</b>	<b>39,190</b>	<b>71,982</b>	<b>1,599</b>	<b>1,659</b>	<b>3,210</b>	<b>2,670</b>	<b>62,844</b>

**Group Property Finance Lease Reconciliation 2018**

The property lease is disclosed above at the contractual undiscounted cash flows. It is reconciled to the total minimum lease payments at balance date below.

	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
<b>Total minimum lease payments payable</b>	53,640	855	826	1,665	1,689	48,605
Future Finance Charges	(28,327)	(704)	(700)	(1,390)	(1,373)	(24,160)
<b>Present value of minimum lease payments</b>	<b>25,313</b>	<b>151</b>	<b>126</b>	<b>275</b>	<b>316</b>	<b>24,445</b>
<b>Present value of minimum lease payments</b>						
Finance leases	25,313	151	126	275	316	24,445
<b>Total present value of minimum lease payments</b>	<b>25,313</b>	<b>151</b>	<b>126</b>	<b>275</b>	<b>316</b>	<b>24,445</b>

	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
<b>Parent 2017</b>							
Finance Leases	1,458	1,458	418	384	450	166	40
Secured Loans	-	-	-	-	-	-	-
<b>Total</b>	<b>1,458</b>	<b>1,458</b>	<b>418</b>	<b>384</b>	<b>450</b>	<b>166</b>	<b>40</b>
<b>Group 2017</b>							
Finance Leases	1,458	1,458	418	384	450	166	40
Secured Loans	12,644	16,931	536	537	1,242	1,212	13,404
<b>Total</b>	<b>14,102</b>	<b>18,389</b>	<b>954</b>	<b>921</b>	<b>1,692</b>	<b>1,378</b>	<b>13,444</b>

**Group Property Finance Lease Reconciliation 2017**

The property lease is disclosed above at the contractual undiscounted cash flows. It is reconciled to the total minimum lease payments at balance date below.

	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
<b>Total minimum lease payments payable</b>	-	-	-	-	-	-
Future Finance Charges	-	-	-	-	-	-
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Present value of minimum lease payments</b>						
Finance leases	-	-	-	-	-	-
<b>Total present value of minimum lease payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to Financial Statements

### 12 Employee Benefit Liabilities and Other Provisions

#### Employee Entitlements

Provision is made in respect of Ara's liability for accrued pay, annual leave, long service leave, retirement gratuities and sick leave.

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.

The present value of the long service leave 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.

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.

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Employee Entitlements</b>				
Annual Leave	2,123	2,738	2,123	2,738
Long Service Leave	297	297	297	297
Sick Leave	242	283	242	283
<b>As at 31 December</b>	<b>2,662</b>	<b>3,318</b>	<b>2,662</b>	<b>3,318</b>
Current Portion	2,424	3,080	2,424	3,080
Non-Current Portion	238	238	238	238
	<b>2,662</b>	<b>3,318</b>	<b>2,662</b>	<b>3,318</b>

## Notes to Financial Statements

### 13 Revenue Received in Advance

	Parent		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Government Grants	65	51	65	51
Fees Income	7,011	7,488	7,011	7,488
Other Revenue in Advance	1,788	68	1,788	68
<b>Total revenue in advance</b>	<b>8,864</b>	<b>7,607</b>	<b>8,864</b>	<b>7,607</b>
Current Portion	8,864	7,607	8,864	7,607
Non Current Portion	-	-	-	-
<b>Total</b>	<b>8,864</b>	<b>7,607</b>	<b>8,864</b>	<b>7,607</b>

## Notes to Financial Statements

### 14 Operating Leases

#### Accounting Policy

An operating lease is a lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

#### Non-cancellable Operating Lease Commitments Property Leases

	Parent		Group	
	Actual 2018 \$000	Actual 2017 \$000	Actual 2018 \$000	Actual 2017 \$000
Not later than One Year	1,881	1,772	1,577	556
Later than One Year and not later than Five Years	5,048	5,857	-	509
Later than Five Years	14,936	16,021	14,936	662
<b>Total Operating Leases</b>	<b>21,865</b>	<b>23,650</b>	<b>16,513</b>	<b>1,727</b>

The total of minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$51,525 (2017: \$434,364).

