



2016 ANNUAL REPORT





CONTENTS



| | | | |
|------------------------------------|-----------|---|------------|
| WELCOME | 1 | STAFF | 30 |
| Board Chair's Report | 1 | Workforce Statistics | 31 |
| CEO's Report | 3 | People and Culture | 32 |
| PERFORMANCE | 5 | Organisation by Design | 33 |
| Performance Statement Certificate | 6 | People Matter Survey | 34 |
| Auditor-General's Report | 7 | BUSINESS | 35 |
| Statement of Performance | 8 | Regional Projects | 36 |
| Training Outcomes | 9 | Higher Education Partners | 38 |
| Capital Works | 9 | International Operations | 38 |
| Environmental Sustainability | 9 | COMMUNITY | 40 |
| Environmental Data | 10 | Community Involvement | 41 |
| Business and Financial Performance | 11 | Community Partners | 41 |
| OVERVIEW | 12 | Community Membership | 42 |
| Programs and Services | 13 | COMPLIANCE | 43 |
| Formal Status | 13 | Occupational Health and Safety | 44 |
| History | 13 | Activity Table | 46 |
| Campuses | 13 | Statement of Compulsory Non-Academic Fees | 48 |
| Public Relations and Marketing | 14 | Risk Management Compliance | 49 |
| 2016 - 2018 Strategic Plan | 15 | Freedom of Information | 50 |
| GOVERNANCE | 16 | Protected Disclosure | 50 |
| Institute Board | 17 | Building and Construction | 50 |
| Board and Committee Membership | 22 | National Competition Policy | 50 |
| Executive Management Group | 23 | Information Communication Technology (ICT) Expenditure | 50 |
| Organisational Structure Chart | 24 | FINANCIAL POSITION | 51 |
| STUDENTS | 25 | Declaration by Responsible Officers | 52 |
| Student Outcomes | 26 | Auditor-General's Report | 53 |
| Student Feedback | 26 | Financial Statements | 55 |
| Youth Programs | 27 | Notes to the Financial Statements | 59 |
| Disability Programs | 28 | DISCLOSURE INDEX | 115 |
| Learning Support | 28 | | |
| Student Awards and Achievements | 29 | | |

BOARD CHAIR'S REPORT

RESTRUCTURE. REFOCUS. REINVIGORATE.

We operate in a competitive environment, both locally and globally. Our students have greater control and choice in the options they select from an increasingly diverse education and training sector. Employment opportunities in nearly every industry are changing in response to market forces and new technology. Our own TAFE sector is changing to respond to these economic, demographic and technological forces. At South West TAFE we recognise these challenges and we are moving quickly and boldly, yet carefully to meet them.



Against this background, 2016 has been an exciting year for us. We have restructured our Board in line with the State Government's requirements. We have updated our Strategic Plan to reflect our growing engagement with the business and social communities in which we operate and we have worked hard to communicate with and engage all our stakeholders so that they can share our energy and passion and contribute to our success.

In line with State Government requirements, together with all TAFEs, we had a Board spill on the 30th June 2016. The required new Institute Board structure comprises five ministerial appointments, three board appointees, the CEO and a staff representative. This increased our Board members by two, bringing the total to ten.

I would like to take this opportunity to welcome our new directors Doreen Power, Ann Ellis, Sandy Burgoyne, Mark Fidge, and Sharna Westley and farewell our retiring directors Bill Hannah, Ron Page, Toni Jenkins, Georgina Gubbins, and Greg Walcott and thank them for their contributions to the evolving success of South West TAFE.

The new Board and Executive team undertook a comprehensive review of South West TAFE's strategic direction, building on the solid foundation of the 2015-17 Strategic Plan. The aim of the review was to ensure our organisation continues to exemplify the best qualities of a public TAFE. The Board, staff and external stakeholders all actively participated in the review. The result is a clear and forward-looking Strategic Plan that places renewed intent on us being a stronger TAFE, a better TAFE and a smarter TAFE.

