



# ANNUAL REPORT 2017

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## Report objectives

This Annual Report is the principal medium through which Bendigo Kangan Institute communicates its accountability to the Victorian Parliament and stakeholders, and provides a summary of the Institute's operations and achievements during the 2017 calendar year.

The Institute's Chief Executive Officer has implemented and maintained a process to ensure this annual report is prepared in accordance with the relevant directions, instructions and applicable Australian accounting standards, including but not limited to the following:

- Education and Training Reform Act 2006 (ETRA)
- Constitution of the Bendigo Kangan Institute Order 2014
- Directions of the Minister for Training and Skills (or predecessors)
- TAFE institute commercial guidelines
- TAFE institute strategic planning guidelines
- Public Administration Act 2004
- Financial Management Act 1994
- Freedom of Information Act 1982
- Building Act 1983
- Protected Disclosure Act 2012
- Victorian Industry Participation Policy Act 2003

The financial statements in the Annual Report have been reviewed by an audit committee established by the Institute's Board and the committee has made a recommendation to the Board to authorise the statements prior to release to the Parliament.

Our cover reflects our strong commitment to industry and our students by:

- upskilling job seekers and retrenched workers via our Skills & Jobs Centres in Bendigo and Broadmeadows.
- supporting communities through our new Health & Community and Food & Fibre centres in Bendigo.
- celebrating the tremendous talent of our Creative Industries students.

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# Introduction

Bendigo Kangan Institute (BKI) comprises the following three strategic business units:

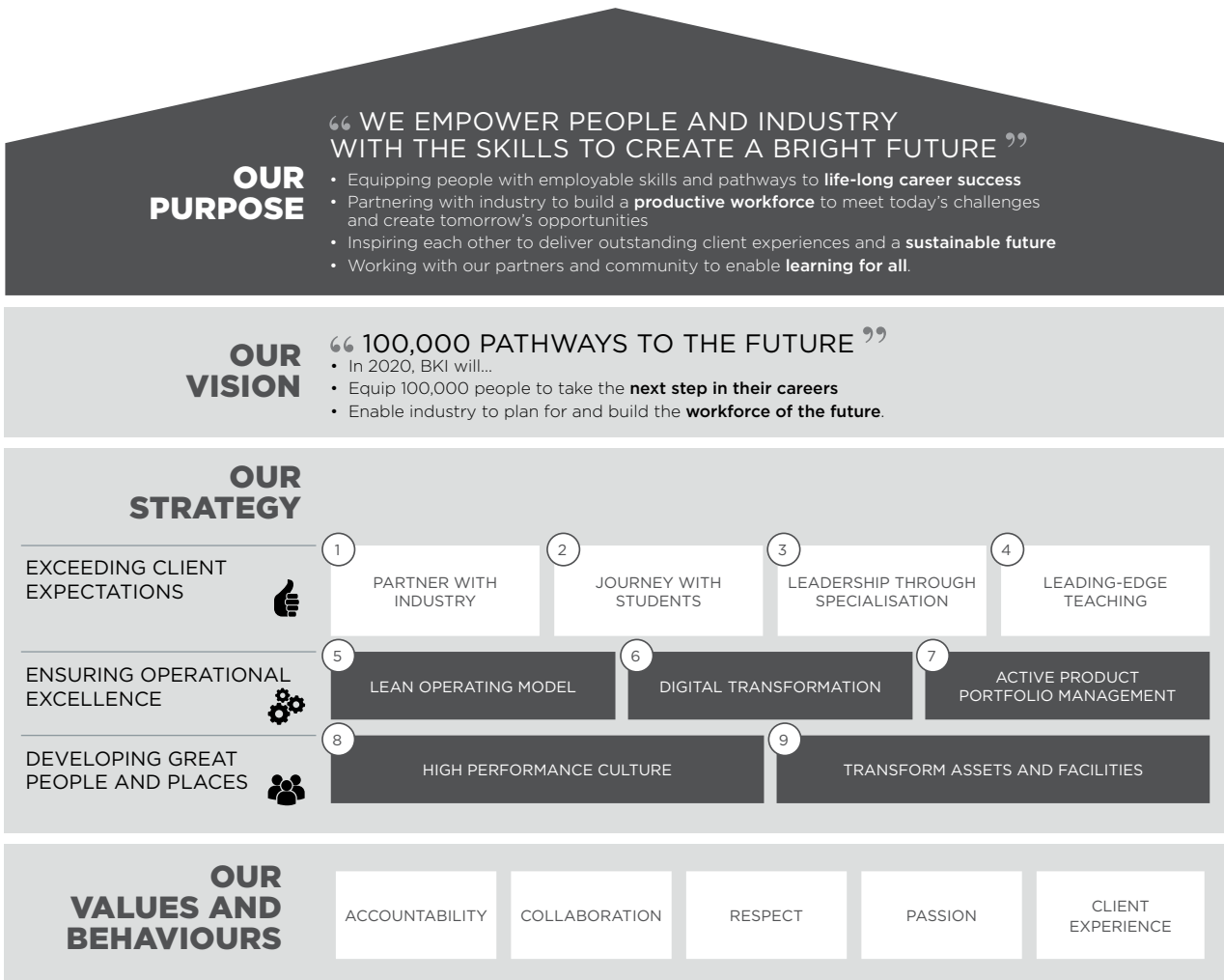
1. BKI: prominent providers of vocational education and training (VET) from metropolitan and regional Victoria respectively.
2. VETASSESS: a leading Australian Assessing Authority and independent assessment-only registered training organisation for clients nationally and internationally.
3. eWorks: an e-learning hosting, content and consultancy specialist.

With the strong commitment to TAFE by the Victorian Government and the Minister for Training and Skills, the Hon. Gayle Tierney MLC and the continued support by our industry partners and advisory boards, the Institute reinforced its commitment to improve workforce participation and Victoria's ongoing economic growth.

Through education content and delivery, employability and skills assessment services, we impact the next steps in the careers of more than 30,000 people each year. The Institute employs over 1,500 staff and is committed to environmental sustainability and social initiatives that benefit our local communities.

## Our Strategic Intent: BKI2020

Our Strategic Intent details who we are, where we are going and how we will get there. It does this by providing the purpose, vision, strategy and values and behaviours that will guide our journey over the next two years. It also highlights our deep commitment to creating a bright future for our students, industry partners, our staff and the communities we serve.



# Board Chair's welcome



## Introduction

On behalf of the Board of Bendigo Kangan Institute (BKI), I am pleased to present the Institute's 2017 Annual Report.

Through Skills First, the Victorian Government is seeking to build a stable and cohesive TAFE sector providing vocational education and training (VET) that underpins the creation of jobs and boosts the State's productivity. In 2017, BKI's training, educational programs, Centres of Excellence, Jobs and Skills Centres, facility improvements and strong industry partnerships, were all aligned to strongly underpin the Government's policy framework for TAFE.

As always, our staff are the backbone of BKI. Their passion and dedication provided improved outcomes across the State and was best highlighted by BKI's nomination as a finalist in the Large Training Provider category of the Victorian Training Awards for the second year running.

## 2017 Highlights

### *Centres of Excellence*

A key strategic priority of the Victorian Government is the establishment of TAFE based Centres of Excellence. In this regard, significant progress was made on the development of BKI's Health and Community Centre of Excellence (HACCOE) and Food and Fibre Centre of Excellence (FAFCOE). These state-of-the-art facilities will serve the current and future skill needs of industry, and provide students with more course options and an enhanced learning experience.

The \$17.7 million HACCOE at the Bendigo City Campus opened in early 2018. The \$7.8 million FAFCOE at Bendigo TAFE's Charleston Road Campus is also nearing completion and is on track to open in April 2018.

Health and community services, along with food and fibre, are amongst the largest and fastest growing industries in regional Victoria, and there is a growing need for training solutions that best match the evolving needs and modernisation of these sectors.

These new facilities have been developed in consultation with industry partners, which means they are built by industry for industry, and students can be confident that they will be gaining vital skills for real jobs.

### *Skills and Jobs Centres*

Knowing how to convey your skills to a potential employer can be challenging for a jobseeker. BKI's Skills and Jobs Centres at Bendigo and Broadmeadows are assisting job seekers to get expert advice on training and employment opportunities and to connect them with local employers.

Collaborations between government, industry and education are helping to provide solutions to the problems that have resulted from car manufacturing closures. With rapid change due to automation, the need for a refined model to support displaced workers in their transition to up skill, reskill and find meaningful employment is urgent.

With funding support from the Victorian Government, BKI has been able to tailor training programs for former Ford, Holden and Toyota workers, ranging from written and spoken English classes to Engineering, Leadership and Management and Computing courses. As well, BKI initiated an applied research project to better understand the benefits and impacts of workers in transition with the final report to be produced in 2018.

### *VETASSESS*

In 2017, VETASSESS continued to provide quality assessment services. Overall, in its 20th year of operations, VETASSESS provided 22,158 skilled migration assessments - an increase of over 26 per cent on the previous year. Revenue in 2017 was up by 28 per cent from the previous year. During the year, VETASSESS had to realign a number of its services following significant changes to immigration visas announced by the Federal Government.

### *eWorks*

In April 2017, eWorks held the inaugural EdVET conference in partnership with the International Specialised Skills Institute (ISS) and Chisholm's Professional Educator College in Melbourne. This event was well attended by people from across the VET sector. An upgrade of the online learning

## Board Chair's welcome

environment has enhanced electronic delivery of training to learners so they can receive a high quality learning experience in the workplace, at home and/or on campus. eWorks has continued to work with clients and partners to improve the learner online experience with the number of users doubled. eWorks has also continued work in the vital area of copyright and compliance to improve efficiency.

### Financials

In 2017 BKI continued on the path to financial sustainability by recording a \$8.1 million profit, which represents growth on our 2016 profit of \$3.8 million. These financial results reflect the dedication and commitment of our people across business planning and financial business units who have worked diligently to stabilise and grow BKI.

### IBAC Investigation

While 2017 was successful in so many ways, it was not without its challenges. An investigation by the Independent Broad-based Anti-corruption Commission (IBAC) of events during 2014/15 identified a range of unacceptable practices in the delivery of training by BKI using a third party training provider. The Board is firm in its resolve to have the issues raised by IBAC fully addressed, particularly those matters relating to strengthening internal corporate governance practices and quality assurance and control frameworks. Much of this important remedial work has already progressed. To test the efficacy of improved processes and practices, the Board is to initiate an independent audit later in 2018 to obtain assurances that all recommendations by IBAC have been fully implemented.

### Conclusion

In conclusion, I would like to acknowledge:

- My fellow Board members for their ongoing commitment, direction and service. In particular, I would like to acknowledge and thank outgoing Board Chair Michael Brown. Michael was previously the Chair of the Kangan Institute and took a lead role in overseeing the merger of Kangan Institute and Bendigo TAFE. Michael provided strong leadership and guidance to the Institute during some very challenging times. I would also like to thank the other outgoing Board Director Craig Fox. It is a great pleasure for me to welcome our new Board members Michael McCartney, Joe Ballato, Anne Brosnan, Margaret Salter and Hal Swerissen.
- The ongoing support to BKI and the TAFE sector from the Minister for Training and Skills, the Hon. Gayle Tierney MLC and more generally our colleagues from the Department of Education and Training.
- Our CEO Trevor Schwenke and the BKI executive team for their leadership, dedication and commitment.



**Peter Harmsworth AO**

Chair of the Bendigo Kangan  
Institute Board

Date: 27 March 2018

## CEO's report



Major construction works, exciting new industry partnerships, growth in enrolments and fabulous events showcasing the work of our students – 2017 certainly was a big year for BKI (BKI).

In line with the Victorian Government's Skills First initiative, BKI continued to strive to provide the best job outcomes for students by combining good practice teaching with top quality industry and community partnerships. Our successes in 2017 were made possible with strong support from the government and our industry and community partners.

Much progress was made towards the construction of two new centres of excellence in Bendigo. The Health and Community Centre of Excellence (HACCOE) at Bendigo's City Campus officially opened in early 2018 and classes has already commenced. The Food and Fibre Centre of Excellence (FAFCOE) at the Charleston Road Campus is on track to be officially opened in April 2018.

IBAC Operation Lansdowne raised serious issues about BKI compliance processes, which has resulted in a significant remediation program aimed at addressing all the identified concerns by the Commission.

During the year, BKI committed itself to refresh its message to both students and industry around the theme of being bound to succeed and being bound together with our key stakeholders.

### **Bound to Industry. Bound to Succeed**

In the health and community services sphere, BKI saw the formation of exciting new industry partnerships with MOUs being signed with Bendigo Health and Bendigo Community Health Services. In addition, a training and partnership agreement was signed

with Heathcote Health, which is seeking to establish a 'Dementia Village' specifically designed for the care of dementia patients – a first for Australia. This arrangement will provide training for over 250 people employed at the village. These partnerships will help shape the future of HACCOE and reinforce BKI's commitment to regional, industry relevant training.

Together with FAFCOE, these two Centres of Excellence represent a \$25.5 million investment by the Victorian Government into regional Victoria in critical growth industries. The Centres feature specialised labs to simulate a working environment, and classrooms designed to promote student collaboration and flexibility in teaching. Hands-on practical training, classroom learning and strong industry connections will combine to ensure that graduates have the skills that employers are looking for and are familiar with a real work environment.

Once completed, FAFCOE will enhance the delivery of training by providing students with more course options in the Animals, Plants and Sciences areas, while fostering connections with industry to drive successful student outcomes, benefiting both graduates and employers.

BKI's Automotive Centre of Excellence (ACE) in Docklands formed new alliances with Century Yuasa Batteries (CYB), ACM Parts and VIVA Energy (one of Australia's leading energy companies).

Our strong partnerships with GEO Group Australia and G4S Custodial Services, two of Australia's largest private providers of correctional services in the provision of training to prisoners are also great examples of our commitment to Industry.

### **Bound to Students. Bound to Succeed**

In 2017, student enrolments were 29,690 – a four per cent increase from 2016.

Certificate III in Barbering (SHB30516) was officially endorsed as a national qualification in 2016 and BKI was one of the first TAFEs to offer this new course in early 2017. With stronger partnerships with barber shops, we were able to deliver apprenticeship and customised training to salons and individuals. Other significant courses launched in 2017 included Diploma in Organic Farming (AHC51816) for our domestic students and the Diploma of Early Childhood Education and Care (CHC50113) for our international student cohort.

## CEO's report

BKI celebrated many significant student achievements during the year:

- Grace Jamieson, a former apprentice with the Automotive Centre of Excellence won the Apprentice of the Year Award (People's Choice) at the Victorian Training Awards (VTA).
- Retail Baking students, Bruce McDonald and Ivan Jurcic, were awarded first place in the White French Stick and Novelty Cake categories at the 2017 Victorian Baking Show.
- Bin He and Chloe Brennan did exceedingly well at the Annual Building Design Awards hosted by the Building Designers Association Victoria. Chloe received a commendation award in the Drafting Excellence by a Student category, while Bin received a commendation award for the Best Digital Presentation by a Student and also won the Best Response to a Design Brief by a Student.
- At the 2017 WorldSkills competitions in Melbourne, BKI students once again proved their capability by winning in Hairdressing, Fashion, Retail Baking, VETis Food and Beverage, Autobody Repair, Automotive Electrical, Automotive Mechanics, Heavy Vehicle Mechanics and Vehicle Painting. Our Fashion students will be representing Team Victoria for the National Competitions in 2018.

These achievements are a tribute to the calibre of our courses, the dedication and expertise of our teaching staff, the quality of our facilities and the talent and hard work of our students.

BKI also staged a number of signature events during the year highlighting the tremendous talent of our Creative Industries students.

In September, BKI launched its Fashion Event: Kinship – the Rags to Runway fashion show in partnership with Australian Red Cross. As a part of Melbourne Fashion Week 2017, the show presented outfits made by fashion and design students. All materials and clothing for the outfits were exclusively sourced from donated garments from Red Cross Shops. These were then reimagined, redesigned, recreated and up-cycled into the stunning creations previewed at the event. Rags to Runway successfully raised \$5,000 for the Red Cross.

In November, BKI hosted Limitless, a fashion event celebrating a year's work for fashion students studying Certificates to Advanced Diplomas. Limitless was also an opportunity for Hair and Beauty, Visual Merchandising, Hospitality and Baking students to showcase their training.

Student Experience Days in 2017 were held across all Melbourne campuses and in Bendigo and Echuca. Aimed at high schools, the students (Years 9 to 12) were invited to experience practical training and gain valuable information to help them decide their future career path. The program involved more than 2000 school students.