#### Equipment Leases

Not later than One Year	413	468	413	468
Later than One Year and not later than Five Years	18	4	18	4
Later than Five Years	-	-	-	-
	<b>431</b>	<b>472</b>	<b>431</b>	<b>472</b>

#### 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.



## **Notes to Financial Statements**

### **15 Contingent Assets and Liabilities**

#### **Parent**

As at 31 December 2018, Ara had no contingent liabilities.

As at 31 December 2018, Ara had no contingent assets.

As at 31 December 2017, Ara had not received the final account for completion of the K block but has been made aware by the engineer to the contractor that Hawkins Construction is considering claims for previously declined variations costs. Ara did not consider these claims to be valid. The maximum value of the disputed variations is estimated at \$764k. This claim did not materialise and the account was settled with no further cost.

As at 31 December 2017, Ara had no contingent assets.

#### **Group**

As at 31 December 2018, OEDT had a contingent liability for remedial work to be carried out on the air ventilation system at Ōtautahi House 2, costing OEDT \$100,000-\$200,000. No other entity in the Group had any contingencies.

As at 31 December 2017, no other entity in the Group apart from Ara had any contingencies.

## Notes to Financial Statements

### 16 Related Party Transactions

Ara is the Parent of the Group and controls two entities, being Ōtautahi Education Development Trust and Ara Foundation, and has an investment in an associate, TANZ eCampus Limited.

Ara is deemed to have significant influence in the investment as Ara Chief Executive is a board member of TANZ eCampus Limited and as such is deemed to have power to participate in the financial and operating policy decisions.

#### 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 \$63 million (2017: \$63 million) to provide education and research services for the year ended 31 December 2018.

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 Note 1.6 under the "Critical accounting judgements, estimates and assumptions" section.

#### 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 2018 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 2018, Ara income included the following transactions with the Ara Foundation:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Grants	27	28

During 2018 Ara expenditure included the following transactions with the Ara Foundation:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Lease of ML Block	34	135

At 31 December 2018, Ara owed the Foundation \$148,374 for earthquake repair insurance proceeds. The Foundation did not owe Ara any monies.

At 31 December 2017, Ara owed the Foundation \$148,374 for earthquake repair insurance proceeds. The Foundation did not owe Ara any monies.

**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 2018 Ara's income included the following transactions with the Trust:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Income	24	24

During 2018 Ara expenditure included the following transactions with the Trust:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Lease of Student Accommodation Block	1,100	1,044
Lease of B Block Car Park	17	-
Lease of Paxus House	395	395
Lease of ground for Jazz School Building	82	35

At 31 December 2018, neither Ara nor OEDT had monies owing to the other.  
At 31 December 2017, OEDT did not owe Ara any monies, Ara owed OEDT \$5,059.

**TANZ eCampus Ltd**

During 2017, TANZ eCampus Limited was established to acquire the intangible asset associated with eCampus and to operate the eCampus business.  
The members of TANZ each have a 16.7% shareholding in the Company.

	<b>2018 \$000</b>	<b>2017 \$000</b>
Parent and Group - Equity accounted carrying amount	1,209	757
Summarised financial information of associate presented on a gross basis		
Assets	8,107	7,013
Liabilities	853	2,472
Revenues	5,795	2,540
Surplus / (deficit)	472	(17)
Group's Interest	16.7%	16.7%

At 31 December 2018, TANZ eCampus Limited did not owe Ara any monies, Ara owed TANZ eCampus Limited \$275,569.  
At 31 December 2017, neither ARA nor TANZ eCampus Limited had monies owing to the other.

**Canterbury District Health Board**

In 2018, Ara entered into a joint lease with the CDHB. Ara holds its 50% interest in the Health precinct lease by way of a joint venture. Ara recognises its share of assets, liabilities, revenue and expenses of the joint venture.