Central to the Strategic Plan is a robust Performance and Accountability framework that specifies reporting requirements, mandates a core suite of nine key performance indicators across areas ranging from market share to student satisfaction and education and innovation.

In accordance with our new Strategic Plan, we are in the process of overhauling our communication and decision-making processes so they are simpler and more responsive to changes in the business, social and economic environments in which we operate. We have initiated a more disciplined approach to our product portfolio, focusing on areas of educational value to our local industries and community. We are also implementing a common sense and evidenced based approach to our educational content and pedagogy.

One of the key operational areas in which our new strategy has been expressed is engagement with the industry and social communities within which we operate.

At Board level, we have established an Innovation and Industry Committee to develop and support engagement with local businesses and industry.

Information gained through our industry and community engagement channels, including our staff interaction with secondary and now, I am pleased to report, primary schools is a vital input to our Pathways Program. Through this program we not only raise awareness of South West TAFE, but inform students of the many pathways we offer to a wide range of qualifications, occupations and employment opportunities.

Visiting primary schools and bringing their students on to our campuses helps inspire children from an early age and will hopefully contribute to another of our goals; raising the retention rate at secondary schools in our area.

During 2016 we expanded the delivery of our services in the region by opening a small facility in Colac and we are excited by the opportunities that this and similar moves will offer. As part of ensuring our long term financial stability we are continually and carefully evaluating new channels and options through which we can deliver our training programs. While international activity is part of this, our focus will always remain on providing quality training and vocational education to all who need it in south western Victoria.

On behalf of the Board, I would like to thank our executive team, staff, students, community and partner organisations whose continued contributions are vital to our success. By creating an educational precinct for South Western Victoria as part of the broader Victorian Government's vision of "The Education State", we look forward to providing bright and exciting future focused education that creates a lifetime of opportunity and employability.



Felicity Melican

Board Chair

23 March 2017

CEO'S REPORT

On behalf of the growing South West Institute of TAFE community, I am proud to present our 2016 Annual Report. It has been a satisfying and rewarding year, during which we have made significant progress toward achieving our long-term strategic goals while meeting our operational objectives. Our success reflects the continued support and commitment from our Institute Board, Management, Teaching and Specialist staff, community and business partners.

Our 2016-18 Strategic Plan underpins our activities and is a yardstick with which we can measure our achievements. Incorporating input from all our stakeholders ensures we deliver relevant and best practice training that most importantly aligns with the current and emerging needs of our community and industry partners. In 2016 we took the bold step to achieve stronger growth, provide better quality and be smarter and more innovative. We set ourselves the challenge of repositioning ourselves by being a different organisation, rethinking our role and the way we perform in our region.

A YEAR OF PROGRESS, PLANNING & POTENTIAL



Our Institute has established clear objectives; to ensure every student is equipped with the knowledge, experience and qualifications to go on to either employment or further education, and that our graduates have the skills required to move their place of employment from being a good organisation to one that is great. Our Institute strives to be a part of their success.

Our staff understand the importance of providing a supportive and innovative learning environment that is challenging, exciting and rewarding for our students guaranteeing them every opportunity to complete their course and be work ready.

OUR VERY OPEN DAY

During 2016, one of our most significant achievements was the successful "Very Open Day". In the past our traditional open day has attracted around 500 people, however in 2016 we made the decision to open our doors to the community and invite external participants to join us, including community groups and industry partners. The result was a vibrant, bustling occasion with more than 3,000 people coming through our doors – many for the first time. The feedback was excellent, and it's certainly something we will repeat and expand next year.

OUR COMMUNITY ENGAGEMENT

Community engagement is an important part of our current and future success and we continue to have ongoing relationships with many community partners from across the region. Our students from our tourism, hospitality, children's services and other courses participate in many festivals and gain valuable practical experience as part of their course.

This year our hospitality students also travelled to China to work at an international wine and food show allowing them to improve their skills in catering for the growing numbers of Chinese visitors in the south west region.