Passions and Pathways, Primary Schools and Workplaces (in partnership with Bendigo TAFE) celebrated its sixth successful year. Almost 50 Bendigo business and industry partners introduced the students to the 'worlds of work' through a range of experiences, including OHS orientation, preparing students for entering workplaces, workplace tours and workplace hands-on projects.

### **Bound to Community. Bound to Succeed**

Skills and Jobs Centres at Bendigo and Broadmeadows and collaborations between government, industry and education helped to provide solutions and support to many of those impacted by the closure of car manufacturing plants in Victoria.

NAIDOC Week in 2017 signalled the relaunch of our Indigenous Education Unit at Bendigo, which included a welcome to country and smoking ceremony by the traditional owners of the Dja Dja Wurrung Clans. The Indigenous Education Centre at Broadmeadows also hosted a broad array of activities including tree planting and bush tucker sampling while educating students and the local community about the natural environment in and around the City of Hume.

The Bendigo Young Mums VCAL Program provided young mothers with an opportunity to complete their studies and gain skills to undertake further education or find a job. The program offers classroom support and in-class child minding to allow the mothers to undertake their VCAL studies.

The Vocational English department experienced significant growth in 2017. This was due largely to the settlement of refugees from Syria around Broadmeadows. Student numbers grew from 1,372 in 2016 to 2,449 in 2017. Revenue increased by \$1.5 million.



The Vocational English department strategically worked to support students by establishing partnerships with service providers such as Arabic Welfare, Foundation House, The Brotherhood of St Lawrence, SPECTRUM, the Multi-Cultural Resource centre, Hume City Council, Centrelink, and Victoria Police (Community Policing). Through these partnerships, the department was able to lay supplementary services over the top of general delivery to meet student needs.

Another ongoing focus in 2017 was to continue to develop strong networks with employers, industry, training providers and government agencies. In partnership with the Hume Jobs and Skills Task Force, BKI worked to improve local employment opportunities for Hume City residents and assist in developing a more effective and more accessible local workforce for businesses. Some of the key achievements were:

- Developing a Hume Hospitality Employability Skills Training (EST) Youth PaTH program.
- Understanding skill shortages, local market trends and key industry requirements for industry and employers and improve student capabilities for employment opportunities.
- Identifying training programs strengths and gaps for employment for specific industry needs.

### **A bright future ahead**

On behalf of BKI, I wish to thank the Victorian Government and our Board for their continued support and clear leadership. Without their guidance, our achievements in 2017 would not have been as successful.

I would particularly like to give recognition to the dedication and energetic commitment of BKI staff who have strived tirelessly throughout the year to produce so many positive outcomes for BKI.

BKI has an ongoing commitment to supporting our local communities by delivering high-quality training with a strong focus on achieving positive employment outcomes. As part of BKI's new public messaging, a special initiative has been developed titled 'Tomorrow Bound' in Bendigo. This initiative has been developed after extensive consultation between education providers and community members. The primary focus of 'Tomorrow Bound' will be allowing secondary school students the opportunity to discover employment and training options available locally that may have previously been unknown to them.

BKI is well placed to create an exciting future for everyone we support. With the commitment of our people, I am confident that we will continue to provide high quality and relevant vocational training for our students across Melbourne and Victoria.



**Trevor Schwenke**

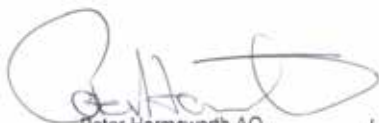
Chief Executive Officer  
Bendigo Kangan Institute  
Date: 27 March 2018

### PERFORMANCE STATEMENT FOR 2017

In our opinion, the accompanying statement of performance of Bendigo Kangan Institute in respect to the 2017 financial year is presented fairly in accordance with the key performance measures developed in the annual statement of corporate intent.

The statement outlines the predetermined targets, performance indicators, and actual results for the year against these indicators, and an explanation of any significant variance between actual results and targets.

At the date of signing, we are not aware of any circumstance that would render any particulars included in the statement to be misleading or inaccurate.



Peter Harnsworth AO  
Board Chair  
Date: 22/3/18  
Place: SANDRINGHAM



Joseph Santiago  
Chief Finance and  
Accounting Officer  
(Acting)  
Date: 20/3/18  
Place: RICHMOND



Trevor Schwenke  
Chief Executive officer  
Date: 20/3/18  
Place: RICHMOND

**Bendigo Kangan Institute**  
PO Box 170, Bendigo VIC 3552 | Private Bag 299, Somerton VIC 3062

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## Independent Auditor's Report

To the Board of the Bendigo Kangan Institute

<b>Opinion</b>	<p>I have audited the accompanying performance statement of the Bendigo Kangan Institute (the Institute) which comprises the:</p> <ul style="list-style-type: none"> <li>performance statement for the year ended 31 December 2017, and</li> <li>the management certification.</li> </ul> <p>In my opinion, the performance statement of the Bendigo Kangan Institute in respect of the year ended 31 December 2017 presents fairly, in all material respects.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the Audit Act 1994 which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the Auditor's responsibilities for the audit of the performance statement section of my report.</p> <p>My independence is established by the Constitution Act 1975. I and my staff are independent of the Institute in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the performance statement in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the performance statement</b>	<p>The Board is responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the Financial Management Act 1994 and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
<b>Auditor's responsibilities for the audit of the performance statement</b>	<p>As required by the Audit Act 1994, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.</p>

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As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance statement, 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 my 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.
- 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 Institute's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether performance statement represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
23 March 2018

Charlotte Jeffries  
as delegate for the Auditor-General of Victoria

### Performance statement - key performance indicators

Indicator	Description and methodology	Metric	2017 Actual	2017 Target	Explanation of variances	Prior year result
Training Revenue diversity	Breakdown of training revenue split by Government funded and Fee for Service <i>Training revenue split by:</i>  <ul style="list-style-type: none"> <li>• <i>Victorian Training Guarantee (VTG)</i></li> <li>• <i>Fee for Service (FFS)</i></li> <li>• <i>Student Fees &amp; Charges</i></li> </ul>	Percentage			Decrease in overall training revenue versus target. Increase in diversification towards FFS	
			47.7%	50.3%		50.3%
			39.7%	31.3%		41.0%
			12.6%	18.4%		8.7%
Employment costs as a proportion of training revenue	Employment and Third Party training delivery costs as a proportion of training revenue (VTG and FFS)  <i>Employment costs + 3rd party training delivery costs / Training Revenue</i>	Percentage	75.4%	71.9%	Lower revenue resulting in higher ratio	81.2%
Training revenue per teaching FTE*	Training Revenue (excl. revenue delivered by third parties) per Teaching FTE*  <i>Training Revenue (excl. revenue delivered by 3rd parties) / Teaching FTEs*</i>	Dollars	\$278,015	\$265,808	Lower Teaching FTE versus target resulting in higher earnings per teacher	\$238,521
Operating margin percentage	Operating margin %  <i>Net profit (excluding Capital Contributions and other economic flows) / Total Revenue (excl Capital Contributions)</i>	Percentage	0.8%	(19.8%)	Increased project capitalisation versus target	(17.6%)

#### Notes:

- All account groupings (e.g. employment costs, training revenue etc.) included in the table above are prescribed by the official Department of Education and Training (DET) financial account structure, and are in line with the quarterly financial data submission template provided by DET for completion by TAFEs.
- Calculations are based on 991 FTE.

## Financial summary

	Year ending				
	2017	2016	2015	2014	2013
The Institute has continued its strong focus on financial sustainability and worked hard to stabilise and establish a platform for future growth. This is reflected in our results, with the Institute delivering a net profit of \$8.1 million in 2017. This represents a third consecutive year of positive results.					
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Total income from transactions	167,194	140,883	147,472	87,228	40,153
Total expenses from transactions	156,497	137,272	143,687	90,236	41,183
Total other economic flows	(2,551)	229	(588)	(8,698)	425
<b>Net results</b>	<b>8,146</b>	<b>3,840</b>	<b>3,197</b>	<b>(11,706)</b>	<b>(605)</b>
Asset revaluations	<b>76,926</b>	<b>11,897</b>	-	-	-
<b>Comprehensive result</b>	<b>85,072</b>	<b>15,737</b>	<b>3,197</b>	<b>(11,706)</b>	<b>(605)</b>
Total assets	<b>456,694</b>	<b>361,570</b>	<b>350,584</b>	<b>344,281</b>	<b>104,416</b>
Total liabilities	<b>42,730</b>	<b>32,678</b>	<b>37,429</b>	<b>34,323</b>	<b>8,402</b>
<b>Net assets</b>	<b>413,964</b>	<b>328,892</b>	<b>313,155</b>	<b>309,958</b>	<b>96,014</b>

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# Our organisation

BKI (BKI) is the second largest TAFE provider in Victoria and has significant footprints in regional and metropolitan areas.

BKI leads in contributing expertise to the development of state-wide automotive VET approaches and practices based on the innovative training initiatives developed by the Institute's Automotive Centre of Excellence (ACE). The ACE model has seen BKI nominated as the Lead Automotive provider in the TAFE Network. BKI will continue to collaborate across the metropolitan and regional TAFEs to ensure the sharing of its automotive training model expertise.

The courses at BKI cover automotive and trades, business and IT, food and fibre, hair and beauty, health and community services, retail and creative industries, culinary and hospitality, travel and tourism, trades as well as Indigenous and foundation courses.

As one of three TAFE providers of vocational education and training in the Victorian prison system, BKI also deliver 37% of training within public and private prisons, and forensic mental health facilities. These include Loddon Prison, Middleton Annex, Tarrengower Prison, Fulham Correctional Centre, Port Philip Prison and Thomas Embling Hospital.

Ravenhall Correctional Centre, with a capacity for 1,300 medium security prisoners, opened in November 2017. The Institute has been working as an Alliance partner with GEO since 2013 to ensure the alignment of vocational education to prison industries at the facility.

## Regional footprint

BKI's regional footprint encompasses Bendigo, Echuca and Castlemaine, with dedicated facilities including the Lotus Hair and Beauty Salon and Charleston Road trade campus providing specialist training for our learners. Vocational courses and training services are provided to individuals and businesses, with students and apprentices ranging from school leavers to mature age. BKI's ties with local bodies including the Bendigo Business Council ensure that products and services remain relevant and responsive to the needs of local industry and communities.

## Metropolitan footprint

In the metropolitan area, BKI delivers training from metropolitan campuses in Broadmeadows, Docklands, Essendon, Moonee Ponds and Richmond. BKI offers students a well-rounded campus experience as well as access to specialist training facilities and capabilities, including the award winning ACE facility at Docklands, the Indigenous Education Centre at Broadmeadows and the Centre for Fashion and Creative Industries set in Melbourne's fashion and retail heart, Richmond.

BKI's vocational courses and training services are provided to individuals and businesses, with students and apprentices ranging from school leavers to mature age learners. We work closely with industry to upskill the workforce and enhance our training services, and have strong links with Toyota, Nissan, Renault, Metrixon, Mantra and more.

## VETASSESS

Established in 1997, VETASSESS is Australia's leading assessment provider. As a Skills Assessing Authority, its services include the provision of skilled migration assessments in general professional occupations for the Australian Government's Department of Home Affairs (formerly the Department of Immigration and Border Protection). As an assessment only registered training organisation, it provides trade skills assessments for the Australian Government's Department of Education and Training. VETASSESS also provides a range of occupational and course entry tests, and consultancy services to governments in Australia and offshore. Its main locations are Melbourne and Perth, and it maintains offices through partnerships in India, China and the Philippines.

As set out in its Strategic Plan 2017-2020, VETASSESS' vision is to be Australia's leading assessment partner of choice. The Strategic Plan sets out three key areas of focus:

- **Deepening** migration support, including strengthening relationships with key stakeholders
- **Diversifying** assessment services through investigating new markets and products
- **Enhancing** capability by increasing the use of data and analytics to inform customer service delivery and actively supporting staff

## eWorks

Established in 1998, eWorks is one of Australia's leading e-learning delivery and consultancy specialists. eWorks offers a range of products and services to help businesses maximise the benefits of using technology to enhance training delivery including:

- Consultancy services to keep abreast of current trends and practices in online delivery
- Interactive and engaging digital course content development
- Learning management solutions (LMS) tailored to the VET sector, including reporting for compliance purposes such as adherence to copyright laws
- Advice regarding the establishment and maintenance of e-learning technical standards and accessibility requirements

eWorks has a strong foundation in servicing the national VET system and government organisations, and prides itself on delivering high-quality, reliable online delivery solutions. In-depth understanding of the VET sector structure and compliance requirements, alongside relationships with key bodies and organisations within the sector, makes eWorks a valuable partner for all training delivery organisations.

## Board and governance

BKI is governed by a Board established under the Education Training and Reform Act 2006. It reports to the Minister for Training and Skills.

The Board is responsible for the corporate governance of BKI, approving its strategic plan, managing its affairs and overseeing its operations in accordance with the Institute's Constitution.

Day-to-day management of BKI is delegated by the Board through the CEO to the Executive Team, managers and employees. Reporting directly to the Board, the CEO is accountable for directing BKI's operations and leading activities to achieve the strategic goals.

In 2017 BKI's Board members were:

Total number = 12

### **Peter Harmsworth AO – (Chair)**

Elected as Chair October 2017

### **Michael Brown**

Resigned October 2017

### **Margaret O'Rourke (Deputy Chair)**

### **Michael McCartney**

### **John Hartigan**

### **Sally-Anne Ross**

### **Joe Ballato**

Commenced July 2017

### **Anne Brosnan**

Commenced October 2017

### **Margaret Salter**

Commenced November 2017

### **Hal Swerissen**

Commenced December 2017

### **Trevor Schwenke (Chief Executive Officer)**

### **Craig Fox**

Resigned April 2017

### **Board and standing committees**

The Board has established the following committees for the purpose of overseeing critical functions:

- Audit and Risk Management Committee
- Finance and Resource Management Committee
- Performance and Remuneration Committee
- Student Record Quality Assurance Committee

Each committee exercises powers and performs functions delegated to it by the Board.

#### **Audit and Risk Management Committee**

The Audit and Risk Management Committee was established by the Board in compliance with standing directions of the Minister for Finance under the Financial Management Act 1994.

The Committee supports the Board in discharging its responsibilities to oversee and advise the Institute on matters of accountability and internal control affecting the operations of the Institute.

The Committee provides independent assurance and advice to the Board that BKI's:

- Statutory accounts have been prepared accurately
- External audit function is operating effectively
- Is meeting its regulatory compliance obligations
- Internal control process and internal audit program are operating effectively
- Risk management program is undertaken and is operating effectively

In 2017 BKI's Audit and Risk Committee members were:

- Joe Hartigan (Chair)
- Peter Harmsworth AO (from November 2017)
- Margaret O'Rourke
- Joe Ballato (from November 2017)
- Craig Fox (resigned April 2017)
- Michael Brown (resigned October 2017)

### **Finance and Resource Management Committee**

The Board has established the Committee to support the Board in discharging its responsibilities to oversee aspects of BKI's activities, and advise the Board on matters of accountability and internal control. The Committee provides independent assurance and advice to the Board that BKI's:

- Financial responsibilities and performance are effectively managed
- Financial risk is being effectively managed within the Institute
- Institute investments and assets are being managed and maintained effectively
- Investment in facilities and assets supports achieving the goals of the Strategic Plan

### **People, Performance and Remuneration Committee**

The People, Performance and Remuneration Committee supports the Board in discharging its responsibilities to oversee aspects of BKI's activities, and advise the Board on matters of accountability and internal control. The Committee provides independent assurance and advice to the Board on:

- Establishing key performance indicators for the assessment of the performance of the CEO
- Assessing the performance of the CEO against established key performance indicators as agreed by the Board, and providing assessments to the Board for their information
- Review of the remuneration of the Executive, and making recommendations on approvals of the remuneration to the Board. An Executive is defined in accordance with GSERP guidelines
- Review succession planning arrangements for the executive, and make recommendations on approvals to the Board
- Provide performance advice and counsel to the CEO
- Provide advice on People Management Strategies and Policies relating to employment of staff



### **Student Record Quality Assurance Committee**

On 8 September 2017, the Higher Education and Skills Group (HESG) of the Department of Education and Training (the Department) advised BKI and addressed significant concerns relating to the veracity of training delivery data reported through the HESG Skills Victoria Training System (SVTS).

The Board resolved to establish this Committee for a fixed term to provide advice and assurances to the Board about plans and actions taken to remediate identified issues with policies, processes and procedures relating to BKI's student enrolment, attendance and record keeping.

BKI has engaged PricewaterhouseCoopers (PwC) to develop a remediation plan and to project manage identified work streams arising from the plan undertaken by BKI. The Committee has been established to provide independent assurances and advice to the Board on, the following, and is for a fixed term, winding up 30 June 2018 unless the Board determines otherwise.