During 2018, Ara's revenue included the following transactions with the CDHB:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Manawa Lease & Facility Costs	5,010	-

During 2018, Ara's expenditure included the following transactions with the CDHB:

	<b>2018 \$000</b>	<b>2017 \$000</b>
Manawa lease and facility costs	1,458	-

At 31 December 2018, Ara owed the CDHB \$190,044. The CDHB owed Ara \$926,765.  
At 31 December 2017, neither Ara nor the CDHB had monies owing to the other.

## Notes to Financial Statements

### 16 Related Party Transactions (continued)

#### 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.

	<b>Purchases Actual</b>	<b>Sales Actual</b>	<b>Accounts Payable Actual</b>	<b>Accounts Receivable Actual</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2018</b>				
<b>Council Members</b>				
Christchurch Symphony Orchestra	-	1	-	-
Canterbury Employers' Chamber of Commerce	6	-	-	-
Nurse Maude	18	-	-	-
J Ballantynes and Company Ltd	-	1	-	-
ChristchurchNZ	115	-	-	-
	<b>Purchases Actual</b>	<b>Sales Actual</b>	<b>Accounts Payable Actual</b>	<b>Accounts Receivable Actual</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2017</b>				
<b>Chief Executive</b>				
Te Tapuae o Rēhua (Director)	66	-	-	-
<b>Council Members</b>				
South Canterbury Chamber of Commerce	11	-	-	-
Canterbury Employers' Chamber of Commerce	12	-	-	-
The Project Office Ltd	13	-	-	-
Nurse Maude	22	1	-	1
South Canterbury District Health Board	5	-	4	-
ChristchurchNZ	95	-	-	-

**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 2018, TANZ invoiced \$Nil Ara core fees (2017: \$Nil) and \$76,763 eCampus project fees (2017: \$53,900).

During 2018, Ara invoiced \$Nil fees (2017: \$404,504) for various services.

At 31 December 2018, neither Ara nor TANZ had monies owing to the other. At 31 December 2017, Ara did not owe TANZ any monies, TANZ owed Ara \$19,579.

There were no other related party transactions.

**Key Management Personnel Compensation**

	FTE		Parent	
	2018	2017	2018 \$000	2017 \$000
<b>Council Members</b>				
Full-time equivalent members	8	8		
Council Member Fees			184	180
<b>Executive Management Team, including the Chief Executive</b>				
Full time equivalent members	8	9		
Salaries and Other Short-term Employee Benefits			1,871	1,949
Post-Employment Benefits			-	79
Termination Benefits			499	-
<b>Total Executive Management Team Compensation</b>			<b>2,370</b>	<b>2,208</b>
<b>Total key management personnel compensation</b>	<b>16</b>	<b>17</b>	<b>2,554</b>	<b>2,208</b>

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	
	2018 \$000	2017 \$000
T Arseneau (Chairperson)	40	15
J Annear (Deputy Chairperson)	25	29
J Cartwright	20	20
S Collins	20	20
E Hopkins	20	20
J Hunter	20	20
L Te Aika (Retired during 2017)	-	4
J Boys	19	23
M Taite	20	16
J Bestwick (retired Chairperson)	-	13
<b>Total Councillors' Remuneration</b>	<b>184</b>	<b>180</b>

No councillors received compensation or other benefits in relation to cessation (2017: \$Nil).

## Notes to Financial Statements

### 17 Financial Instrument Rules

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's investments are disclosed in note 6 and on Ara's lease liabilities in note 11. 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 2018 had fluctuated by plus or minus 2% the effect would have been to increase/decrease the net surplus by \$1,406,289 (2017: \$1,241,343) 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. Ara's 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.

## Notes to Financial Statements

### 18 Fair Value of Financial Statements

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:

	<b>Total</b>	<b>Quoted Market</b>	<b>Observable Inputs Price</b>	<b>Significant Non-Observable Inputs Price</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>31 December 2018 - Group Financial Assets</b>				
Managed Investment Portfolio	4,937	4,937	-	-

#### 31 December 2017 - Group Financial Assets

Managed Investment Portfolio	4,774	4,774	-	-
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#### Financial Assets

	<b>Parent</b>		<b>Group</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	12,943	31,039	15,773	32,623
Receivables	3,833	4,005	4,044	4,186
Bank Deposits maturing within 12 months	50,600	31,400	50,600	31,400
<b>Total Financial Assets</b>	<b>67,376</b>	<b>66,444</b>	<b>70,417</b>	<b>68,209</b>