OUR EDUCATIONAL PATHWAYS

During 2016 we built on our established university and schools pathways programs to now include our local primary schools network. As a result of this, students are becoming more aware of their future career and vocational training options. This is allowing us to also address the regions low levels of Year 12 and equivalent attainment rates and the higher than average regional youth unemployment levels across the south west.

The Institute is also a proud supporter and active participant in the local Standing Tall program with several staff committing their time to work closely with secondary school students by providing mentoring support and encouragement to those who may be at risk of dropping out of the educational system.

OUR INDUSTRY PARTNERS

In 2016 we worked hard to establish and strengthen relationships with our Industry partners by hosting over 45 industry networking events that allowed us to understand their current and emerging workforce needs.

The increased connections with Industry and Industry bodies demonstrated our commitment to supporting our partners and as a result we received six cars from the Victorian Automotive Chamber of Commerce to ensure our students are being trained in the best environment with relevant equipment and by suitably experienced and industry specific staff.

Feedback from these sessions also assisted the Institute to receive over one million dollars in funding for equipment, to align it with what employers are using in their workplace. This included the proposed purchase of nurse training equipment and 3D metal printers along with the refurbishment our Pure Wellness Centre and Food Lab in line with industry expectations.

CELEBRATING STUDENT SUCCESS

During the year we celebrated the success of our graduating diploma and advanced diploma students by holding several graduation events which for the first time included our community and industry partners. These nights enabled us to showcase the outstanding achievements of our students and highlighted those students that will now progress on to our State Training Awards.

Additionally, for the first time our VCAL students organised their own Debutante Ball, an experience they would have otherwise missed out on. As part of their course they planned the event with over 200 family and friends attending.

LOOKING TO THE FUTURE

As we move towards 2017 the Institute has started the process of engaging industry and educational business leaders to support us in developing an educational, arts and cultural precinct plan. At its core the precinct will be a state of the art learning facility that provides courses that cover all STEAM (science, technology, engineering, arts, and maths) related disciplines. The precincts goal will be to improve education and learning outcomes across the region and will look to bring together industry, community and all levels of education, resulting in a central hub that is a vibrant social space that supports learning and development.

In 2017 we will focus on consolidating the achievements of 2016 and we will also look at new areas of growth. This will include a presence in Colac and exploring other international opportunities, without losing focus on our local operations.

I would like to take this opportunity to thank the South West TAFE Board for their continued support, and acknowledge all our staff for their continued commitment to our many students in being able provide them with future focused education that creates a lifetime of opportunity and employability.



Mark Fidge
Chief Executive Officer
23 March 2017

The background features a complex geometric pattern of overlapping triangles and polygons in various shades of blue, from deep navy to light sky blue. The shapes are arranged in a way that creates a sense of depth and movement, with some areas appearing to recede into the distance. The overall composition is clean and modern, typical of a corporate or technical document cover.

PERFORMANCE



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STATEMENT OF PERFORMANCE MANAGEMENT CERTIFICATE FOR 2016

In our opinion, the accompanying Statement of Performance of South West Institute of TAFE, in respect to the 2016 financial year, is presented fairly.

The Statement outlines the performance indicators as determined by the responsible Minister, predetermined targets and the actual results for the year against those indicators, and an explanation of any significant variance between the actual results and performance targets. As at the date of signing, we are not aware of any circumstances which would render any particulars in the Statement to be misleading or inaccurate.

Handwritten signature of Felicity Melican in black ink.

Felicity Melican
Board Chair
23 March 2017

Handwritten signature of Mark Fidge in black ink.

Mark Fidge
Chief Executive Officer
23 March 2017

Handwritten signature of Jason Ernst in black ink.

Jason Ernst
Chief Finance and Accounting Officer
23 March 2017

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VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board of South West Institute of TAFE

Opinion

I have audited the financial report of South West Institute of TAFE (the institute) which comprises the:

- balance sheet as at 31 December 2016
- 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 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 is in accordance with Part 7 of the *Financial Management Act 1994* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- presenting fairly, in all material respects, the financial position of the institute as at 31 December 2016 and of its financial performance and its cash flows for the year then ended
- complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2013*.