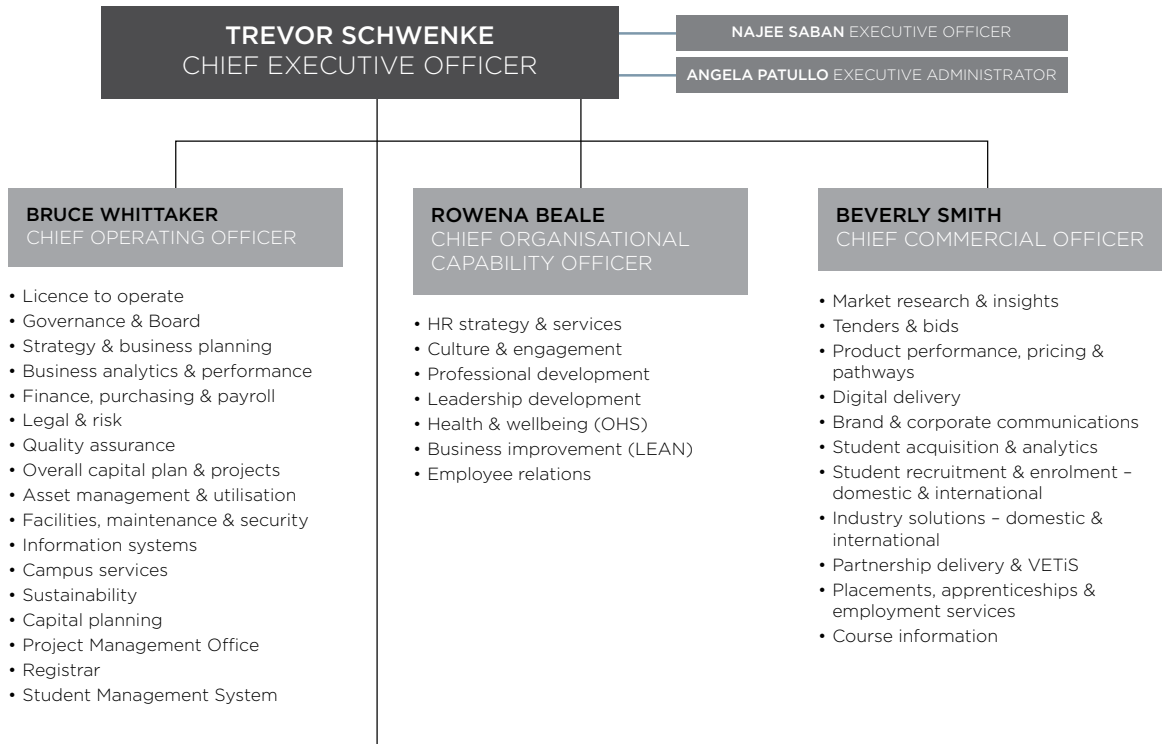
- Planning and project management of the remediation project
- Efficacy and timeliness of work stream team activity
- Monitor engagement of leadership and work teams and advise if the Board needs to change work priorities to ensure the capacity of teams to deliver the agreed remediation plan
- Efficacy of change management approaches
- Development and implementation of professional development of all involved staff
- Reporting of actions taken against all audit and related findings by the Department relating to issues identified about student enrolment, attendance and record keeping
- Monitor the utilisation of consultant services in terms of scope and cost against Board approved terms of engagement
- Communications with the Department in relation to remediation action undertaken and proposed
- Recommendations for longer term remediation changes needed to prevent a recurrence of errors and issues identified by the Department
- Support the CEO to deliver the agreed remediation plan

### BOARD OF DIRECTORS

<p><b>PETER HARMSWORTH AO</b> (elected Chair, October 2017)</p> <p><b>MICHAEL BROWN</b> (Chair, resigned October 2017)</p> <p><b>MARGARET O'ROURKE</b> (Deputy Chair)</p> <p><b>MICHAEL MCCARTNEY</b></p> <p><b>JOHN HARTIGAN</b></p> <p><b>SALLY-ANN ROSS</b></p>	<p><b>JOE BALLATO</b> (commenced July 2017)</p> <p><b>ANNE BROSNAN</b> (commenced October 2017)</p> <p><b>MARGARET SALTER</b> (commenced November 2017)</p> <p><b>TREVOR SCHWENKE</b> (CEO)</p> <p><b>HAL SWERISSEN</b> (commenced December 2017)</p> <p><b>CRAIG FOX</b> (resigned April 2017)</p>
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### AUDIT AND RISK COMMITTEE MEMBERS

<p><b>JOHN HARTIGAN</b> (Chair)</p> <p><b>PETER HARMSWORTH AO</b> (from November 2017)</p> <p><b>MARGARET O'ROURKE</b></p>	<p><b>JOE BALLATO</b> (from November 2017)</p> <p><b>CRAIG FOX</b> (resigned April 2017)</p> <p><b>MICHAEL BROWN</b> (resigned October 2017)</p>
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BENDIGO KANGAN INSTITUTE



**SHARON ROBERTSON**  
EXECUTIVE DIRECTOR  
VETASSESS

Provision of independent assessment services

**LISA WAIT (ACTING)**  
MANAGER  
EWORKS

- Provision of independent eLearning products and consultancy services

**ANGIE TARAS**  
EXECUTIVE DIRECTOR OF STUDIES

- Profit & loss responsibility for learning areas
  - » Professional & Creative
  - » Foundation & Pathways
  - » Corrections Education
  - » Indigenous Education
- Dual sector strategy

**PHILL MURPHY**  
EXECUTIVE DIRECTOR OF STUDIES, AUTO, CONSTRUCTION AND INDUSTRIAL

- Profit & loss responsibility for learning areas
  - » Automotive Centre of Excellence
  - » Construction & industrial

**DONNA ROGERS**  
EXECUTIVE DIRECTOR OF STUDIES, HEALTH & COMMUNITY AND FOOD & FIBRE

- Profit & loss responsibility for learning areas
  - » Food & Fibre Centre of Excellence
  - » Health & Community Centre of Excellence
- Student counselling
- Disability services
- Student activities
- Library
- Graduate employment

STRATEGIC BUSINESS UNITS:  
VETASSESS, EWORKS AND TAFES

## Workforce data

BKI is committed to equal opportunity (including equal employment opportunity) as well as inclusive and fair processes in all human resource management procedures. All policies, procedures and associated documentation are readily accessible to all staff via the staff portals.

## Organisational values and staff code of conduct

BKI actively promotes a values-based culture that benefits the organisation, its employees and external clients.

Our core values are Accountability, Collaboration, Respect, Passion and Client Experience. They provide both a guide for employee behaviour and the framework for fostering a workplace culture that promotes employee engagement and high performance. The year saw a 12 per cent increase in employees' awareness and understanding of the Institute and Public sector values (source: People Matter Survey July 2017).

## Employee Engagement

BKI's participation in the annual People Matter Survey has continued to increase with 60 per cent participation across BKI. The year also saw an increase in Engagement levels across BKI with an overall score of 62 per cent. Our continuous improvement areas of focus for 2018 are leadership, leading change and employee wellbeing.

BKI and its staff comply with the Victorian public sector employment and conduct principles, with staff code of conduct promoted at induction and regularly reinforced through compulsory compliance training. This code is readily accessible to all staff via the staff portals.

## Selection on merit

BKI's recruitment and selection processes are grounded in the application of the principles of merit and equity, relevant award and statutory requirements and best practice public sector approaches.

## Issue resolution

BKI has a staff complaints and grievance procedure in place which gives focus to early intervention and informal resolution wherever practical. Based on the principles of natural justice and procedural fairness, BKI's processes seek to achieve an effective resolution of issues that contribute to improvements in the employer/employee relationship.

Comprehensive policies and procedures addressing legislative requirements in the areas of harassment and discrimination, occupational health and safety and other areas of government policy governing employment terms and conditions are in place and adhered to.

## Professional learning and development

BKI is committed to developing great people who are passionate about our purpose, committed to our vision, engaged in continuous improvement and capable of delivering value to our customers.

In 2017, improvements were made to the way we identify and deliver professional development. A professional development calendar was introduced, and BKI sourced relevant, high quality and highly cost-effective learning solutions. Training and support tools relating to the establishment of PACE (Performance and Career Enhancement Framework) and Development plans were also made available to all staff. BKI also launched a 'Leadership Essentials' development program designed to equip our leaders with the skills to effectively manage their people in line with the Institute and Victorian Public Sector (VPS) values.

In 2018, professional development will focus on building our leadership and change management capability. Training will also be provided to all teachers to ensure they meet their TAE requirements.

## Workforce data for 2017

In 2017 BKI saw a small increase in staff headcount numbers for ongoing staff, with the full-time staff equivalent (FTE) remaining comparable to 2016 figures. Overall FTE increased slightly from 2016 due to an increase in ongoing PACCT staff and fixed term and casual teachers.

The following table details our workforce data for 2017, with all employees classified in line with the directions from the Department of Education and Training.

Workforce data for 2017								
	Ongoing employees				Fixed term and casual		Total	
	Number (Head-count)	Full time (Head-count)	Part time (Head-count)	FTE	Number (Headcount)	FTE	Number (Head-count)	FTE
2017	551	417	134	476	1003	516	1554	991
2016	496	365	131	453	496	449	496	901

	December 2017						December 2016			
	Ongoing		Fixed term and casual		Total		Ongoing		Fixed term and casual	Total
	Number (Head-count)	FTE	Number (Head-count)	FTE	Number (Head-count)	FTE	Number (Head-count)	FTE	FTE	FTE
<b>Gender</b>										
Male executives	4	4			4	22	6	5		
Total Male staff	236	216	400	220	636	436	226	214	185	400
Female executives	8	5			8	3	3	3		
Total Female staff	315	260	603	296	918	556	270	238	263	502
<b>Age</b>										
Under 25	6	6	48	17	54	22	9	8	12	20
25-34	56	50	186	105	242	154	50	47	95	142
35-44	94	80	209	116	303	196	74	66	99	165
45-54	187	161	267	140	454	301	176	165	127	292
55-64	168	149	209	109	377	258	157	144	87	230
Over 64	40	30	84	30	124	60	30	24	29	52
<b>Classification</b>										
Executives	12	9	0	0	12	9	9	8	0	8
Directors	7	5	5	4	12	9	0	0	7	7
Managers	10	9	87	66	97	74	9	9	59	68
Other	0	0	25	10	25	10	0	0	26	26
PACCT 1-8 (includes Casuals)	273	236	408	199	681	436	232	212	169	381
Senior Educator 1-3	38	34	37	30	75	65	37	36	25	61
Teacher 1-5 (including Casuals)	211	182	441	207	652	389	209	187	163	350

**Notes:**

- All figures reflect employment levels for 2017. This is in accordance with the general reporting requirements detailed in FRD22H and FRD29A.
- FTE refers to the full time staff equivalent. FTE has been calculated according to the approach agreed to by all TAFEs on 17 October 2016.
- Ongoing employees are defined as those engaged in an open-ended employment contract and executives engaged on a standard executive contract.
- Number of executives has increased due to turnover of three executives and the conversion of one manager to a standard executive contract.
- Staff on leave without pay, absent on secondment, external contractors/consultants and temporary staff employed by employment agencies have been excluded from the above table.

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# Compliance information

## Compliance with Victorian Government risk management framework

### Risk Management Attestation – 2017

Ministerial Standing Direction 3.7.1 made pursuant to the Financial Management Act 1994 requires agencies to provide a statement of attestation of compliance with the mandatory requirements of the Victorian Government Risk Management Framework, which has been verified by its Audit Committee.

The BKI Audit and Risk Management Committee has considered a statement by the Chief Executive Officer on compliance with the Victorian Government Risk Management Framework, the internal attestation process and independent assessments from Internal Audit. The Chief Executive Officer has stated that for the 2017 financial year BKI has fully complied with insurance requirements and partially complied with the risk management requirements of the Victorian Government Risk Management Framework, due to:

- Failure of the risk management and compliance framework to identify significant non compliances in third party training arrangements
- Failure to achieve compliance with the Department of Education and Training requirements for enrolment and assessment of students
- Risks identified in the risk register remaining above risk appetite and tolerance

The BKI Audit and Risk Management Committee verifies the conclusion reached by the Chief Executive Officer.

BKI is strongly committed to continuous improvement. BKI will continue to review its risk management and compliance framework, to strengthen its approach to managing risk, underpinned by defining clear accountabilities and building a strong integrity culture aimed at effectively mitigating non-compliance. A new three lines of defence risk management model will be developed and implemented to meet this goal.

The necessary remedial actions will continue to be put in place over the course of the next year. On this basis I certify that BKI has partially complied with the mandatory risk management requirements and fully complied with the mandatory insurance requirements of the Victorian Government Risk Management Framework.



**Peter Harmsworth AO**  
Chair of the BKI Board

## Compliance Attestation

I, Peter Harmsworth, on behalf of the Board of Directors certify that BKI has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions except for the following Material Compliance Deficiencies:

- Non-adoption of Australian Standard ISO 19600:2015 Compliance Management Systems – Guidelines in the development, evaluation, maintenance and improvement of effective and responsive compliance management system across all operational activities.
- Establishing a sound governance framework for managing contracts.

The deficiencies arise due to a lack of awareness in some parts of the organisation of compliance obligations, and a failure to monitor some elements of compliance management. I have commissioned a review of our compliance framework, and will implement an effective compliance framework based on ISO 19600:2015 by December 2018.



**Peter Harmsworth AO**  
Chair of the BKI Board

## Freedom of Information

BKI is subject to the provisions of the Freedom of Information (FOI) Act 1982. The Act gives a right of access (subject to exemptions and exceptions) to information held in the form of a document by the Institute.

It is Institute policy to facilitate, subject to privacy and confidentiality provisions, access to information without recourse to the provisions of the Act.

In 2017, the Institute received one application for information under the FOI Act.

### Information available on request

Consistent with the requirements of the Financial Management Act 1994, BKI has prepared material on the following items, details of which are available on request:

- Statement that declarations of pecuniary interests have been duly completed by all relevant officers
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- Publications and where they can be obtained
- Changes in prices, fees, charges, rates and levies
- Details of major external reviews
- Major research and development activities
- Overseas visits undertaken
- Major promotional and marketing activities
- Measures undertaken to improve the occupational health and safety of employees
- Industrial relations issues and details of time lost through industrial accidents and disputes
- Major committees sponsored by the Institute
- Details of all consultancies and contractors

All enquiries should be directed to:

#### Freedom of Information Officer

Bendigo Kangan Institute  
PO Box 170  
Bendigo VIC 3552

### Protected disclosures

The Protected Disclosure Act 2012 encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for disclosed matters to be investigated and rectifying action taken.

BKI has provided guidance on its internal and external websites to encourage and facilitate the making of protected disclosures of improper conduct by its officers and employees.

This procedure notes that protection and support will be made available for people who have made a disclosure. BKI is unable to accept a Protected Disclosure, and will instead refer any Disclosures to the Independent Broad-based Anti-corruption Commission (IBAC).

### Occupational health and safety

BKI is committed to providing a safe, healthy and supportive environment within its premises for working and learning, as well as activities for its students, employees, contractors, visitors and industry partners.

We comply with occupational health and safety (OHS) legislation as a minimum standard and strive to fully integrate health and safety in all aspects of our activities through a process of continuous improvement.

This is accomplished by:

- Complying with applicable health and safety legislation, compliance codes and Australian standards
- Eliminating risks to health and safety; or where elimination is not possible, reducing the risk so far as reasonably practicable
- Setting measurable targets and objectives to monitor and improve health and safety performance
- Providing appropriate information and training for managers, supervisors and employees to enable them to perform their OHS roles and responsibilities
- Allocating adequate resources to effectively implement the health and safety management system
- Reporting, recording and investigating accidents and incidents and acting to prevent reoccurrence
- Ensuring a systematic approach to managing health and safety supported by our OHS model
- Implementing effective arrangements for the consultation of health and safety matters
- Holding all levels of management accountable for the health and safety of employees, students, visitors and industry partners under their management control.

This policy is reviewed annually, or as required, to comply with relevant Legislation and Australian Standards.

## Highlights

In 2017, improvements were made to the way BKI manages WorkCover claims and an early intervention approach to reporting and return to work was implemented successfully.

BKI continued to focus on OHS Compliance improvement relative to Australian Standard AS4801 - Occupational Health and Safety Management Systems (OHSMS), with OHS risk registers, incident management and reporting system, process improvement and mandatory OHS Awareness Training for all employees and leaders implemented. Consultation and employee engagement around OHS and Wellbeing issues continued to be a key area of focus in working to understand and resolve OHS issues as they arose.