#### Financial Liabilities

	<b>Parent</b>		<b>Group</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Payables	7,903	6,665	7,968	7,021
Secured loans	-	-	467	600
Finance Leases	26,375	802	26,375	802
<b>Total Financial Liabilities at Amortised Cost</b>	<b>34,278</b>	<b>7,467</b>	<b>34,810</b>	<b>8,423</b>

### 19 Capital Management

Ara's 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's equity is largely managed as a by-product of managing income, expenses, assets, and liabilities.

The objective of managing Ara's equity is to ensure Ara effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

## Notes to Financial Statements

### 20 Variances to Budget

This note is prepared in respect of the Group.

#### Statement of Comprehensive Revenue and Expenses

Government Grants were above budget by \$1.3m due to differences in final confirmed funding after the budget was set.

Student Tuition Fees were below budget by \$0.7m, due to student numbers not reaching targets.

Employee Benefit Expenses were \$1.3m above budget due to a mix of restructuring from transformation activities and savings targets not being fully realised within the financial year.

Depreciation was under budget by \$0.4m due to the decreased momentum of the Capital Works Program.

Overall, the Net Surplus was \$0.8m above the budget.

#### Statement of Financial Position

Cash and cash equivalents and other financial assets were greater than budget due to better cash flow.

Land and buildings was under budget by \$12.6m. Capital spending on Campus Development was less than budgeted. In addition, the 2018 actual opening position was less than that which the 2018 budget was based on.

Property, plant and equipment was under budget by \$0.7m, and Intangible Assets higher than budget by \$0.7m due to changes in capital spending between the categories compared to the original budget.

Revenue in Advance was \$2.0m below budget due to the timing of payments from students for 2019 delivery as compared to expectation a lesser proportion of these payments were received in 2018.

The Asset Revaluation Reserve was ahead of budget due to the 2018 land and buildings revaluation.

#### Statement of Cash Flows

The Statement of Cash Flows largely reflects the variances noted above.

Purchase of Property, Plant and Equipment was \$11.0m below budget, due to low Capital spending on Campus Development.

Proceeds from sale and maturity of investments and purchase of investments are monies going onto, and coming off term deposits.

Repayment of Finance Lease Liabilities was \$1.7m above budget due to the treatment of the HREF Health Precinct lease as a finance lease.

#### Statement of Changes in Equity

The Asset Revaluation Reserve was ahead of budget due to the 2018 land and buildings revaluation.

### 21 Subsequent Events

On 13 February 2019, the Minister of Education announced a proposal to reform vocational education in New Zealand to create the New Zealand Institute of Skills and Technology (NZIST). NZIST would bring together all sixteen Institutes of Technology and Polytechnics, together with the industry training work of Industry Training Organisations, into a single entity from 1 January 2020.

Public consultation on this proposal was open until 5 April 2019. It is expected that the Government will make its decision on the merger of all polytechnics and institutes of technology after this date.

Should this proceed as proposed, then the Ara Institute of Canterbury (Ara) may be incorporated into the new body and may cease to exist as a separate legal entity, however because the Government is yet to make a decision on the proposal, it is not clear what the impact, if any, would be on Ara.

Additionally, should this proceed as proposed, it could also have an impact on the future of Ara's Group entities, and it is not yet clear what that could mean for the services or activities of these entities.

As a result, the Council of Ara Institute of Canterbury remain satisfied that it is appropriate for the financial statements to be prepared on a going concern basis, despite this proposal where decisions are yet to be made and also notes the strong financial and educational performance of Ara.