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.

The Auditor-General's independence is established by the *Constitution Act 1975*. My staff and I are independent of the institute in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and 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, the *Financial Management Act 1994* and the *Australian Charities and Not-for-profits Commission Act 2012*, 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditing in the Public Interest

Independent Auditor's Report (continued)

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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.

I also provide the Board with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
23 March 2017



Simone Bohan
as delegate for the Auditor-General of Victoria

STATEMENT OF PERFORMANCE

The Statement of Performance below shows the Institute's performance levels against Performance Agreement targets.

The Statement of Performance complements the financial audit and provides an opportunity for stakeholders to assess the Board and the Executive Management Group's performance in achieving their defined targets in 2016.

| PERFORMANCE MONITORING FRAMEWORK KPIs | 2015 | 2016 TARGET | 2016 ACTUAL | VARIANCE | COMMENT |
|--|-----------------|--------------|-----------------|-----------------|--|
| TRAINING REVENUE DIVERSITY Victorian Training Guarantee Fee for Service | 62.29% | 65.29% | 64.01% | (1.28%) | Actual is within reasonable accepted limit. |
| EMPLOYMENT COST AS A PROPORTION OF TRAINING REVENUE (Employment and Third Party training delivery costs as a proportion of training revenue) | 109.56% | 96.41% | 134% | 37.59% | A focus on compliance and product development during 2016 negatively affected the KPI result by increasing salary costs. Training revenue achieved was lower than budgeted, due to lower than expected student contact hours, which also negatively affected the KPI result. |
| TRAINING REVENUE PER TEACHING FTE (Training Revenue (exc. Revenue delivered by third parties) per Teaching FTEs) | \$147,373 | \$164,003 | \$120,002 | (\$44,001) | This target achievement has been affected by the Institutes focus on compliance and product development. Staff levels have been maintained to ensure compliance with teaching quality and service delivery across our region. |
| OPERATING MARGIN PERCENTAGE (EBIT excluding Capital Contributions & Other economic flows) divided by Total Revenue (excl Capital Contributions) | (6.66%) | (25.37%) | (1.08%) | 24.29% | Target exceeded. |
| STRONGER GROWTH | | | | | |
| Market share in principle region | N/A | 58% | TBA | TBA | 2016 data yet to be released. |
| Record positive EBITDA (excluding Capital Contributions) for 2016 | \$1.407 million | December '16 | \$1.766 million | \$1.766 million | Target achieved. |
| ENROLMENT TARGETS | 6,247 | N/A | 6,722 | 7.6% | Target exceeded. |
| Victorian Training Guarantee Student Contact Hours | 1.97% | -11.96% | 0.21% | 12.17% | Target not achieved due to lower numbers across all teaching portfolios including Personal Services, Food & Fibre, and Health. |
| FFS increase from 2015 | \$2.045 million | 33% increase | \$2.048 million | (25%) | Up compared to 2015, however Industry reverting to Government funded training made available with eligibility exemptions. |
| Development of an Educational Precinct Strategy | | December '16 | | | To be completed in March 2017. |
| Implementation of the Performance and Accountability framework | | December '16 | | | Completed. |
| Training Revenue Growth | \$10.4m | \$14.3m | \$9.6m | (\$4.7m) | Student contact hours (SCH) down and average course SCH also reduced. |
| Implementation of 2016 Strategic Plan | | December '16 | | | Completed. |
| BETTER QUALITY | | | | | |
| Industry engagement sessions | - | 40 | 45 | +5 | Target achieved. |
| Student Satisfaction (Learner Engagement Survey) | 70.80% | >80.00% | 79.90% | -0.10% | Actual is within reasonable accepted limit. |
| Employer satisfaction | - | December '16 | - | - | 2016 data yet to be released. |
| Implementation of Skills and Jobs Centre | | February '16 | | | Completed. |
| Implementation of the recommendations of the Quality Assurance Review | | | | | Ongoing. |
| SMARTER AND MORE CONFIDENT | | | | | |
| Develop new Brand Plan | | June '16 | | | Completed. |
| Staff Satisfaction (participate in People Matters survey) | 65.00% | 65.00% | 61.00% | -4.00% | Slight decline in staff satisfaction as a result of the institute implementing revised restructure in line with new institute strategy. |
| Complete the rollout of Government funded projects e.g. TSAF | | | | | Completed. |
| Implement Board endorsed recommendations from the Organisational Capability Framework Review | | | | | Ongoing. |
| Collaborate with other Institutes to provide an opportunity to strengthen the position of the Institute and share best practice | | | | | In progress through the Regional Collaboration of TAFES. |