## Performance

The following data is based on 2017 with some comparative data utilised from prior years 2016 and 2015 inclusive.

### Reported hazards and incidents

	2017 (*FTE 991)		2016 (*FTE 901)		2015 (*FTE 1010)	
	Reported	Reported per 100 FTE	Reported	Reported per 100 FTE	Reported	Reported per 100 FTE
Lost Time Injury Frequency Rate (LTIFR) *Per 1,000,000 Exposure Hours	0		4.95		12.32	
Hazards/Incidents	135	13.6	121	13.4	111	11
Lost Time Claims	0	0	5	.55	16	1.58

There were 135 reported incidents and hazards recorded in 2017 representing 13.6 reported incident and hazards per 100 full-time equivalent (FTE) staff. There were nil Lost Time Incidents reported during the year, resulting in a final Lost Time Injury Frequency Rate (LTIFR) at 0, down from a reported LTIFR of 4.95 in 2016 and 12.32 in 2015.

### WorkCover claims

	2017			2016			2015		
	Incurred Claims Cost	Number of Claims	Average Claims Cost	Incurred Claims Cost	Number of Claims	Average Claims Cost	Incurred Claims Cost	Number of Claims	Average Claims Cost
Claims *Over Excess	\$1,811,062	4	\$452,765	\$1,308,944	6	\$218,157	\$1,075,382	4	\$67,211

In 2017, no new lost time standard claims (equivalent to 0 claims per 100 FTE staff) were received resulting in no additional incurred cost for Lost Time Claims during 2017.

Workers Compensation Premiums and Claims Costs increased in 2017 in contradiction to the submission of no new Lost Time claims and the proactive claims management focus during 2017. This increase was driven by three factors: a decline in the industry performance rating based on historical performance; an increase in remuneration; and the impact of the liability tail from previous years claims which continued to have an impact.

## Compliance with Carers Recognition Act 2012

The *Carers Recognition Act 2012* outlines a set of principles about the significance of care relationships and specifies obligations for State Government organisations that interact with people in care relationships.

In accordance with the Act, BKI is committed to ensuring all staff and students are aware of and understand its principles, as well as able to reflect the care relationship principles when developing, providing or evaluating support and assistance for those in care relationships.

Relevant measures undertaken across BKI during the year include:

- Staff and student induction sessions highlighting the Act and its principles
- Exposure to and exploration of the Act is incorporated into all direct and online Orientation processes delivered by the Student Engagement and Retention team.
- Information about the Act made available to students presenting or declaring a protected characteristic in line with the Act
- Provision of special consideration to students presenting or declaring a protected characteristic in line with the Act, including but not limited to time consideration, extended due dates, variable end dates for study and managed absenteeism
- Application of the Act addressed via professional network discussions
- Application of related Institute policies that embed the principles of the Act including the leave procedure, children and dependents on campus policy, assessment appeals procedure, privacy policy, staff code of conduct, student welfare conduct and supporting students with a disability policy
- Adaptation of education services, delivery modes and models to accommodate characteristics and cultural identities pursuant to the Act
- Distribution of posters relating to the Act in staff and student common areas

- Promotion and support of the role of the carer through interactions with students and staff, with referrals to appropriate external agencies for support
- Negotiation with local health care providers to establish a connection to the community's carers wellbeing programs embedded in student engagement and retention programs
- Establishment of communication and links to external carer organisations, i.e. Bendigo Health, Dianella Health Services, Bendigo Community Health, Jesuit Social Services, Headspace, Children of Parents with a Mental Illness, Siblings Australia, Careers Victoria, the Department of Health and Human Services' Carers Card Program and Beyond Blue.

### **National competition policy**

BKI provides education and training in a contestable market. BKI and its trading businesses implement a pricing model and policy that is consistent with maintaining commercial competitiveness in the marketplace with competitive neutrality principles outlined in Victoria's competitive neutrality policy.

The pricing policy and approach demonstrates how BKI meets legislative requirements and government guidelines in the determination of prices for the sale of its programs, products and services.

The policy addresses the particular requirements of:

- The national competition policy
- Victorian Government policies on competitive neutrality
- Ministerial directions on fees and charges
- legislation on the introduction of the goods and services tax (GST)
- Guidelines, rulings and interpretations made by the Australian competition and consumer commission on the national competition policy, fair trading and the implementation of GST

### **Compulsory non-academic fees, subscriptions and charges**

BKI charges compulsory non- academic student services fees to support the range of additional services provided to students in addition to the delivery of training and assessment services. Services include additional student support services, amenities, activities and information technology infrastructure.

The 2017 Student services and Amenities fees were calculated on the basis of \$0.40 per student contact hour in government accredited courses, with a maximum fee of \$200 and minimum fee of \$60. Certain exemptions and concessions applied. Courses delivered not on a BKI campus were charged a flat fee of \$60.

In 2017 student services fees generated \$835,722 in revenue.

A number of engagement and support services were provided to students in 2017 and funded by the student services and amenities fees, including but not limited to a number of on-campus events for students, counselling and welfare services, disability support services, student orientation programs, new upgraded library maintenance, upgraded online support portal and student employment centre.

### **Building and maintenance**

BKI ensures that all works requiring building approval are approved and certified by an independent and qualified building surveyor. BKI requires all building practitioners engaged to carry out major works show current registration and insurance before commencing works.

All buildings are maintained to a level of prescribed performance as specified in the essential safety measures maintenance manual. Mandatory periodical checks and tests are undertaken with records of these inspections kept under the requirements and provisions of the Building Act 1993, Building Regulations 2006, Building Code of Australia, Australian standards and other codes, the Minister's guidelines and any subsequent amendments of these.



## Environmental performance and impacts

BKI is committed to being an innovative provider of quality education, training and services while maintaining a strong commitment to an environmentally sustainable future. We ensure that staff and students work together to identify and reduce BKI's environmental impacts, carry out a proactive response to environmental best practices and achieve innovative solutions. This annual report presents our reports on energy use, water use, greenhouse gas emissions, transportation, paper use, waste production and procurement.

### Energy use

The table below charts energy use across BKI's campuses and sites, including associated greenhouse gas emissions. Energy performance has fluctuated throughout the year depending on student term break periods which usher in a reduction of energy use across all sites.

In 2017, BKI continued to replace florescent tubes and hi bay lighting with LED lighting to reduce the amount of light fixtures and energy consumption per unit. BKI also undertook a gradual replacement of all boilers with more economical modular boiler systems. In 2018, BKI will continue to roll out LED lighting in workshops and external areas to reduce overall energy consumption, with targets set to cover at least five areas.

Energy use							
	Electricity				Gas		
	Megajoules	Co2 tonne	Megajoules per FTE	Megajoules per m2 Megajoules	Megajoules	Megajoules per FTE	Megajoules per m2
<b>Bendigo City</b>	4,779,122	1773508	4982	308.1044	3,139,578	3168	196
<b>Broadmeadows</b>	7,608,877	3020252	8040	330.3826	4,578,937	4621	190
<b>BTEC</b>	421,718	161506	449	276.7701	167,701	169	420
<b>Castlemaine</b>	180,911	Not Supplied	174	433.4523	N/A	N/A	N/A
<b>Charleston Road</b>	3,161,149	1078516	2872	241.6644	2,032,959	2051	173
<b>Docklands</b>	6,230,207	2215853	6183	408.1371	4,674,251	4717	311
<b>Echuca</b>	420,680	163	498	204.8193	349,282	352	145
<b>Essendon</b>	965,313	329338	918	340.6598	713,489	720	267
<b>Maryborough</b>	35,538	Not Supplied	29	95.35782	2,644.99	3	9
<b>Richmond</b>	2,727,961	992221	2579	726.7337	1,523,288	1537	433

**Notes:**

- Total energy usage:
  - December calculations for electricity and gas use are calculated using a yearly monthly average due to invoices not being received as yet.
- Total greenhouse gas emissions associated with energy use:
  - Calculations of our greenhouse gas emissions associated with electricity were only available for invoices from April onwards due to the type of invoice received. An average was used for January, February, March and December.
  - No Co2 Information on gas invoices
- FTE figures are based on 991.
- The percentage of electricity purchased as Green Power is not metered at our sites. Moonee Ponds and VETASSESS sites are not included in the report as they are leased spaces. The Maryborough site is sub-leased to Federation University.

## Waste production

- Total units of office waste disposed of by destination (kg per year)
- Units of office waste disposed of per FTE by destination (kg per FTE)
- Recycling rate (% of total waste by weight)

	Total units (kg)	Total units (kg) per FTE	Recycling rate %
<b>Bendigo City</b>	64964	65.55398587	10.31
<b>Broadmeadows</b>	103970	104.9142281	5.21
<b>Castlemaine</b>	1710	1.725529768	1.75
<b>Charleston Road</b>	46250	46.67003027	11.29
<b>Docklands</b>	25393	25.62361251	No Recycle Data
<b>Essendon</b>	10697	10.79414733	2.24
<b>Richmond</b>	22392	22.59535822	4.11

**Notes:**

- No data provided for BTEC, Echuca and Maryborough due to different waste contractors.
- October to December data averaged from quarterly reports.
- Greenhouse gas emissions associated with waste disposal (Tonnes CO2-e).
- No information provided by contractor

• Actions taken to reduce impacts

- BKI are looking to extend the 3 tier office waste system that is currently utilised in the metropolitan campuses onto the regional campuses. This will help in increasing the recycling rate. It will be extended to Bendigo City Building P after construction to begin with and will spread upon the new tender in 2018.

## Water consumption

The table below charts our water consumption across our campuses and sites. In 2018, we will continue to conduct a review of all plumbing purchases to ensure where possible that water saving products are utilised.

	Kilolitres	per FTE
<b>Bendigo City</b>	8223	8.30
<b>Broadmeadows</b>	18685	18.85
<b>BTEC</b>	292	0.29
<b>Castlemaine</b>	44	0.04
<b>Charleston Road</b>	1744	1.76
<b>Docklands</b>	1945	1.96
<b>Echuca</b>	784	0.79
<b>Essendon</b>	655	0.66
<b>Maryborough</b>	21	0.02
<b>Richmond</b>	6668	6.73

**Notes:**

- FTE figures are based on 991
- Moonee Ponds and VETASSESS sites are not included in the report as they are leased spaces. The Maryborough site is sub-leased to Federation University

## Transportation

The table below charts our transportation use across the Institute, including associated greenhouse gas emissions. During the year staff were encouraged to use video conferencing for meetings to reduce vehicle usage. This is in line with across the board upgrades to our video conferencing software and hardware during 2015 and 2016. Encouraging Institute-wide use of video conferencing as an alternative to driving to meetings will continue to be the focus for 2018, with aims to reduce transportation-related Co2 emissions by 2 per cent.

Vehicle type	Distance travelled (km)	Co2 (tonnes)
Car	1730911	353.28
Light Commercial	174476	52.07
Heavy Commercial	6049	3.37
Air Travel Domestic	73041	N/A
Air Travel International	519986	N/A

**Note:**

- Data for total energy consumption and use of public transportation is not available.

## Paper use

In 2017, our total units of A4 equivalent copy paper used was 10,480 reams which is equivalent to 10.58 reams per FTE. The supplier guarantees water, used in manufacturing process of the paper is 95 per cent recycled and is made from certified plantation timber.

BKI actively encourages the reduction of copy paper consumption by continuing with FollowMe across campuses, a printing application requiring all users to manually release jobs at the copier. This eliminates waste caused by jobs being sent to the copier and not collected. The majority of multi-function devices also default to black only and two-sided printing for multiple part print jobs. BKI reports environmental impact of power consumption, colour printing and duplex pages against industry standards monthly. The organisation aims to be within 5 per cent of the industry standards.

## Procurement

BKI aims for sustainable procurement. Consideration of the environmental and social impact from purchase products and services alongside the cost. Sustainable procurement aims to reduce the adverse environmental, social and economic impact of purchased products and services throughout their lifespan.

The intention in 2018 is to review the Procurement Guide to incorporate sustainable procurement thinking into the day to day procurement functions when purchasing goods and services for the institute.

The following Corporate Social Responsibility credentials are currently taken into consideration in the tender evaluation process:

- The company's Corporate Social Responsibility Policies
- Evidence of relevant accreditation, certification and policy
- Environmental and Sustainable initiatives undertaken by organisations

In 2017, BKI continued working alongside Officemax supporting the Tjindarmi range off office products. These products support the Teter Mek Foundation. The Teter Mek foundation provides teaching resources and products to help students discover the rich and diverse culture of our Indigenous communities.

95 per cent use of the Tjindarmi range of A4 paper is High white multipurpose copy paper for copiers. ECF Elemental Chlorine free pulp, bleached without chlorine gas. Bleached with chlorine dioxide. Water used in manufacturing process is 95 per cent recycled Tjindgarmi Multipurpose is made from certified plantation timber.

Procurement continues to drive the replacement of non-green cleaning products to an equivalent environmentally friendly alternative, supporting our occupational health and safety obligations by providing an improved working environment.

## Victorian Industry Participation Policy disclosure

The Victorian Industry Participation Policy requires government departments and agencies to consider competitive local suppliers, including small and medium enterprises, when awarding contracts valued at \$1 million or more in regional Victoria or \$3 million or more in metropolitan Melbourne or for state-wide activities.

There were no disclosures in 2017.

## Overseas and domestic travel

All overseas and domestic travel by employees of BKI during the reporting year were compliant with the Victorian Public Service Travel Policy updated November 2017 by the Department of Treasury and Finance.

## Overseas operations

This section outlines BKI's 2017 overseas activities and performance undertaken by our international services department and VETASSESS, which functions as a separate commercial arm.

BKI's international services department's 2017 overseas operations included the design and delivery of accredited and non-accredited programs in China, India and Australia.

In 2017, the number of international students were:

On shore: 350  
Off shore: 236

Expanding our footprint in China through partnerships was a focus in 2017.

During the year our staff visited China, India, Malaysia, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam to support international student's recruitment activities to meet set targets. The biggest market for student recruitment in 2017 was South Korea. Our CEO travelled to China to sign a number of transnational agreements and attend graduations of our students at our partner institutes in China.

BKI will also partner with key government, industry, community and learner stakeholders to expand profitable international automotive education in India. The current project that is led by the Government of Gujarat, India and Maruti Suzuki has commenced construction of the I-ACE in Ahmedabad with delivery planned for late 2018. BKI's Automotive Centre

of Excellence (ACE) is acting as an advisor in the building project and will be the delivery partner as programs commence.

BKI made \$4.9 million in revenue in 2017 from its international operations (not including VETASSESS).

During the year BKI also secured a number of student mobility tenders such as the Asia Bound Grants to Taiwan, Indonesia and Japan. Student mobility grants provide our domestic students with an opportunity to experience new cultures and improve their understanding of the parallels and differences in education and training methodologies.

VETASSESS' overseas activities primarily involve the provision of skilled migration assessments for the Australian Government's Departments of Home Affairs (formerly Immigration and Border Protection) and Department of Education and Training).

VETASSESS is:

- A gazetted Assessing Authority for skills migration assessments for general professional occupations
- A provider of trades skills assessments for the Overseas Skills Assessment Program and 457 Visa program

In 2017, the total revenue generated by VETASSESS' international activity was approximately \$25.2 million, a 28 per cent growth compared to 2016. This calculation includes both onshore and offshore revenue as separate records are not available.

In the provision of assessments for general professional occupations, VETASSESS completed a total of 19,231 skills assessments covering about 350 occupations. This was a 25 per cent increase in completed skills assessment applications compared to 2016.

In the area of skilled trades, VETASSESS completed 2,719 assessments in 2017, a 27 per cent increase compared to the 2016 result. The assessments were conducted for applicants from 14 countries and covered 27 trade occupations.

2017 highlights included:

- Comprehensive response to changes implemented by the Australian Government to skilled migration visa arrangements. The changes included a restructure of the lists of skilled occupations in demand, and changes to the range of occupations for which VETASSESS is the gazetted Assessing Authority
- Implemented Priority Processing for applicants seeking a skilled migration assessment in a general professional occupation, whereby eligible applicants are guaranteed an outcome within ten working days
- Commenced a project for the Government of Saudi Arabia's Technical and Vocational Training Commission to modernise their vocational educational training system
- Established a VETASSESS office in Shanghai, Peoples' Republic of China

**Nature of strategic and operational risks**

BKI recognises the inherent risks associated with international activity, particularly in relation to the quality of product delivery, the integrity of assessment services provided and the safety of staff travelling. These risks have been identified within the Institute's risk management plan.