**Statement of Resources**

as at 31 December 2018

<b>Division</b>	<b>Gender</b>	<b>Allied</b>	<b>Management</b>	<b>Teaching</b>	<b>Total</b>
Academic, Innovation and Research	Female	70.0	1.3	239.0	310.3
	Male	60.3	0.3	216.6	277.3
		<b>130.3</b>	<b>1.6</b>	<b>455.7</b>	<b>587.6</b>
Customer Experience and Engagement	Female	170.3	0.3		170.6
	Male	46.9	1.3		48.1
		<b>217.2</b>	<b>1.6</b>		<b>218.7</b>
Corporate Services	Female	33.0			33.0
	Male	68.2	1.0		69.2
		<b>101.2</b>	<b>1.0</b>		<b>102.2</b>
People and Culture	Female	13.8	0.3		14.1
	Male	4.7			4.7
		<b>18.5</b>	<b>0.3</b>		<b>18.8</b>
Executive	Female	4.0	1.3		5.3
	Male	0.8	2.0		2.8
		<b>4.7</b>	<b>3.3</b>		<b>8.1</b>
<b>Total</b>	Female	291.0	3.2	239.0	533.3
	Male	180.8	4.6	216.6	402.0
	Other/Gender Diverse	0.5			0.5
	<b>472.4</b>	<b>7.8</b>	<b>455.7</b>	<b>935.8</b>	
Percentage by Gender	Female	62%	41%	52%	57%
	Male	38%	59%	48%	43%
	Other/Gender Diverse	0%	0%	0%	0%

*Note: This data is rounded to one decimal place.*

<b>Library Collection</b>	<b>2018</b>	<b>2017</b>
Printed books	42,498	46,158
Electronic books	42,312	27,432
Print serial titles	235	258
Electronic serial titles	28,951	31,146

<b>Artworks Collection</b>	<b>2018</b>	<b>2017</b>
Catalogued items	398	395

## **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 2018**

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

#### **Opinion**

We have audited:

- the financial statements of the Polytechnic and group on pages 2 to 40, that comprise the statement of financial position as at 31 December 2018, 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 the Polytechnic and group on pages iv to xiii.

In our opinion:

- the financial statements of the Polytechnic and group on pages 2 to 40:
  - present fairly, in all material respects:
    - the financial position as at 31 December 2018; and
    - the financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the statement of service performance of the Polytechnic and group on pages iv to xiii presents fairly, in all material respects, the Polytechnic and group's service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 31 December 2018.

Our audit was completed on 30 April 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to uncertainties about the proposed merger of all polytechnics and institutes of technology. 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.

### **Uncertainties about the proposed merger of all polytechnics and institutes of technology**

Without modifying our opinion, we considered the adequacy of the disclosures made in note 21 on page 40 that outline the Government's proposal to merge the activities of all polytechnics and institutes of technology. Should the merger proceed, it could have a significant impact on the future of the Polytechnic and group. However, a final decision on the proposal is yet to be made. We consider these disclosures to be adequate.

### **Basis for our opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

- the Polytechnic and group's approved budget for the financial statements; and
- the investment 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 the Polytechnic and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Polytechnic and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of service performance of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Council is responsible for the other information. The other information comprises the information included on pages B to D, i to iii, 1, and 41 to 50 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

## **Independence**

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

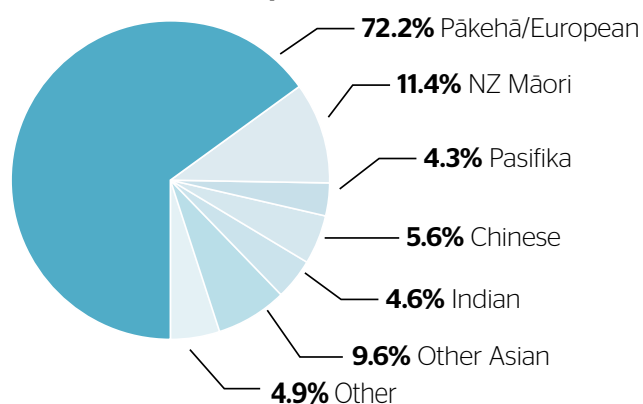
Other than the audit, we have no relationship with or interests in the Polytechnic or any of its subsidiaries.