TRAINING OUTCOMES

The Institute delivered a total of 1,262,951 Student Contact Hours (SCH) in 2016. The table below provides a detailed breakdown of SCH delivery in 2016.

STUDENT CONTACT HOURS DELIVERED

| OUTCOMES | SCH |
|---|------------------|
| VTG NON APPRENTICESHIP/TRAINEESHIP | 723,618 |
| VTG APPRENTICESHIP/TRAINEESHIPS | 349,467 |
| FULL FEE PAYING | 21,549 |
| FEE FOR SERVICE (includes TAFE in Schools, Overseas Students, Interstate Apprenticeships and Short Courses) | 168,317 |
| TOTAL DELIVERY | 1,262,951 |

MOVEMENT IN STUDENT CONTACT HOURS OVER THE PAST FIVE YEARS

| 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------|-----------|-----------|-----------|-----------|
| 2,700,757 | 2,983,939 | 1,792,491 | 1,323,738 | 1,262,951 |

CAPITAL WORKS

BUILDING CODE OF AUSTRALIA (BCA) WORKS

The Institute continued to fulfil its obligations regarding the maintenance of Essential Safety Measures and preparation of an annual Essential Safety Measures report for each occupied building. This process was supported by the OHS & Emergency Planning Committee and consultant Stokes Safety. These works were part of the Institute's legal and community obligations under the following regulations:

- Building Act 1993
- Building Regulations 2006
- Building Code of Australia Essential Safety Measures i.e. fire protection and evacuation systems
- Occupational Health and Safety Act 2004
- Disability Discrimination Act 1992
- Heritage Act 1995

ENVIRONMENTAL SUSTAINABILITY

South West TAFE remains committed to reducing its impact on the environment.

We ensure that staff and students work together to reduce the Institute's environmental impacts, develop pro-active responses to environmental best practices and achieve innovative solutions in line with our strategic objective to be a leader in our approach to environmental sustainability.

The following energy performance initiatives and savings were achieved in 2016:

TRANSPORTATION

South West TAFE had a motor vehicle fleet of 38 vehicles.

Total kilometres travelled has been reduced by 64,173kms down to 813,826kms per annum. The vehicle fleet now holds a greenhouse rating of 6.33 out of 10 due to the continued incorporation of energy efficient vehicles. Using the Institute's Travel Management Policy, staff are encouraged to participate in alternative methods of transport, including car pooling and train travel, and to consider greater utilisation of video conferencing and other online technologies.

PAPER USE

Our Institute endeavours to purchase 100% carbon neutral paper.

ENERGY USE

The Institute is in line to achieve a reduction of 911tpa of CO₂ as per the Greener Government Building Program. In 2016 the project delivered 9.5% additional savings over the guaranteed amount, up from 5.8% in 2015.

WASTE MANAGEMENT

South West TAFE continues to take all opportunities to explore alternative recycling options regarding waste material and waste contracts, with a full review due to be carried out by mid-2017.

WATER REDUCTION

The Institute continues to investigate the use of water harvesting initiatives and sustainable practices in refurbishment and new building works. As a result, a reduction of 1,852KL was achieved in 2016.

PROCUREMENT

South West TAFE aims to ensure that any opportunity to maintain all procurement activities are environmentally friendly and support the objectives of the Governments Environmental Procurement Policy.