**Strategies established to manage risks**

In accordance with Australian Skills Quality Authority's (ASQA) quality measures, BKI's Risk Management Plan outlines specific strategies to mitigate risk in identified areas. The results of each strategy are monitored and approaches adjusted on a yearly basis.

Strategies employed by our international services department to mitigate risks include:

- Rigorous due diligence of all new business opportunities
- Upfront payment clauses and partnering with reputable institutes
- Overseeing and auditing offshore activities while regularly gaining local intelligence

Additional strategies employed by VETASSESS include:

- Maintaining certification against the International Standards Organisation (ISO) quality standards (ISO 9001:2008)
- Verification reviews of assessment outcomes in general, professional occupations

## Major commercial activities

There were no major commercial activities for the 2017 reporting period.

## Advertising expenditure

This section details BKI's government advertising expenditure in 2017 for campaigns with a media spend of \$100,000 or greater. Calculations exclude GST.

Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure	Creative and campaign development expenditure	Research and evaluation expenditure	Print and collateral expenditure	Other campaign expenditure
Semester 1 January - April advertising campaign	This campaign aimed to meet our student enrolment and student retention goals for semester 1, 2017. The campaign also aimed to boost awareness of the Kangan Institute and Bendigo TAFE brands and increase student applications.	January-March 2017	\$950,000	In-house	Based on past learnings and MAMS agency recommendations	N/A	N/A
Mid-year and open day advertising campaign	This semester 2 campaign aimed to drive May-August enrolments for all courses with 2017 a mid-year intake, as well as to raise awareness of BKI.	April - August 2017	\$600,000	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
End of year advertising campaign	To drive awareness and enrolments for Semester 1 2018 intake.	September - December 2017	\$450,000	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
<b>Total spend</b>			<b>\$2,000,000</b>				

### Consultancies expenditure

BKI engages consultants for services for which the Institute does not have the required specialist skills. The total consultancy costs incurred during 2017 was \$4.9 million (excl. GST).

There were 33 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017 in relation to these consultancies was \$157,470 (excl. GST).

There were 25 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017 in relation to these consultancies is \$4,745,713 (excl. GST).

Details about these consultancies are publicly available on the Bendigo TAFE and Kangan Institute websites.

### Information communication technology expenditure

Continued enhancement of our digital platforms is a key focus for BKI. In 2017, BKI invested \$8 million on information communication technology (ICT). The breakdown of the expenditure is outlined in the following table.

Business and usual ICT expenditure (\$)	Non-business as usual ICT expenditure (\$)	Operational expenditure (\$)	Capital expenditure (\$)
\$5.9m	\$3.95m	\$1.95m	\$2.1m

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# Financial report

## How this report is structured

Bendigo Kangan Institute ("the TAFE") has presented its audited general purpose financial statements for the financial year ended 31 December 2017 in the following structure to provide users with the information about the TAFE's stewardship of resources entrusted to it.

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**Independent Auditor's Report**

To the Board of the Bendigo Kangan Institute

**Opinion** I have audited the financial report of the Bendigo Kangan Institute (the institute) which comprises the:

- balance sheet as at 31 December 2017
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including a summary of significant accounting policies
- declaration by the Board Chair, Chief Executive Officer and Chief Finance and Accounting Officer.

In my opinion the financial report presents fairly, in all material respects, the financial position of the institute as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the institute in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Board's responsibilities for the financial report** The Board of the institute is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the institute's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000  
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, 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 my 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.
- 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 institute's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the institute to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Charlotte Jeffries  
as delegate for the Auditor-General of Victoria

MELBOURNE  
23 March 2018



## FINANCIAL REPORT FOR YEAR ENDED 31 DECEMBER 2017

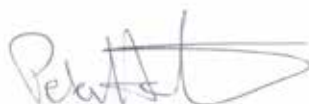
**Declaration by the Board Chair  
Chief Executive Officer and  
Chief Finance and Accounting Officer**

We certify that the attached financial statements for Bendigo Kangan Institute have been prepared in accordance with the Standing Directions of the Financial Management Act 1994, applicable Financial Reporting Directions issued under that legislation, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial report, presents fairly the financial transactions during the year ended 31 December 2017 and financial position of the Institute as at 31 December 2017.

At the date of signing this financial report, we are not aware of any circumstance that would render any particulars included in the financial report to be misleading or inaccurate. There are reasonable grounds to believe that the Institute will be able to pay its debts as and when they became due and payable.

The Board Chair and the Chief Executive Officer sign this declaration as delegates of, and in accordance with a resolution of, the Board of Bendigo Kangan Institute.



Peter Hamsworth AO  
Board Chair  
Date: 22.3.18  
Place: SANDEGEMAN



Joseph Santiago  
Chief Finance and  
Accounting Officer  
(Acting)  
Date: 20/3/18  
Place: RICHMOND



Trevor Schwenke  
Chief Executive officer  
Date: 20/3/18  
Place: RICHMOND

**Bendigo Kangan Institute**  
PO Box 170, Bendigo VIC 3552 | Private Bag 289, Somerton VIC 3082

ABN 74 602 942 000 | Trading as Bendigo TAFE and Kangan Institute RTO No 3077 CRICOS Provider No. 01219G

BENDIGO KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

## Comprehensive operating statement

	Note	2017 \$'000	2016 \$'000
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Government contributions - operating	2.1	82,659	58,387
Government contributions - capital	2.1	9,399	22,640
Fees and charges	2.2	72,194	57,060
Interest income	4.3	1,606	2,023
Other income	2.3	1,336	773
<b>Total income from transactions</b>		<b>167,194</b>	<b>140,883</b>
<b>Expenses from transactions</b>			
Employee benefits	3.1	96,811	84,595
Depreciation, amortisation and impairment	4.1	13,384	9,054
Supplies and services	3.3	30,769	30,744
Other operating expenses	3.5	15,533	12,879
<b>Total expenses from transactions</b>		<b>156,497</b>	<b>137,272</b>
<b>Net result from transactions</b>		<b>10,697</b>	<b>3,611</b>
<b>Other economic flows included in net result</b>			
Net gain on disposal of non-financial assets	4.1	82	556
Net gain loss on financial instruments	5.2	(2,685)	(223)
Other gains/(losses) from other economic flows	9.1	52	(104)
<b>Total other economic flows included in net result</b>		<b>(2,551)</b>	<b>229</b>
<b>Net result from continuing operations</b>		<b>8,146</b>	<b>3,840</b>
<b>Net result</b>		<b>8,146</b>	<b>3,840</b>
<b>Other economic flows - other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus	9.2	76,926	11,897
<b>Comprehensive result</b>		<b>85,072</b>	<b>15,737</b>

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

BENDIGO KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

## Balance sheet

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	6.1	52,777	67,455
Receivables	5.2	23,158	12,598
Investments and other financial assets	4.3	22,000	10,000
<b>Total financial assets</b>		<b>97,935</b>	<b>90,053</b>
<b>Non-financial assets</b>			
Inventories	5.1	395	432
Prepayments	5.3	1,682	1,454
Property, plant and equipment	4.1	354,822	265,204
Intangible assets	4.2	1,860	4,427
<b>Total non-financial assets</b>		<b>358,759</b>	<b>271,517</b>
<b>Total assets</b>		<b>456,694</b>	<b>361,570</b>
<b>Liabilities</b>			
Payables	5.4	24,848	14,175
Employee provisions	3.1	14,554	14,272
Other provisions	5.6	306	1,097
Other liabilities	5.5	3,022	3,134
<b>Total liabilities</b>		<b>42,730</b>	<b>32,678</b>
<b>Net assets</b>		<b>413,964</b>	<b>328,892</b>
<b>Equity</b>			
Contributed capital	6.2	246,762	246,762
Accumulated surplus		32,277	24,131
Physical asset revaluation surplus	9.2	134,925	57,999
<b>Net worth</b>		<b>413,964</b>	<b>328,892</b>

The balance sheet should be read in conjunction with the notes to the financial statements.

BENDIGO KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

## Statement of changes in equity

	Physical asset revaluation surplus \$'000	Accumulated surplus \$'000	Contributions by owner \$'000	Total \$'000
<b>At 1 January 2016</b>	46,102	20,291	246,762	313,155
Net result for the year	-	3,840	-	3,840
Other economic flows - other comprehensive income	11,897	-	-	11,897
<b>Year ended 31 December 2016</b>	<b>57,999</b>	<b>24,131</b>	<b>246,762</b>	<b>328,892</b>
Net result for the year	-	8,146	-	8,146
Other economic flows - other comprehensive income	76,926			76,926
<b>Year ended 31 December 2017</b>	<b>134,925</b>	<b>32,277</b>	<b>246,762</b>	<b>413,964</b>

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

BENDIGO KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

## Cash flow statement

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government contributions - operating		81,444	59,049
Government contributions - capital		9,549	22,640
User fees and charges received		68,655	56,574
Goods and services tax recovered		797	937
Interest received		1,440	2,023
Other receipts		1,448	2,193
<b>Total receipts</b>		<b>163,333</b>	<b>143,416</b>
<b>Payments</b>			
Payments to suppliers and employees		(140,338)	(134,439)
Goods and services tax paid		(2,135)	(2,031)
<b>Total payments</b>		<b>(142,473)</b>	<b>(136,470)</b>
<b>Net cash flows from operating activities</b>	<b>6.1</b>	<b>20,860</b>	<b>6,946</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(17,000)	(5,000)
Proceeds from sale of investments		5,000	21,092
Purchase of non-financial assets		(23,517)	(4,813)
Proceeds from sale of non-financial assets		90	630
<b>Net cash (used in) / provided by investing activities</b>		<b>(35,427)</b>	<b>11,909</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings (net)		(112)	(141)
<b>Net cash used in financing activities</b>		<b>(112)</b>	<b>(141)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14,678)</b>	<b>18,714</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>67,455</b>	<b>48,741</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6.1</b>	<b>52,777</b>	<b>67,455</b>

The cash flow statement should be read in conjunction with the notes to the financial statements.

BENDIGO KANGAN INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 01 About this report

Bendigo Kangan Institute ("the TAFE") is established by the Victorian Government under the Education and Training Reform Act 2006 Section 3.1.12 4(a).

Its registered office and principal address is:  
Bendigo Kangan Institute  
62-104 Charleston Road  
Bendigo, VIC 3550

### 1.1 Basis of preparation

These financial statements are presented in Australian dollars, the functional and presentation currency of the TAFE, and have been prepared in accordance with the historical cost convention unless a different measurement basis is specifically disclosed in notes associated with the item measured on that different basis. Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements made by management in the application of Australian Accounting Standards (AAS) that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 7.3); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to note 3.1).

These financial statements cover BKI as an individual reporting entity and include all the controlled activities of the TAFE.

### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign currency translation differences are recognised in Comprehensive Operating Statement, in the period in which they arise.

### Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

### Basis of consolidation

In accordance with AASB 10 Consolidated Financial Statements, control exist when an entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The name of the controlled entity is: John Batman Consultancy and Training Pty Ltd., Australian Company Number 075 726 439. The company was originally established by the former John Batman Institute of TAFE on 23 September 1996 and has not traded to date. The Institute's shareholding, valued at cost was \$2. The financial statements have not previously been consolidated as the transactions and balances of the controlled entity have no impact on the Institute's financial statements. In January 2017 ASIC approved the voluntary deregistration of John Batman Consultancy & Training Pty Ltd.

BENDIGO KANGAN INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 1.1 Basis of preparation (continued)

### Funding risk

Funding risk is the risk of over reliance on a particular funding source to the extent that a change in that funding source could impact on the operating results of the current year and future years.

The TAFE has substantial economic dependency on Government operating and capital contributions.

The TAFE manages funding risk by continuing to diversify and increased funding from commercial activities, both domestically and offshore.

There has been no significant change in the TAFE's exposure, or its objectives, policies and processes for managing funding risk or the methods used to measure this risk from the previous reporting period.

### Comparative information

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## 1.2 Compliance information

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable AAS which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 Whole of Government and General Government Sector Financial Reporting.

For the purposes of preparing financial statements, the TAFE is classed as a not-for-profit entity. Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related accounting balance or financial statement matter is disclosed.

BENDIGO KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

## 02 How we raised our funds

### Introduction

The TAFE's overall objective is to provide quality further education and training services through Victoria. This section provide disclosures on how the TAFE raised its funds to fulfil its objectives. The TAFE receive contributions from the State Government, and from other fees and charges.

### Structure

2.1 Government contributions

2.2 Fees and charges

2.3 Other income

<b>2.1 Government Contributions</b>		
	2017	2016
	\$'000	\$'000
<b>Grants and other transfers</b>		
State government - contestable	64,026	46,765
State government - other contributions	18,633	11,622
<b>Total Government contributions- operating</b>	<b>82,659</b>	<b>58,387</b>
State-capital	9,399	22,640
<b>Total Government contributions - capital</b>	<b>9,399</b>	<b>22,640</b>
<b>Total Government contributions</b>	<b>92,058</b>	<b>81,027</b>

**Government contributions** are recognised as revenue in the period when the following conditions are met: the TAFE obtains control of the contributions or the right to receive the contribution, the economic benefits comprising the contribution will flow to the TAFE and the amount of the contribution can be measured reliably.

During the current year, the TAFE received additional \$12 million government contribution to support certain unique costs it faces as a public provider, to support it to deliver on its distinct role.



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## 2.2 Fees and charges

The TAFE experienced growth in its overall operations as compared the 2016 financial year.

	2017	2016
	\$'000	\$'000
Student fees and charges	16,822	9,512
Fee for service - government	13,199	10,750
Fee for service - international operations - onshore	3,818	4,283
Fee for service - international operations - offshore	6,856	5,457
Fee for service - other	29,362	25,187
<b>Other non-course fees and charges</b>		
Sale of goods	2,137	1,871
<b>Total fees and charges</b>	<b>72,194</b>	<b>57,060</b>

### Student fees and charges

Student fees and charges revenue is recognised by reference to the percentage completion of education and training services provided. Where student fees and charges revenue has been clearly received in respect of courses or programs to be delivered in the following year, any non-refundable portion of the fees are treated as revenue in the year of receipt and the balance as revenue in advance.

### Fee for service

Fee for service revenue is recognised by reference to the percentage completion of each contract, i.e. in the reporting period in which the services are rendered. Where fee for service revenue of a reciprocal nature has been clearly received in respect of programs or services to be delivered in the following year, such amounts are disclosed as revenue in advance.

## 2.3 Other income

The TAFE receives rental income for certain land and buildings leased out when the buildings are excess to the current requirement.

	2017	2016
	\$'000	\$'000
Rental income	756	602
Donations, bequests and contributions	107	339
Other revenue	473	(168)
<b>Total other income</b>	<b>1,336</b>	<b>773</b>

### Rental income

Rental income is recognised on a time proportional basis and is brought to account when the TAFE's right to receive the rental is established.

### Donations bequests and contribution

Donations, bequests and contributions are recognised when received and the amount can be measured reliably.

### Other income

Other income includes income from car park, salon, bakery etc.  
 Other income is recognised when the TAFE's right to receive payment is established.

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## 03 How we expended our funds

### Introduction

This section provides details of how the TAFE expended its funds in delivering its services. In the previous section the funds that enable the provision of services were disclosed and in this note the cost associated with provision of the services are disclosed.

### Structure

- 3.1 Employee benefits
- 3.2 Superannuation
- 3.3 Supplies and services
- 3.4 Operating lease payments
- 3.5 Other operating expenses

### 3.1 Employee benefits

#### Employee benefits in the comprehensive operating statement

	2017	2016
	\$'000	\$'000
<b>Expense</b>		
Salaries, wages, overtime and allowances	74,989	67,542
Superannuation	7,417	6,706
Payroll tax	4,363	3,667
Worker's compensation	952	440
Long service leave	1,816	808
Annual leave	6,319	4,665
Termination benefits	183	558
Other	772	209
<b>Total employee benefits</b>	<b>96,811</b>	<b>84,595</b>

Employee expenses include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums. Superannuation disclosed above are employer contributions that are paid or payable during the reporting period.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The TAFE recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

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### 3.1 Employee benefits (continued)

#### Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

	2017	2016
	\$'000	\$'000
<b>Current provisions</b>		
<b>Employee benefits - Annual leave</b>		
Unconditional and expected to wholly settle within 12 months	3,307	3,588
Unconditional and expected to wholly settle after 12 months	419	388
<b>Employee benefits - Long service leave</b>		
Unconditional and expected to wholly settle within 12 months	2,039	2,016
Unconditional and expected to wholly settle after 12 months	5,681	5,336
<b>Employee benefits - Other</b>		
Unconditional and expected to wholly settle within 12 months	-	-
<b>Provisions for on-costs</b>		
Unconditional and expected to wholly settle within 12 months	272	489
Unconditional and expected to wholly settle after 12 months	1,124	871
<b>Total current provisions for employee benefits</b>	<b>12,842</b>	<b>12,688</b>
<b>Non-current provisions</b>		
Employee benefits	1,473	1,366
Employee benefits on-costs	239	218
<b>Total non-current provisions</b>	<b>1,712</b>	<b>1,584</b>
<b>Total employee provisions</b>	<b>14,554</b>	<b>14,272</b>
<b>Reconciliation of movements in provision</b>		
<b>Carrying amount at the start of the year</b>		<b>14,272</b>
Additional provisions recognised		1,489
Additions due to transfer in		-
Reductions arising from payments/other sacrifices of future economic benefits		(1,155)
Unwind of discount and effect of changes in the discount rate		(52)
<b>Carrying amount at the end of the year</b>		<b>14,554</b>

#### Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits annual leave all recognised in the provision for employee benefits as 'current liabilities', because the TAFE does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, and annual leave are measured at:

- undiscounted value - if the TAFE expects to wholly settle within 12 months; or
- present value - if the TAFE does not expect to wholly settle within 12 months.