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

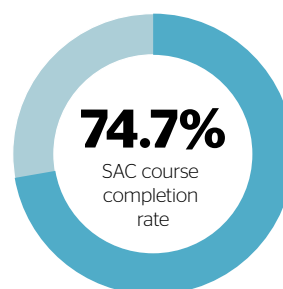
## Equal Education Opportunities

### Student Ethnicity

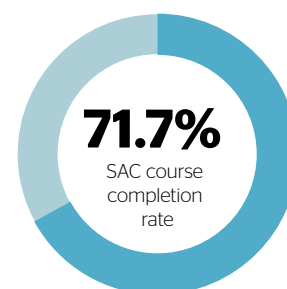


This chart shows the proportion of enrolled students in 2018 who identify with each ethnic group. Note that the sum adds to more than 100% due to students being able to identify with multiple ethnicities.

### Māori students



### Pasifika students



### Learning Services

2018 saw the continuation 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 (250 hours), Workshops (106 hours) and students are encouraged to use the self-help, online resources. The class teaching remained focused on supporting the development of academic literacies in students at foundation level and in their first year of study. A new development was the Q&A clinics (115 hours) where students can come and ask questions around a particular topic. This year the total of our 1:1 engagements was 2,760, which is still an increase of 8% on the previous year.

A large project that came to fruition in 2018 was the movement of online resources from Campus Life to the My Ara student App. This included the development of additional guided learning pathways for a range of academic literacies, thus increasing the scope and impact of multimedia self-help resources.

### Disability Services

In 2018, 1,790 students self-identified with a disability (1,914 in 2017), and 177 students registered with Disability Services and a further 105 students also engaged with Disability Services for information and support. Of the students registered with Disability Services, 47% had a specific learning disability (e.g. Dyslexia), 19% of students had mental health difficulties, (predominantly anxiety disorders), and 16% of students had medical or physical health difficulties. Seventy per cent of registered students were aged under 25 years and 15% 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 students. The service also provided notetaking support across 115 courses. NZ Sign Language interpreter support in class was provided for six Deaf students.

### Gender

	2018	2017
Male students	46.1%	48.1%
Female students	53.9%	51.9%

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 Huruherumanu ki Ōtautahi) on the City campus; in Timaru the North Haven Childcare and Education Centre operate directly opposite the campus. Ara assists Māori and Pasifika students with childcare subsidies.

### Eliminating Harrassment

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 2018, Ara enrolled 447 students in Trades Academy provision, where students spend part of their week at Ara and part at their secondary school. This included students from Ashburton, Timaru, Oamaru, and the wider Christchurch area, and in a number of subject areas including construction and automotive trades, outdoor education, cookery, hairdressing and beauty therapy, computing and engineering.

### **Targeted Funding**

In 2018, Ara delivered 215 EFTS of Targeted Funding to 66 students covering Intensive Literacy and Numeracy for adults. This included a number of students from other countries through a scheme for refugees.

### **Adult and Community Education**

In 2018 Ara delivered 127 EFTS-worth of Adult and Community Education (ACE) to 1,470 students, including courses in English language, computing, Te Reo Māori and life skills for women through the Next Step Centre.

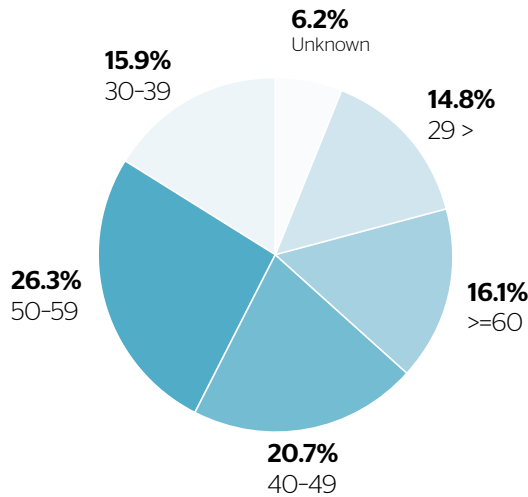
### **Māori and Pasifika**

Increasing the participation and achievement of Māori and Pasifika students remained a key focus for Ara during 2018. During the year, the Institute held a number of events to welcome, support and celebrate Māori and Pasifika students and their achievements. It also continued to maintain staff committed to the recruitment and pastoral support of Māori and Pasifika students to support their journey. For further details on 2018 participation and achievement of Māori students, please refer to the statement of service performance.