South West TAFE aims to integrate environmental considerations into procurement decision making and negotiate where possible, sustainability clauses.

ENVIRONMENTAL DATA

| INDICATORS | | | | | | | |
|---------------------------------|---|--------------------------|-----------------|----------------------------|--------------|--------|--------------|
| | Wbool City Campus | Wbool Trades Campus (x2) | Hamilton Campus | Portland Campus | Total | | |
| Gross Useable Floor Area | 15,938 | 7,069 | 2,365 | 3,860 | 29,232 | | |
| FTE | | | | | | 260 | |
| GAS & ELECTRICITY | | | | | | | |
| E1 | Total energy useage segmented by primary sources (including green power) | | | Megajoules - Gas | 12,555,689 | | |
| | | | | Megajoules - Electricity | 4,705,470 | | |
| E2 | Greenhouse gas emissions associated with energy use, segmented by primary source | | | Tonnes CO2-e - Gas | 696 | | |
| | | | | Tonnes CO2-e - Electricity | 1,229 | | |
| E3 | Percentage of electricity purchased by Green Power | | | % | 15% | | |
| E4 | Units of energy per FTE | | | MJ/FTE | 66,389 | | |
| E5 | Units of energy per unit office space | | | MJ/GFA | 590 | | |
| GGB | Reduction of Greenhouse gas emissions associated with the 'Greener Government Building Program' | | | Tonnes CO2-e | -911 | | |
| WASTE PRODUCTION | | | | | | | |
| Ws1 | Total units disposed of by distination (kg per year) | | | Landfill (kg) | 38,500 | | |
| | | | | Recycled (kg) | 52,030 | | |
| | | | | Greenwaste (kg) | not recorded | | |
| Ws2 | Units disposed per FTE by destination | | | Landfill (kg/FTE) | 148 | | |
| | | | | Recycled (kg/FTE) | 200 | | |
| Ws3 | Recycling - percentage of total waste disposal (%) | | | % | 57% | | |
| Ws4 | Greenhouse gas emissions associated with waste disposal (t Co2-e) | | | Tonnes CO2-e | 203 | | |
| PAPER USE | | | | | | | |
| P1 | Total units of A4 equivalent copy paper used (reams) | | | (reams) | 4,232 | | |
| P2 | Reams of A4 equivalent copy paper used per FTE | | | (reams/FTE) | 16.28 | | |
| P3 | Percentage of recycled content in copy paper purchased (%) | | | % | 10% | | |
| WATER | | | | | | | |
| W1 | Total units of metered Water consumed by water source | | | (kilolitres) | 8,380 | | |
| W2 | Units of metered Water consumed in offices per FTE | | | (Kilolitres/FTE) | 32.23 | | |
| W3 | Units of metered Water consumed in offices per area | | | (kilolitres per m2) | 0.29 | | |
| GREENHOUSE GAS EMISSIONS | | | | | | | |
| G1 | Total Greenhouse gas emissions associated with energy use | | | Tonnes CO2-e | 1,925 | | |
| G2 | Total Greenhouse gas emissions associated with vehicle fleet | | | Tonnes CO2-e | 155 | | |
| G3 | Total Greenhouse gas emissions associated with air travel | | | Tonnes CO2-e | 19.76 | | |
| G4 | Total Greenhouse gas emissions associated with waste disposal | | | Tonnes CO2-e | 203 | | |
| G5 | Greenhouse gas emissions offsets purchased | | | Tonnes CO2-e | 0 | | |
| TRANSPORTATION | | | | ULP | Diesel | Hybrid | Total |
| T1 | Total energy consumption by operational vehicles | | (GJ) | | | | not recorded |
| T2 | Total vehicle travel associated with entity operations | | (KM) | 547,354 | 220,585 | 45,887 | 813,826 |
| T3 | Greenhouse gas emissions associated with operational vehicle fleet | | Tonnes CO2-e | 108 | 41 | 6.4 | 155 |
| | Greenhouse gas emissions from vehicle fleet per 1,000kms | | Tonnes CO2-e | 0.19 | 0.18 | 0.14 | |
| T4 | Total distance travelled by air | | (KM) | | | | 188,441 |