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## 03 How we expended our funds

### 3.1 Employee benefits (continued)

**Unconditional LSL** is disclosed in the notes to the financial statements as a current liability, even where the TAFE does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of the current LSL liability are measured at:

- nominal value (undiscounted value) – component that is expected to be wholly settled within 12 months; and
- present value (discounted value) – component that is not expected to be wholly settled within 12 months.

**Conditional LSL** is disclosed a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest for which it is then recognised as an other economic flow. The discount rate applied is as advised by the Minister of Finance.

**Provision for on-costs** such as payroll tax, workers compensation and superannuation are recognised separately from the provision of employee benefits.

### 3.2 Superannuation

Employees of the TAFE are entitled to receive superannuation benefits and the TAFE contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

TAFE does not recognise any defined benefit liabilities in respect of the plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of the TAFE. The name and details of the major employee superannuation funds and contributions made by TAFE are as follows:

	2017	2016
	\$'000	\$'000
<b>Paid Contribution for the Year</b>		
<b>Defined benefit plans:</b>		
State Superannuation Fund - revised and new	190	240
<b>Defined contribution plans:</b>		
VicSuper	3,844	2,815
Other	3,435	2,071
<b>Total paid contribution for the year</b>	<b>7,469</b>	<b>5,126</b>
<b>Contribution outstanding at year end</b>		
<b>Defined benefit plans:</b>		
State Superannuation Fund - revised and new	-	-
<b>Defined contribution plans:</b>		
VicSuper	-	-
Other	-	-
<b>Total contribution outstanding at year end</b>	<b>-</b>	<b>-</b>

#### Defined contribution plans

Contributions to defined contribution plans are expensed when they become payable.

#### Defined benefit plans

The expenses recognised represents the contributions made by TAFE to the superannuation plan in respect of current services of current TAFE staff which are based on the relevant rules of each plan.

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### 3.3 Supplies and services

	Note	2017 \$'000	2016 \$'000
Purchase of supplies and consumables		5,588	4,329
Communication expenses		2,732	3,046
Contract and other services		18,856	20,263
Cost of goods sold/distributed (ancillary trading)		846	805
Building repairs and maintenance		1,381	1,154
Operating lease payments	3.4	564	615
Fees and charges		801	532
<b>Total supplies and services</b>		<b>30,769</b>	<b>30,744</b>

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

#### Other expenditure commitments

Commitments for maintenance services in existence at reporting date but not recognised as liabilities

#### Payable:

Within one year		2,936	3,374
Later than one year but not later than five years		331	2,415
<b>Total other expenditure commitments</b>		<b>3,267</b>	<b>5,789</b>
GST reclaimable on the above		297	526
<b>Net operating expenditure commitments</b>		<b>2,970</b>	<b>5,263</b>

### 3.4 Operating lease payments

	2017 \$'000	2016 \$'000
Operating lease rental expenses	564	615

#### Non-cancellable operating lease commitments payable

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

#### Payable:

Within one year	1,514	1,840
Later than one year but not later than five years	716	2,467
<b>Total operating lease commitments</b>	<b>2,230</b>	<b>4,307</b>
GST reclaimable on the above	(203)	(391)
<b>Net operating lease commitments</b>	<b>2,027</b>	<b>3,916</b>

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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## 04 The assets we invested in

### 3.5 Other operating expenses

	2017	2016
	\$'000	\$'000
Marketing and promotional expenses	4,650	2,968
Occupancy expenses	4,529	3,561
Audit fees and services	252	98
Staff development	334	466
Travel and motor vehicle expenses	1,611	1,621
Bad debts from transactions	-	11
Grants and other transfers	2,715	2,050
Equipment below capitalisation threshold	674	986
Other equipment repairs and maintenance	-	698
Other	768	420
<b>Total other operating expenses</b>	<b>15,533</b>	<b>12,879</b>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debt expense from transactions that are mutually agreed.

Other operating expenses are recognised as when they are incurred and reported in the financial year to which they relate to.

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### Introduction

The previous section included costs incurred by the TAFE provide further education. This section includes infrastructure and other resources controlled by the TAFE which are utilised to make further education possible in Victoria.

### Structure:

- 4.1 Property, plant and equipment
- 4.2 Intangible assets
- 4.3 Investments and other financial assets

#### *Significant judgement: Classification of investments as 'key assets'*

The TAFE has made the judgement that investments (including investments in associates and joint ventures) are key assets utilised to support the TAFE's objectives and outputs.

#### *Fair value measurement*

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

### 4.1 Property, plant and equipment

In accordance with government purpose classifications, the TAFE's property, plant and equipment are assets used for the purpose of education. Property, plant & equipment includes all operational assets.

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	106,887	71,399	-	-	106,887	71,399
Buildings	239,320	210,305	-	(25,928)	239,320	184,377
Construction in progress	23	1,390	-	-	23	1,390
Plant and equipment	36,220	33,677	(28,251)	(26,587)	7,969	7,090
Motor vehicles	2,367	2,658	(2,136)	(2,212)	231	446
Leasehold improvements	506	506	(305)	(279)	201	227
Library	1,983	1,983	(1,792)	(1,708)	191	275
Net carrying amount	<b>387,306</b>	<b>321,918</b>	<b>(32,484)</b>	<b>(56,714)</b>	<b>354,822</b>	<b>265,204</b>

#### Initial recognition

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of a leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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## 04 The assets we invested in

### 4.1 Property, plant and equipment (continued)

#### Subsequent measurement

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants.

For the majority of the TAFE's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation.

The fair value of plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost.

#### Revaluations of non-financial physical assets

Non-current physical assets measured at fair value are revalued in accordance with Financial Reporting Directions (FRDs) issued by the Minister for Finance.

Refer to Note 7.3 for additional information on fair value determination of property, plant and equipment.

Depreciation and impairment	2017	2016
	\$'000	\$'000
Buildings	6,615	6,595
Plant and equipment	1,671	1,564
Motor vehicles	246	315
Library collections	85	109
Leasehold improvements	25	24
<b>Total depreciation</b>	<b>8,642</b>	<b>8,607</b>
<b>Amortisation and impairment of intangible assets</b>		
Software - amortisation	672	447
Software - impairment	4,069	-
<b>Total depreciation and impairment</b>	<b>13,384</b>	<b>9,054</b>

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

#### Depreciation methods and rates used for each class of depreciable assets are:

Class of assets	Useful Life
Buildings	40 - 50 years (2016: 40 - 50 years)
Plant and Equipment	3 - 10 years (2016: 3 - 10 years)
Motor Vehicles	5 - 10 years (2016: 5 - 10 years)
Library collections	5 years (2016: 5 years)
Leasehold Improvements	30 - 50 years (2016: 30 - 50 years)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.



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#### 4.1 Property, plant and equipment (continued)

##### Impairment

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

<b>Gain/loss on property, plant and equipment</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net gain on disposal of property, plant and equipment</b>	<b>82</b>	<b>556</b>

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

Any gain or loss on disposal of nonfinancial assets is recognised at the date control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at the time.

##### Reconciliation of movements in carrying amount of property, plant and equipment

	Land		Buildings		Construction of assets in progress		Plant and equipment		Motor vehicles		Leasehold improvements		Library		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance	71,399	59,502	184,377	190,345	1,390	229	7,090	7,243	446	737	227	252	275	315	265,204	258,623
Additions	-	-	18,752	-	-	2,685	2,550	114	39	37	-	-	-	69	21,341	2,905
Revaluations	35,488	11,897	41,439	-	-	-	-	-	-	-	-	-	-	-	76,927	11,897
Disposals	-	-	-	-	-	-	-	-	(8)	(14)	-	-	-	-	(8)	(14)
Depreciation write-back	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	400
Transfers	-	-	1,367	627	(1,367)	(1,524)	-	897	-	-	-	-	-	-	-	-
Depreciation	-	-	(6,615)	(6,595)	-	-	(1,671)	(1,564)	(246)	(314)	(25)	(25)	(85)	(109)	(8,642)	(8,607)
<b>Closing balance</b>	<b>106,887</b>	<b>71,399</b>	<b>239,320</b>	<b>184,377</b>	<b>23</b>	<b>1,390</b>	<b>7,969</b>	<b>7,090</b>	<b>231</b>	<b>446</b>	<b>202</b>	<b>227</b>	<b>190</b>	<b>275</b>	<b>354,822</b>	<b>265,204</b>

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## 04 The assets we invested in

### 4.1 Property, plant and equipment (continued)

#### Capital commitments

	2017	2016
	\$'000	\$'000
<b>Payable:</b>		
Within one year	1,426	-
Later than one year but not later than five years	-	-
<b>Total capital expenditure commitments</b>	<b>1,426</b>	<b>-</b>
GST reclaimable on the above	(142)	-
<b>Net capital expenditure commitments</b>	<b>1,284</b>	<b>-</b>

These capital commitments are recorded at their nominal value and inclusive of GST.

### 4.2 Intangible assets

TAFE has capitalised software development expenditure for the implementation and upgrade of its Banner student management system. During the year an impairment assessment was performed on the Banner system and an impairment charge of \$3.6m was recognised. The impairment conclusion was based on the finding that current Banner developments cannot meet the requirements of the Institute. Future developments are planned to further enhance Banner. The current net book value of Banner software, which represents the licence costs with infinite useful life, is \$1 million.

TAFE has also capitalised software development expenditure in relation to its online learning modules and the new payroll system implemented in 2017. As per the annual impairment assessment, the online learning modules were fully impaired as these modules have no future economic benefits to the TAFE. The carrying amount of the capitalised Payroll system (HRIS) is \$0.8 million (2016: \$Nil). Its useful life is 5 years.

	2017	2016
	\$'000	\$'000
<b>Software</b>		
Opening balance	4,427	4,350
Additions from internal developments	2,175	524
Amortisation	(672)	(447)
Impairment	(4,069)	-
<b>Closing balance</b>	<b>1,860</b>	<b>4,427</b>

#### Initial recognition

Purchased intangible assets are initially recognised at cost. When recognition criteria AASB 138 Intangible Assets are met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### Subsequent measurement

Intangible assets with finite lives are amortised on a straight line basis over their useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

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#### 4.2 Intangible assets (continued)

##### Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Comprehensive Operating Statement.

#### 4.3 Investments and other financial assets

	2017	2016
	\$'000	\$'000
Current investment and other financial assets		
Term deposits > three months	22,000	10,000
<b>Total investments and other financial assets</b>	<b>22,000</b>	<b>10,000</b>

There are no past due nor impaired investments and other financial assets.

##### Interest income

	2017	2016
	\$'000	\$'000
Interest income on term deposit	1,606	2,023
<b>Total interest income</b>	<b>1,606</b>	<b>2,023</b>

**Interest income** includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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## 05 Balances from operations

### Introduction

This section sets out those assets and liabilities that arose from the TAFE's operations.

### Structure:

- 5.1 Inventories
- 5.2 Receivables
- 5.3 Prepayments
- 5.4 Payables
- 5.5 Other liabilities
- 5.6 Other provisions

### 5.1 Inventories

	2017	2016
	\$'000	\$'000
Supplies and consumables - at cost	395	432
<b>Total inventories</b>	<b>395</b>	<b>432</b>

Inventories include goods and other property held either for sale or for distribution at a zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held-for-distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Cost, includes an appropriate portion of fixed and variable overhead expenses. Cost for all inventory is measured on the basis of weighted average cost.

The basis used in assessing loss of service potential for inventories held-for-distribution includes current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

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<b>5.2 Receivables</b>		
	2017	2016
	\$'000	\$'000
<b>Contractual</b>		
Sale of goods and services	15,173	5,195
Provision for doubtful contractual receivables	(3,888)	(1,308)
Other receivables	66	305
Revenue receivable	10,752	8,406
<b>Total contractual</b>	<b>22,103</b>	<b>12,598</b>
<b>Statutory</b>		
Amount receivable from Victorian Government	-	-
GST input tax credit recoverable	1,055	-
Other receivables	-	-
<b>Total receivables</b>	<b>23,158</b>	<b>12,598</b>
Represented by		
<b>Current receivables</b>	<b>23,158</b>	<b>12,598</b>
<b>Non-current receivables</b>	<b>-</b>	<b>-</b>
<b>Receivables</b> consist of:		
<ul style="list-style-type: none"> <li>• statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and</li> <li>• contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables.</li> </ul>		
Receivables are stated inclusive of the amount of GST receivable. Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.		
Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.		
<b>Doubtful debts</b>		
Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.		
A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.		
Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.		

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## 05 Balances from operations

<b>5.2 Receivables (continued)</b>						
<b>Movement in the provision for doubtful contractual receivables</b>			<b>2017</b>	<b>2016</b>		
			<b>\$'000</b>	<b>\$'000</b>		
Balance at the beginning of the year			(1,308)	(1,085)		
Reversal of unused provision recognised in net result			105	-		
Increase in provision recognised in net result			(2,685)	(223)		
Reversal of provision for uncollectable receivables written off during the year			-	-		
<b>Balance at the end of the year</b>			<b>(3,888)</b>	<b>(1,308)</b>		
<b>Ageing analysis of contractual receivables</b>						
				<b>Past due but not impaired</b>		
	Carrying amount	Not past due and not impaired	Less than 1 month	1-3 months	3 months - 1 year	1-5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>						
Trade receivables	11,285	8,508	839	420	1,518	-
Other receivables	66	66	-	-	-	-
Revenue receivables	10,752	10,752	-	-	-	-
<b>Total</b>	<b>22,103</b>	<b>19,326</b>	<b>839</b>	<b>420</b>	<b>1,518</b>	<b>-</b>
<b>2016</b>						
Trade receivables	3,887	1,183	2372	310	22	-
Other receivables	305	305	-	-	-	-
Revenue receivables	8,406	8,406	-	-	-	-
<b>Total</b>	<b>12,598</b>	<b>9,894</b>	<b>2,372</b>	<b>310</b>	<b>22</b>	<b>-</b>
Note: The disclosures above excludes statutory payables (e.g., amounts arising to Victorian Government and GST taxes payable).						
The average credit period on sales of goods is 30 days. No interest is charged on receivables.						
There are no financial assets that have their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.						

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### 5.3 Prepayments

	2017	2016
	\$'000	\$'000
Current		
<b>Prepayments</b>	<b>1,682</b>	<b>1,454</b>

**Prepayments** represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### 5.4 Payables

	2017	2016
	\$'000	\$'000
<b>Contractual</b>		
Supplies and services	12,702	4,141
Revenue in advance	10,394	9,329
Other payable	142	139
<b>Statutory</b>		
GST payable	1,175	176
FBT Payable	43	24
Other taxes payable	392	366
<b>Total payables</b>	<b>24,848</b>	<b>14,175</b>
Represented by		
Current payables	24,848	14,175
Non-current payables	-	-

**Payables** consist of:

- contractual payables, such as accounts payable, and unearned income. Accounts payable represent liabilities for goods and services provided to the TAFE prior to the end of the financial year that are unpaid, and arise when the TAFE becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

#### Revenue received in advance

Any fees received by the TAFE during the current financial year in respect of services to be provided in the following financial year are classified as liability and recognised as revenue received in advance.