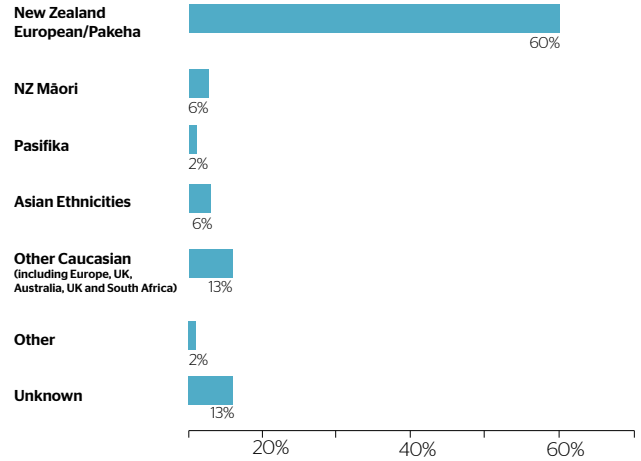


## Equal Employment Opportunities

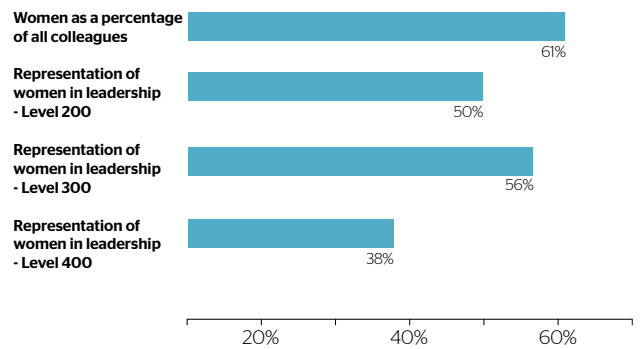
### Age Profile



### Ethnicity Profile



### Women (Gender) at Ara Profile



NOTE: the ability of colleagues to identify themselves accurately (eg ethnicity, gender) is restricted due to limitations of our HRIS system

### Colleague Ethnic Demographics

Employee demographics show similar trends year-on-year in the multicultural makeup of our people at Ara. Our data is limited due to the current restrictions of entry in our HRIS system which make it difficult to compare with NZ statistics. There is opportunity to explore the demographics of the future NZ and Canterbury and intentionally put initiatives in place to mirror the society that we will live in. A shift in our approach from Equal Employment Opportunities to celebrating Diversity and Inclusion should be explored as the platform to achieve that. We are an active member of "Diversity Works NZ" and can access their resources to support our journey.

### Colleague Age Demographics

Employee demographics show no change to the aging trend with colleagues aged 40+ at 63% of the Ara workforce in 2018. Ara balances the needs of colleagues transitioning towards retirement with operational needs and navigates jointly beneficial solutions. Whilst we are cognisant of our aging trend at recruitment, there is an opportunity to explore the employee branding of Ara in how we can attract a more diverse (including younger) demographic.

## Colleague Gender Demographics

Our statistics on gender identification are limited as our HRIS system is restrictive in what colleagues can enter. We can however draw some statistics on those who identify themselves as women. Our profile is healthy overall with a large representation of women in our workforce and in upper leadership positions. There is an opportunity to explore what the reasons are behind the lower representation in the middle leadership roles at Ara (38%). A small group of interested Ara colleagues informally came together in 2018 to share thoughts and ideas on enhancing gender parity at Ara. That group has expanded its focus to the wider scope of diversity and inclusion. There is an opportunity to formalise the work of this group and elevate their enthusiasm into TKM endorsed action.

## Gender Pay Parity

An exercise was undertaken during the year to investigate pay parity at the 200 to 400 level. Overall Ara achieved well in this space with only two anomalies that were adjusted as a result of the review.

## Parental Leave and Employment Protection Amendment Bill

Ara welcomed and complied with the requirements of the legislation to extend paid parental leave from 18 weeks to 22 weeks from the 1st July 2018.