BUSINESS AND FINANCIAL PERFORMANCE

SUMMARY OF OPERATING RESULTS

In 2016 the Institute returned a surplus of \$120,000, this included other economic flows of \$25,000. Total Government grants increased by \$2.65 million to \$24.52 million in 2016, these grants incorporated additional funds received as part of Government initiatives. Overall Institute expenditure increased by \$1.78 million, with salary expenditure increasing by \$2.02 million. This was predominately due to the implementation of government projects and compliance activities. The Institute was able to achieve savings in non-salary expenditures of \$0.24 million.

| COMPARATIVE RESULTS 2012–2016 | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| ITEM | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| TOTAL INCOME FROM TRANSACTIONS | 37,819 | 34,649 | 25,356 | 29,893 | 31,677 |
| TOTAL EXPENDITURE FROM TRANSACTIONS | 38,106 | 38,072 | 28,908 | 29,808 | 31,582 |
| NET RESULTS FROM TRANSACTIONS | -287 | -3,423 | -3,552 | 85 | 95 |
| TOTAL OTHER ECONOMIC FLOWS | -366 | -941 | -4,460 | 951 | 25 |
| NET RESULT | -653 | -4,364 | -8,012 | 1,036 | 120 |
| CURRENT ASSETS | 12,437 | 9,601 | 11,565 | 12,533 | 10,715 |
| NON CURRENT ASSETS | 62,248 | 66,088 | 55,710 | 52,576 | 59,047 |
| CURRENT LIABILITIES | 6,688 | 6,622 | 9,559 | 4,558 | 4,843 |
| NON CURRENT LIABILITIES | 2,435 | 5,276 | 1,937 | 4,947 | 4,108 |
| NET ASSETS | 65,562 | 63,791 | 55,779 | 55,604 | 60,811 |
| WORKING CAPITAL RATIO | 1.86 | 1.45 | 1.21 | 2.75 | 2.21 |

MOVEMENT IN NET ASSETS & WORKING CAPITAL RATIO

The Institute had an increase in its net asset base from \$55.6 million to \$60.8 million over the past year. This is predominately due to a managerial revaluation of buildings completed in 2016. Current assets decreased by \$1.8 million, with deposits decreasing by \$937,000 and receivables decreasing by \$1.12 million. An increase in building valuations of \$5.08 million and project asset purchases of \$2.63 million led to an increase in non-current assets of \$6.47 million. Total Institute liabilities decreased by \$554,000, this was due to a decrease in provisions and further repayments of borrowings. The decrease in current assets has led to a reduction in the working capital ratio from 2.75:1 in 2015 to 2.21:1 in 2016.

COMMERCIAL ACTIVITIES

South West TAFE undertook no major commercial activities in 2016.

CONSULTANCIES

In 2016, 15 consultancies were used with fees payable to each of \$10,000 or more. The combined amount for these services in 2016 were \$597,067 (ex. GST).

Consultancy details are made available on the Institute's website: <http://www.swtafe.vic.edu.au/about-us/corporate/consultancies>. 21 other consultancy services were utilised during the year with respective fees payable of under \$10,000, with the combined total of \$83,984 (ex. GST).

SIGNIFICANT EVENTS SINCE BALANCE DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Institute, the results of those operations, or the state of affairs of the Institute in future financial years.

The background features a complex geometric pattern of overlapping triangles and polygons in various shades of blue, from deep navy to light sky blue. The shapes are arranged in a way that creates a sense of depth and movement, with some areas appearing to recede into the distance. The overall composition is clean and modern, typical of a corporate or technical document cover.

OVERVIEW

OVERVIEW

PROGRAMS AND SERVICES

South West TAFE continues to remain the largest provider of vocational education and training services in South-West Victoria, and is underpinned by the Education and Training Reform Act 2006. In 2016, the Institute delivered courses to 6,722 students, using a blend of delivery options including workplace, on campus, off campus, online, VET in Schools, Traineeships, Apprenticeship courses and modules delivered via regional adult learning centres.