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## 05 Balances from operations

### 5.4 Payables (continued)

#### Maturity Analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
2017							
Supplies and services	12,702	12,702	12,031	475	196	-	-
Revenue in advance	10,394	10,394	3,525	3,758	3,111	-	-
Other payables	142	142	142	-	-	-	-
<b>Total</b>	<b>23,238</b>	<b>23,238</b>	<b>15,698</b>	<b>4,233</b>	<b>3,307</b>	<b>-</b>	<b>-</b>
2016							
Supplies and services	4,141	4,141	4,141	-	-	-	-
Revenue in advance	9,329	9,329	2,140	376	6,813	-	-
Other payables	139	139	139	-	-	-	-
<b>Total</b>	<b>13,609</b>	<b>13,609</b>	<b>6,420</b>	<b>376</b>	<b>6,813</b>	<b>-</b>	<b>-</b>

Notes:

The disclosures above excludes statutory payables (e.g., amounts arising to Victorian Government and GST taxes payable).  
The average credit period is 30 days. No interest is charged on the other payables.

### 5.5 Other liabilities

	2017 \$'000	2016 \$'000
<b>Current</b>		
Grant received in advance - Float for ACE stage 3	2,500	2,500
Energy performance contract repayment	146	146
	<b>2,646</b>	<b>2,646</b>
<b>Non-Current</b>		
Energy performance contract repayment	376	488
	<b>3,022</b>	<b>3,134</b>
<b>Total other liabilities</b>	<b>3,022</b>	<b>3,134</b>



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### 5.6 Other provisions

	2017	2016
	\$'000	\$'000
<b>Current provisions</b>		
Victorian Training Guarantee Contract	-	838
<b>Total current provisions</b>	<b>-</b>	<b>838</b>
<b>Non-current provisions</b>		
Make-good provision	306	259
<b>Total non-current provisions</b>	<b>306</b>	<b>259</b>
<b>Total other provisions</b>	<b>306</b>	<b>1,097</b>

Other provisions are recognised when the TAFE has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

#### Reconciliation of movements in other provisions in the current year

	Make-good	Total
	\$'000	\$'000
Opening balance	259	259
Additional provisions recognised	47	47
<b>Closing balance</b>	<b>306</b>	<b>306</b>

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The make-good provision is recognised in accordance with the lease agreement over the lab facilities. The TAFE must remove any leasehold improvements from the leased lab and restore the premises to its original condition at the end of the lease term.

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## 06 How we financed our operations

### Introduction

This section discloses information on how the TAFE financed its operations.

### Structure:

- 6.1 Cash and deposits
- 6.2 Borrowings
- 6.3 Contributed equity

<b>6.1 Cash and deposits</b>		
	2017	2016
	\$'000	\$'000
Cash at bank and on hand	52,777	67,455
Deposits at call	-	-
<b>Total cash and deposits</b>	<b>52,777</b>	<b>67,455</b>
<b>Cash and deposits</b>		
Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.		
For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.		
<b>Reconciliation of operating result to net cash flows from operating activities</b>		
<b>Net result for the year</b>	<b>8,146</b>	<b>3,840</b>
<b>Non cash movements</b>		
Depreciation & amortisation	13,384	9,054
Net gain on sale of non-financial assets	(82)	(556)
<b>Movements in assets and liabilities</b>		
Increase in receivables	(10,560)	(175)
Decrease in inventories	37	60
Increase in other assets	(229)	(2,297)
Increase/(decrease) in payables	10,673	(2,570)
Decrease in provisions	(509)	(305)
Decrease in other liabilities	-	(105)
<b>Net cash flows from operating activities</b>	<b>20,860</b>	<b>6,946</b>
Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are presented as operating cash flows.		

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## 6.2 Contributed equity

	2017	2016
	\$'000	\$'000
<b>Contributed capital</b>		
Balance at 1 January	246,762	246,762
Other contribution	-	-
<b>Balance at 31 December</b>	<b>246,762</b>	<b>246,762</b>

### Contributed capital

Funding that are in the nature of contributions by the Victorian State government are treated as contributed capital when designated in accordance with UIG Interpretation 1038 Contribution by Owners Made to Wholly-Owned Public Sector Entities. Commonwealth capital funds are not affected and are treated as income.

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## 07 Managing risks and uncertainties

### Introduction

The TAFE is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the TAFE related mainly to fair value determination.

### Structure:

7.1 Financial instruments

7.2 Contingent assets and contingent liabilities

7.3 Fair value determination

### 7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Categories of financial instruments	2017 \$'000	2016 \$'000
<b>Contractual financial assets</b>		
<b>Loans and receivables and cash</b>		
Cash and deposits	52,777	67,455
Trade receivables	11,285	3,887
Other receivables	66	8,406
Revenue receivable	10,752	305
<b>Investments at cost</b>		
Term deposits	22,000	10,000
<b>Total contractual financial assets</b>	<b>96,880</b>	<b>90,053</b>
<b>Contractual financial liabilities</b>		
<b>Loans and payables and cash</b>		
Supplies and services	12,702	4,140
Other payables	10,536	9,469
<b>At amortised cost</b>		
Advances from Government	3,022	3,134
<b>Total contractual financial liabilities</b>	<b>26,260</b>	<b>16,743</b>

### Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The TAFE recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

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## 7.1 Financial instruments (continued)

**Available-for-sale** financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result. The TAFE recognises investments in equities and managed investment schemes in this category.

**Held to maturity financial assets:** If the TAFE has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held to maturity. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. The TAFE makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held to maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The held to maturity category includes certain term deposits and debt securities for which the TAFE intends to hold to maturity.

**Financial assets and liabilities at fair value through net result** are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. The TAFE recognises certain debt securities in this category.

**Financial liabilities at amortised cost** are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The TAFE recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

**Offsetting financial instruments:** Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the TAFE concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the TAFE does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- TAFE retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- TAFE has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where TAFE has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of TAFE's continuing involvement in the asset.

### Impairment of financial assets

At the end of each reporting period, the TAFE assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

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## 07 Managing risks and uncertainties

### 7.1 Financial instruments (continued)

**Reclassification of financial instruments:** Subsequent to initial recognition and under rare circumstances, nonderivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

**Derecognition of financial liabilities:** A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

The net holding gains or losses disclosed are determined as follows:

- for cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost;
- and for financial asset and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

#### Financial risk management objectives and policies

The TAFE is exposed to a variety of financial risks, market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The TAFE's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

TAFE's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), investments in subsidiaries, payables (excluding statutory payables) and borrowings.

TAFE's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of TAFE. TAFE uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by Financial Services under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

There has been no significant change in the TAFE's exposure, or its objectives, policies and processes used to measure the risk from the previous reporting period.

#### Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. Credit risk arises from the contractual financial assets of the TAFE, which comprise cash and deposits and non-statutory receivables. The TAFE's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the TAFE.

Credit risk is measured at fair value and is monitored on a regular basis by the Audit and Risk Management Committee. The Audit and Risk Management Committee monitors credit risk by actively assessing the rating quality and liquidity of counterparties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the TAFE's strict credit policies may only purchase in cash or using recognised credit cards.

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## 7.1 Financial instruments (continued)

The trade receivables balance at 31 December 2017 and 31 December 2016 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

In addition, the TAFE does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. The TAFE's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the TAFE will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the TAFE's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There are no material financial assets which are individually determined to be impaired.

<b>Credit quality of contractual financial assets that are neither past due nor impaired</b>	Financial Institutions (AA rating)	Government agencies (AAA rating)	Other counterparty	Total
	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
Cash and deposits	52,777	-	-	52,777
Receivables <sup>1</sup>	-	-	22,103	22,103
Investments and other financial assets	-	22,000	-	22,000
<b>Total contractual financial assets</b>	<b>52,777</b>	<b>22,000</b>	<b>22,103</b>	<b>96,880</b>
<b>2016</b>				
Cash and deposits	67,455	-	-	67,455
Receivables <sup>1</sup>	-	-	12,598	12,598
Investments and other financial assets	-	10,000	-	10,000
<b>Total contractual financial assets</b>	<b>67,455</b>	<b>10,000</b>	<b>12,598</b>	<b>90,053</b>

Notes:

<sup>1</sup> The total amounts disclosed here exclude statutory amounts (e.g. amounts owing to/from Victorian Government, GST input tax credit recoverable and taxes payable).

### Liquidity risk

Liquidity risk is the risk that TAFE would be unable to meet its financial obligations as and when they fall due.

TAFE operates under payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

TAFE's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

The responsibility for liquidity risk management rests with the TAFE's governing body, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity requirements.

The TAFE manages liquidity risk by:

- maintaining an adequate short term reserves and banking facilities that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial market; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

The TAFE's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in TAFE's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

## 07 Managing risks and uncertainties

### 7.1 Financial instruments (continued)

#### Market risk

TAFE in its daily operations is exposed to a number of market risks. Market risks relate to the risk that market rates and prices will change and that this will have an adverse effect on the operating result and /or net worth of TAFE. These market risks primarily relate to interest rate risk.

There has been no significant change in TAFE's exposure, or its objectives, policies and processes for managing market risk or the methods used to measure this risk from the previous reporting period.

The Board ensures that all market risk exposure is consistent with TAFE's business strategy and within the risk tolerance of TAFE. Regular risk reports are presented to the Board.

The TAFE's exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage this risk is disclosed below.

#### Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to change the expected net interest earnings in the current reporting period and in future years, or cause a fluctuation in the fair value of the financial instruments.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The TAFE does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The TAFE has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

The TAFE manages cash flow interest rate risk through a mixture of short term and longer term investments, and undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate.

Management monitors movement in interest rates on monthly basis.

There has been no significant change in the TAFE's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the TAFE's year end result.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the TAFE's sensitivity to interest rate risk are set out below.



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### 7.1 Financial instruments (continued)

#### Interest rate exposure of financial instruments

	Weighted average effective rate		Total carrying amount per balance sheet		Floating interest rate		Fixed interest rate		Non-interest bearing	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	1.95%	1.40%	52,777	67,455	52,777	67,455	-	-	-	-
<b>Receivables</b>										
Trade receivables			11,285	3,887	-	-	-	-	11,285	3,887
Revenue receivable			10,752	8,406	-	-	-	-	10,752	8,406
Other receivables			66	305	-	-	-	-	66	305
Term deposits	2.40%	3.40%	22,000	10,000	-	-	22,000	10,000	-	-
<b>Total financial assets</b>			<b>96,880</b>	<b>90,053</b>	<b>52,777</b>	<b>67,455</b>	<b>22,000</b>	<b>10,000</b>	<b>22,103</b>	<b>12,598</b>
<b>Liabilities</b>										
Supplies and services			12,702	4,141	-	-	-	-	12,702	4,141
Revenue in advance			10,394	9,329	-	-	-	-	10,394	9,329
Advances from Government			3,022	3,134	-	-	-	-	3,022	3,134
<b>Total contractual financial liabilities</b>			<b>26,118</b>	<b>16,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,118</b>	<b>16,604</b>

#### Interest rate risk sensitivity

A reasonably possible change of 50 basis points (2016: 50 basis points) in interest rates at the reporting date would have increased (decreased) equity and results by the amount shown below. This analysis assumes that all other variables remain constant.

	-50 basis points				+50 basis points					
	Carrying amount		Result		Equity		Result		Equity	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	52,777	67,455	(264)	(337)	(264)	(337)	264	337	264	337
Term deposits	22,000	10,000	(110)	(50)	(110)	(50)	110	50	110	50
<b>Total impact</b>			<b>(374)</b>	<b>(387)</b>	<b>(374)</b>	<b>(387)</b>	<b>374</b>	<b>387</b>	<b>374</b>	<b>387</b>

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## 07 Managing risks and uncertainties

### 7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

	2017	2016
	\$'000	\$'000
<b>Quantifiable contingent assets</b>		
TAFE Structural Adjustment Funding arrangements <sup>(i)</sup>	5,294	15,340

#### Note

(i) The TAFE has entered into funding agreements with the Department of Education and Training for the Food and Fibre Centre of Excellence and the Health & Community Centre of Excellence. The release of these funds is contingent on the TAFE demonstrating that the agreed milestones have been achieved.

	2017	2016
	\$'000	\$'000
<b>Quantifiable contingent liabilities</b>		
Bank guarantees (i)	(450)	(377)

(i) The amount disclosed comprises bank guarantees for the purposes of securing supply of rental premises from third parties on normal terms and conditions

#### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

### 7.3 Fair value determination

#### *Significant judgement: Fair value measurements of assets and liabilities*

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the TAFE.

This section sets out information on how the TAFE determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result;
- available-for-sale financial assets; and
- land, buildings, plant and equipment

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

The TAFE determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

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### 7.3 Fair value determination (continued)

#### Fair value estimation

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### Fair value determination of financial assets and liabilities

The TAFE currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018 reporting period.

#### Fair value determination of non-financial assets

The TAFE holds property, plant and equipments for which fair values are determined. Below are the relevant fair value information relating to those assets.

Fair value measurement hierarchy	Carrying amount at 31 December	Level 1	Level 2	Level 3
		Quoted prices	Observable price inputs	Unobservable inputs
	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
Non specialised land	-	-	-	-
Specialised land	106,887	-	-	106,887
<b>Total land at fair value</b>	<b>106,887</b>	-	-	<b>106,887</b>
Specialised buildings	239,320	-	-	239,320
<b>Total buildings at fair value</b>	<b>239,320</b>	-	-	<b>239,320</b>
Plant and equipment and leasehold improvements	8,170	-	-	8,170
Vehicles	231	-	-	231
Library assets	191	-	191	-
<b>Total other assets at fair value</b>	<b>8,592</b>	-	<b>191</b>	<b>8,401</b>
<b>2016</b>				
Non specialised land	-	-	-	-
Specialised land	71,400	-	-	71,400
<b>Total land at fair value</b>	<b>71,400</b>	-	-	<b>71,400</b>
Specialised buildings	184,377	-	-	184,377
<b>Total buildings at fair value</b>	<b>184,377</b>	-	-	<b>184,377</b>
Plant and equipment and leasehold improvements	7,317	-	-	7,317
Vehicles	446	-	-	446
Library assets	275	-	275	-
<b>Total other assets at fair value</b>	<b>8,038</b>	-	<b>275</b>	<b>7,763</b>

Note: There were no transfers between levels during the year.

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## 07 Managing risks and uncertainties

### 7.3 Fair value determination (continued)

#### Valuations of property, plant and equipment

Full revaluation of land and buildings of the TAFE was conducted in 2017.

#### Specialised land, land improvements and specialised buildings

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the TAFE's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the TAFE's specialised land and specialised buildings was performed by the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 31 December 2017.

**Vehicles** are valued using the depreciated replacement cost method. The TAFE acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Institute who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

**Plant and equipment** is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

**Leasehold improvements** are held at fair value being depreciated cost. As there is no evidence of a reliable market-based fair value (or other relevant fair value indicators) for leasehold improvements, depreciated cost is the fair value for these types of assets. The valuation of leasehold improvements is based on significant unobservable inputs and accordingly is classified as Level 3 assets.

There were no changes in valuation techniques throughout the period to 31 December 2017.

For all assets measured at fair value, the current use is considered the highest and best use.

#### Reconciliation of level 3 fair value movements

	Specialised land		Specialised building		Plant and equipment and leasehold improvements		Motor vehicles	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	71,400	59,618	184,377	190,345	7,318	7,496	446	737
Purchases (sales)	-	-	18,752	-	2,550	114	39	23
Transfers in (out) of Level 3	-	-	1,367	627	-	897	(8)	-
Depreciation	-	-	(6,615)	(6,595)	(1,696)	(1,189)	(246)	(314)
Revaluation	35,487	11,782	41,439	-	-	-	-	-
<b>Closing Balance</b>	<b>106,887</b>	<b>71,400</b>	<b>239,320</b>	<b>184,377</b>	<b>8,172</b>	<b>7,318</b>	<b>231</b>	<b>446</b>

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### 7.3 Fair value determination (continued)

#### Description of significant unobservable inputs to Level 3 valuations

2017 and 2016	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community service obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment

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## 08 Governance disclosures

### Introduction

This section provides disclosures relating to remuneration paid to those responsible for the management of the TAFE, transactions with related parties and auditors remuneration.