## Colleague Wellbeing

The support of colleague wellbeing stepped up a notch in 2018 due to the exploration done during the discovery phase of our transformation journey which identified that a more embedded approach to wellbeing was needed. Below are the initiatives that have resulted to date:

### 1 Colleague Wellbeing Survey

Mid year all colleagues were invited to participate in a short Ara-designed wellbeing survey. The key themes that came out of that survey were: increase capability development and support for those leading teams; increased opportunities for colleagues to 'connect' within and across campuses; the creation of quiet spaces for work; clearer objective setting for teams and individuals; additional ways of recognising the achievements of colleagues; continuation of onsite physical activity and health screening opportunities; and supporting colleagues to improve their resilience and mental wellbeing.

Feedback from colleagues was used to build the foundations of the Ara Wellbeing Framework and Strategy.

### 2 Appointment of a Health and Wellbeing Manager

With the acknowledgement that to deliver the strategic focus area of "High Performing Customer Focused Teams" in a constantly changing environment, wellbeing needs to be 'built in' to your approach, a Health and Wellbeing Manager was appointed in October of 2018. The role is fixed term for two years and a key deliverable is to design and start to embed an Ara wellbeing strategy and programme.

### 3 Wellbeing Strategic Framework commenced

After absorbing the feedback from the Ara-wide colleague Wellbeing Survey and a 'scan' of the current context in his first six weeks, the Health and Wellbeing Manager pulled together a representative group of colleagues to commence the design of an Ara Wellbeing Strategic Framework: He Ara Hauora - Pathways to Wellbeing. It has eight key elements focused around "My Organisation", "My Team" and "My Self". The vision was drafted "He hau ako - he hau tangata - he hau ora. Ara is a thriving ecosystem that grows wellbeing through ako and tangata, enriching the wider community."

## 4 Wellbeing Workshops for Colleagues - Provider Engaged

With a view that a wellbeing programme for Ara would need to include growing our leaders and colleagues literacy around wellbeing, the New Zealand Institute of Wellbeing and Resilience was engaged to deliver wellbeing workshops for all in 2019.

## Other wellbeing approaches that have continued:

### 5 Health and Wellness

The provision of health initiatives such as flu inoculations and other health checks have continued to be popular and beneficial to colleagues. Access to physical wellbeing activities (14 time options across circuit, futsal, badminton, boxing, yoga, tai chi and Zumba) and discounted gym membership are well received.

### 6 Smokefree at Ara

Support continues to be provided by the Health Centre and campus signage reflects the Ara smokefree status.

### 7 Free Counselling Service for Colleagues

Ara continued its offering of free and confidential counselling for colleagues, both through the Health Centre or an external provider - OCP. During 2018 220 counselling sessions were taken up by colleagues through OCP.

## Future Focus

Ara is committed to a diverse, inclusive and resilient workforce and those elements are, in fact, key enablers of "high performing customer focused teams". We have a solid foundation of doing good things in this area - our opportunity is to move from good to great and be more intentional in our approach:

- Evolve our focus from "Equal Employment Opportunities" to "Diversity and Inclusion" and "Safe and Well"
- Recommend to Council and TKM to embed 'Diversity and Inclusion' and 'Safe and Well' in our 2019 People and Culture strategic framework
- Define a Diverse and Inclusive Ara vision and approach after formalising the group of colleagues who have a proactive interest in this arena. Prioritise activities that will enable that vision
- Define priorities and resource bicultural capability at Ara, supporting the implementation of the Framework for Māori Achievement
- Explore pay parity at level 500 and below and investigate reasons behind a lower representation of women in level 400 leadership positions.
- Continue to further define and roll out the Ara Wellbeing Strategy
- Establish a network of wellbeing champions that operationalises aspects of the strategy
- Invest in the enhancement of our HRIS system so that we can better determine the makeup of our workforce and be more inclusive
- Set goals on how we will increase our diversity profile over time to reflect the NZ and Canterbury of the future.





**Ara**

Institute of Canterbury

Ara rau, taumata rau

Ara is proud to be a smokefree institute

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PO Box 540, Christchurch 8140, New Zealand  
Telephone 0800 24 24 76 | Facsimile +64 3 366 6544

**[www.ara.ac.nz](http://www.ara.ac.nz)**

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