### Structure:

- 8.1 Responsible person
- 8.2 Remuneration of executives
- 8.3 Related parties
- 8.4 Auditors remuneration

### 8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons and executive officers for the reporting period.

The persons who held the positions of Ministers and Accountable Officers in the TAFE are as follows:

Position	Name	
Minister for Training and Skills	Hon. Gayle Tierney MLC	
Board Chair	Michael Brown	(Resigned 27/10/2017)
Board Chair	Peter Harmsworth AO	(Commenced as Chair 27/10/2017)
Director	Mr Joe Ballato	(Commenced 1/7/2017)
Director	Ms Anne Brosnan	(Commenced 1/10/2017)
Director	John Hartigan	
Director	Michael McCartney	
Director	Margaret O'Rourke	
Director	Sally-Anne Ross	
Director	Dr Margaret Salter	(Commenced 29/11/2017)
Chief Executive Officer	Mr Trevor Schwenke	
Director	Prof Hal Swerissen	(Commenced 15/12/2017)
Director	Mr Craig Fox	(Resigned 1/4/2017)

### Income Range

The number of Board members whose total remuneration from the Institute was within the specified income bands is as follows:

	2017 No.	2016 No.
Less than \$10,000	4	-
\$10,000 - \$19,999	1	1
\$20,000 - \$29,999	3	4
\$30,000 - \$39,999	1	3
\$40,000 - \$49,999	1	-
\$80,000 - \$89,999	1	-
\$250,000 - \$259,999	-	1
\$320,000 - \$330,000	1	1
<b>Total Numbers</b>	<b>12</b>	<b>10</b>
<b>Total Remuneration (\$'000)</b>	<b>590</b>	<b>454</b>

Remuneration received or receivable by the chief executive officer in connection with the management of the institute during the period was in the range as follows:

Trevor Schwenke: 2017: \$320,000 - \$329,999; (2016: \$250,000 - \$259,999)

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## 8.2 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration	2017 \$'000	
Short-term employee benefits	1,438	
Post-employment benefits	137	
Other long-term benefits	-	(i) Note that for the first year of implementation (2016-17), no comparatives will be required.
Termination benefits	67	
<b>Total remuneration</b>	<b>1,642</b>	(ii) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.
<b>Total number of executives</b>	<b>9</b>	
<b>Total annualised employee equivalents <sup>(ii)</sup></b>	<b>6.5</b>	

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## 09 Other disclosures

### 8.3 Related parties

Related parties of the TAFE include:

- all key management personnel and their close family members and personal business interests (joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and

All related party transactions have been entered into on an arm's length basis.

Key management personnel of the TAFE includes the Minister of Training and Skills, the Hon. Gayle Tierney MLC, the members of the Board and members of the Senior Executive Team, which includes:

- Chief Executive Officer, Trevor Schwenke;
- Chief Operating Officer, Bruce Whittaker;
- Chief Organisational Capability Officer, Rowena Beale;
- Chief Commercial Officer, Beverly Smith (resigned 2 February 2018);
- Executive Director Vetassess, Sharon Robertson;
- Executive Director of Studies, Angie Taras;
- Executive Director of Studies, Auto, Construction & Industrial, Phill Murphy; and
- Executive Director of Health & Community and Food & Fibre, Donna Rogers;

#### Compensation of Key management personnel

- Remuneration of the Chief Executive Officer and the Board members are disclosed in note 8.1, Responsible persons;
- Remuneration of the Executive Team are disclosed in note 8.2, Remuneration of executives;
- Remuneration of the minister for Training and Skills is disclosed in the financial report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members interests which is completed by each member of the Parliament.

#### Transactions with related parties

There were no other transactions nor loans between the institute and responsible persons and their related parties during the financial year.

#### Transactions and balances with key management personnel and other related parties

Other related transactions and loan requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

### 8.4 Auditor's remuneration

	2017	2016
	\$'000	\$'000
<b>Remuneration of the Victorian Auditor-General's Office for:</b>		
Audit of the financial statements	60	55

The Victorian Auditor-general's office is not allowed to provide non-audit services.



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### Introduction

This section includes additional material disclosures required by accounting standard or otherwise, for the understanding of this financial report.

### Structure:

9.1 Other economic flows included in net result

9.2 Other equity reserve

9.3 Events after reporting date

9.4 Application of standards not yet effective

<b>9.1 Other economic flows included in net result</b>		
	2017	2016
	\$'000	\$'000
<b>Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of long service leave liability (i)	51	(93)
Net gain/(loss) arising from revaluation of annual leave liability (i)	1	(11)
<b>Total other gains/(losses) from other economic flows</b>	<b>52</b>	<b>(104)</b>
<b>Total other economic flows included in net result</b>	<b>52</b>	<b>(104)</b>

Note: (i) Revaluation gain/(loss) due to changes in bond rates.

**'Other economic flows' are changes arising from market remeasurements. They include:**

- gains and losses from disposals of non-financial assets (refer to Note 4.1);
- revaluations and impairments of non-financial physical and intangible assets (refer to Note 4.1 and Note 4.2);
- remeasurement arising from employee benefits (3.1); and
- fair value changes of financial instruments (refer to Note 7.3).

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

<b>9.2 Other equity reserves</b>		
	2017	2016
	\$'000	\$'000
<b>Physical asset revaluation surplus <sup>1</sup></b>		
Balance at 1 January	57,999	46,102
Revaluation increment on non-current asset	76,926	11,897
Balance at 31 December	<b>134,925</b>	<b>57,999</b>

Note <sup>1</sup>  
The physical asset revaluation surplus arises on the revaluation of land and buildings.

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## 09 Other disclosures

### 9.3 Events after reporting date

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the TAFE and the Consolidated group, the results of those operations or the state of affairs of the TAFE and the Consolidated group in subsequent financial years.

The policy in connection with recognising subsequent events is as follows: where events occur between the end of the reporting period and the date when the financial statements are authorised for issue:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions which existed at the reporting date; and/or
- disclosure is made where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the TAFE and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the reporting date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and are considered to be of material interest.

### 9.4 Application of standards not yet effective

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1-Jan-18	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> <li>• The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and</li> <li>• Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</li> </ul>	1-Jan-18	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1-Jan-18	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

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**9.4 Application of standards not yet effective (continued)**

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1-Jan-18	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1-Jan-18	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends.  Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.  Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> <li>• the entity's right to receive payment of the dividend is established;</li> <li>• it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>• the amount can be measured reliably.</li> </ul>	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1-Jan-18	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> <li>• A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>• For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>• For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul>	1-Jan-18	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not- for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1-Jan-19	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.

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## 09 Other disclosures

### 9.4 Application of standards not yet effective (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for- Profit Entities	This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: <ul style="list-style-type: none"> <li>• require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and</li> <li>• clarifies circumstances when a contract with a customer is within the scope of AASB 15.</li> </ul>	1-Jan-19	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet	1-Jan-19	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.  Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors
AASB 1058 Income of Not-for-Profit Entities	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1-Jan-19	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle

# Disclosure index

Item no.	Source	Summary of reporting requirement	Page no.	Item no.	Source	Summary of reporting requirement	Page no.
<b>REPORT OF OPERATIONS</b>							
<b>Charter and purpose</b>							
1	FRD 22H	Manner of establishment and the relevant Minister	2, 13	18	FRD 22H	Summary of application and operation of the Freedom of Information Act 1982	19-20
2	FRD 22H	Purpose, functions, powers and duties linked to a summary of activities, programs and achievements	2-11	19	FRD 22H	Discussion and analysis of operating results and financial results	3-11
3	FRD 22H	Nature and range of services provided including communities served	12-13	20	FRD 22H	Significant factors affecting performance	3-11
<b>Management and structure</b>							
4	FRD 22H	Organisational structure and chart, including responsibilities and details of the accountabilities of an entity's main activities	16	21	FRD 22H	Where a TAFE has a workforce inclusion policy, a measurable target and report on the progress towards the target should be included	N/A
5	FRD 22G	Names of Board members	13	22	FRD 22H	Schedule of any government advertising campaign in excess of \$100,000 or greater (exclusive of GST)	27
<b>Financial and other information</b>							
6	FRD 03A	Accounting for dividends	N/A	23	FRD 22H	Statement of compliance with building and maintenance provisions of the Building Act 1993	22
7	FRD 07B	Early adoption of authoritative accounting pronouncements	N/A	24	FRD 22H	Statement, where applicable, on the implementation and compliance with the National Competition Policy	22
8	FRD 10A	Disclosure index	75-77	25	FRD 22H	Summary of application and operation of the Protected Disclosure Act 2012	20
9	FRD 17B	Long service leave and annual leave for employees	40-42	26	FRD 22H and FRD 24C	Summary of environmental performance including a report on office based environmental impacts	23-24
10	FRD 20A	Accounting for State motor vehicle lease arrangements prior to 1 Feb 2004	N/A	27	FRD 22G	Consultants:  Report of operations must include a statement disclosing each of the following  1. Total number of consultancies of \$10,000 or more (excluding GST)  2. Location (eg website) of where details of these consultancies over \$10,000 have been made publicly available  3. Total number of consultancies individually valued at less than \$10,000 and the total expenditure for the reporting period  AND for each consultancy more than \$10,000, a schedule is to be published on the TAFE institute website listing:  • Consultant engaged  • Brief summary of project  • Total project fees approved (excluding GST)  • Expenditure for reporting period (excluding GST)  • Any future expenditure committed to the consultant for the project	28
11	FRD 22H	Operational and budgetary objectives, performance against objectives and achievements	2-11	28	FRD 22H	Statement, to the extent applicable, on the application and operation of the Carers Recognition Act 2012 (Carers Act), and the actions that were taken during the year to comply with the Carers Act	21
12	FRD 22H	Occupational health and safety statement including performance indicators, performance against those indicators	20-21				
13	FRD 22H	Workforce data for current and previous reporting period including a statement on employment and conduct principles and that employees have been correctly classified in the workforce data collections	17-18				
14	FRD 22H	Summary of the financial results for the year including previous four year comparisons	11				
15	FRD 22H	Significant changes in financial position	3-11				
16	FRD 22G	Key initiatives and projects, including significant changes in key initiatives and projects from previous years and expectations for the future	5-7				
17	FRD 22G	Post-balance sheet date events likely to significantly affect subsequent reporting periods	72				

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Item no.	Source	Summary of reporting requirement	Page
29	FRD 22H	List of other information available on request from the Accountable Officer, and which must be retained by the Accountable Officer (refer to list at 5.19 (a) - (l) in the FRD)	20
30	FRD 22H	An entity shall disclose the following in the report of operations: a) Total entity ICT Business As Usual (BAU) expenditure for the full 12 month reporting period b) Total entity ICT Non-Business As Usual expenditure for the full 12 month reporting period; and provide a breakdown for: (i) Operational expenditure (OPEX) (ii) Capital expenditure (CAPEX)	28
31	FRD 25C	Victorian Industry Participation Policy disclosures	25
32	FRD 26B	Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004	N/A
33	FRD 29B	Workforce data disclosures on the public service employee workforce	17-18
34	SD 3.7.1	The Responsible Body must ensure that the Agency applies the Victorian Government Risk Management Framework	19
35	FRD 22H	An entity's report of operations shall contain general and financial information, including other relevant information, outlining and explaining an entity's operations and activities for the reporting period	2-28
36	SD 5.2.1(a)	The accountable officer must implement and maintain a process to ensure the agency's annual report is prepared in accordance with the FMA, these directions, the instructions, applicable Australian Accounting Standards and financial reporting directions	Inner front cover
37	SD 5.2.3	The Report of Operations must be signed and dated by a member of the responsible body	3-7
38	CG 10 (clause 27)	Major commercial activities	27
39	CG 12 (clause 33)	Controlled entities	36

Item no.	Source	Summary of reporting requirement	Page
<b>FINANCIAL REPORT</b>			
<b>Financial statements required under part 7 of the financial management act 1994</b>			
40	SD 5.2.2(b)	The financial statements have been prepared in accordance with applicable requirements in the FMA, the Directions, the Financial Reporting Directions and Australian Accounting Standards	31
<b>Other requirements under standing direction 4.2 / financial management act 1994 (FMA)</b>			
41	SD 5.2.2(a) and FMA s 49	An agency's financial statements must include a signed and dated declaration by: <ul style="list-style-type: none"><li>the accountable officer</li><li>subject to Direction 5.2.2(c), the CFO</li><li>for agencies with a statutory board or equivalent governing body established by or under statute, a member of the responsible body</li></ul>	31
42	FRD 30C	Rounding of amounts	36
43	SD 3.2.1.1(c)	The responsible body must establish an audit committee to review annual financial statements and make a recommendation to the responsible body as to whether to authorise the statements before they are released to parliament by the responsible minister	13, inner front cover
<b>Other requirements as per financial reporting directions in notes to the financial statements</b>			
44	FRD 11A	Disclosure of ex-gratia payments	N/A
45	FRD 21C	Disclosures of responsible persons, executive officer and other personnel (contractors with significant management responsibilities) in the financial report	68-70
46	FRD 102A	Inventories	50
47	FRD 103F	Non-financial physical assets	50, 53, 45-49
48	FRD 105B	Borrowing costs	N/A
49	FRD 106A	Impairment of assets	46-49, 59
50	FRD 107B	Investment properties	N/A
51	FRD 109A	Intangible assets	48-49
52	FRD 110A	Cash flow statements	35, 56

Item no.	Source	Summary of reporting requirement	Page	Item no.	Source	Summary of reporting requirement	Page
53	FRD 112D	Defined benefit superannuation obligations	42	61	Key Performance Indicators	Institutes to report against: <ul style="list-style-type: none"> <li>• KPIs set out in the annual statement of corporate intent</li> <li>• Employment costs as a proportion of training revenue</li> <li>• Training revenue per teaching FTE</li> <li>• Operating margin percentage</li> <li>• Training revenue diversity</li> </ul>	10
54	FRD 113A	Investment in subsidiaries, jointly controlled entities and associates	36	<b>Overseas operations of Victorian TAFE institutes</b>			
55	FRD 114B	Financial instruments - general government entities and public non-financial corporations	58-67	62	PAEC and VAGO (June 2003 Special Review item 3.110)	<ul style="list-style-type: none"> <li>• Financial and other information on initiatives taken or strategies relating to the institute's overseas operations</li> <li>• Nature of strategic and operational risks for overseas operations</li> <li>• Strategies established to manage such risks of overseas operations</li> <li>• Performance measures and targets formulated for overseas operations</li> <li>• The extent to which expected outcomes for overseas operations have been achieved</li> </ul>	25-26
56	FRD 119A	Transfers through contributed capital	57				
57	FRD 120K	Accounting and reporting pronouncements applicable to the reporting period	31,36				
<b>Compliance with other legislation, subordinate instruments and policies</b>							
58	Legislation	The TAFE institute annual report must contain a statement that it complies with all relevant legislation, and subordinate instruments, (and which should be listed in the report) including, but not limited to, the following: <ul style="list-style-type: none"> <li>• Education and Training Reform Act 2006 (ETRA)</li> <li>• TAFE institute constitution</li> <li>• Directions of the Minister for Training and Skills (or predecessors)</li> <li>• TAFE institute Commercial Guidelines</li> <li>• TAFE institute Strategic Planning Guidelines</li> <li>• Public Administration Act 2004</li> <li>• Financial Management Act 1994</li> <li>• Freedom of Information Act 1982</li> <li>• Building Act 1983</li> <li>• Protected Disclosure Act 2012</li> <li>• Victorian Industry Participation Policy Act 2003</li> </ul>	Inner front cover				
59	ETRA s3.2.8	Statement about compulsory non-academic fees, subscriptions and charges payable in 2017	22				
60	Policy	Statement that the TAFE institute complies with the Victorian Public Sector Travel Principles	25				

## CAMPUS LOCATIONS

### **Broadmeadows**

Pearcedale Parade  
BROADMEADOWS VIC 3047

### **Docklands**

(Automotive Centre of Excellence)  
1 Batmans Hill Drive  
DOCKLANDS VIC 3008

### **Essendon**

38 Buckley Street  
ESSENDON VIC 3040

### **Moonee Ponds**

Level 1, 21-31 Hall Street  
MOONEE PONDS VIC 3039

### **Richmond**

85 Cremorne Street  
RICHMOND VIC 3121

### **Bendigo City**

23 Mundy Street  
BENDIGO VIC 3550

### **Bendigo Charleston Road**

Charleston Road  
BENDIGO VIC 3550

### **Bendigo Technical Education College (BTEC)**

21 St Andrews Avenue  
BENDIGO VIC 3550

### **Castlemaine**

65-67 Templeton Street  
CASTLEMAINE VIC 3450

### **Echuca**

Corner Hare and Darling Streets  
ECHUCA VIC 3564

### **VETASSESS**

Level 5, 478 Albert Street  
EAST MELBOURNE VIC 3002  
Phone: +61 3 9655 4801  
Visit: [vetassess.com.au](http://vetassess.com.au)

### **eWorks**

85 Cremorne Street  
RICHMOND VIC 3121  
Phone: +61 3 9661 8700  
Visit: [eworks.edu.au](http://eworks.edu.au)

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### **Your feedback**

If you would like to provide feedback about this annual report, please email [enquiries@kangan.edu.au](mailto:enquiries@kangan.edu.au) or [info@bendigotafe.edu.au](mailto:info@bendigotafe.edu.au).

### **Additional copies**

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