South West TAFE provides quality vocational education and training, adult, community, and further education programs and services, and strives to enhance the educational opportunities of individuals, whilst serving the diverse needs of the region's community, and promoting the competitiveness of industry.

The Institute has engaged with the region's industry, and has strategically aligned its training products to their needs, and the future demands of the workforce. A diverse and extensive range of nationally accredited qualifications, industry-specific short courses, workshops and training programs are on offer.

In 2016, South West TAFE delivered training to the Great South Coast region of Victoria, state-wide, interstate and international programs.

FORMAL STATUS

The Institute is governed by a Board of Management (Board). The Board comprises of ten members (including the Board Chair) with diverse skills, knowledge and experience. The membership of the Board comprises of five ministerially appointed directors, three co-opted directors, one elected staff member, and the Institute's CEO. The objectives, powers and functions of the Board are set out in the revised Constitution of the Board (2016). The Institute and its Board was established under the Education and Training Reform Act 2006.

The relevant Ministers are Hon. Steve Herbert, MP, Minister for Training and Skills (1 January 2016 - 9 November 2016 and Hon. Gayle Tierney, MP, Minister for Training and Skills, and Minister for Corrections (9 November 2016 - 31 December 2016).

HISTORY

The Institute has a long and proud history of providing technical and specialist education, with links back to the formation of the Mechanic's Institute in 1853.

In 1913, the Warrnambool Technical School was established on the site and operated within the state education system. It became the Warrnambool Technical College in 1958, with the commencement of full diploma courses.

In 1969, the tertiary section of the Warrnambool Technical College became affiliated with the Victorian Institute of Colleges and became the Warrnambool Institute of Advanced Education (WIAE).

The TAFE section separated from the WIAE in 1984 and became the Warrnambool College of Technical and Further Education (TAFE). The establishment of campuses at Hamilton and Portland prompted a name change in 1992, when it became known as the South West College of TAFE. Three years later (in 1995) the name by which the Institute is now known was adopted—South West Institute of TAFE. Since then, training facilities at Sherwood Park (2007) and Colac (2016) have been established.

CAMPUSES

South West TAFE has four main campuses spread across the South-West Victoria region - at Hamilton, Portland and two in Warrnambool - one in the CBD and another based to the east of the city at Sherwood Park. In late 2016, the Institute also expanded operations to Colac with the establishment of an additional site offering a range of courses designed to meet the emerging needs of industry and community.

In addition to its campus-based courses, South West TAFE offers VET in Schools studies through regional secondary schools as well as courses and modules through regional adult learning centres. Programs are also offered by off-campus studies.

PUBLIC RELATIONS AND MARKETING

During 2016 marketing efforts focused on improving the position of South West TAFE and strengthening our presence in the community. A range of activities were deployed, including three major communication campaigns, public relations, events and sponsorships:

- A significant piece of work for the Marketing Department was the development of a brand strategy and two year communications plan. Rigorous qualitative and quantitative attitudinal research was conducted to inform the brand and marketing strategies.
- The resulting South West TAFE brand blueprint will ensure we develop a coherent brand in the future, and will influence the total operation of the business to ensure consistent brand experiences for all. The brand blueprint bridges the gap between business strategy, marketing objectives and marketing strategy.
- A range of campaigns were utilised for student recruitment during 2016. In early 2016 as part of the enrolment communications we encouraged students to “leap into the new year” and get job ready with South West TAFE. Mid-year provided an opportunity for us to promote over 300 government funded places and ask “why wait to be great” get in now and get ahead! Enrolments for 2017 kicked off with the first phase of activity in November, with the theme of “find your thing” and inviting people to consider how their talents could be turned into a rewarding career via training with South West TAFE.

- In August we held our first “Very Open Day” in over a decade and were thrilled to welcome over 3,000 people to our Warrnambool Campus, encouraging everyone to discover what was on offer at TAFE and the broad range of facilities housed within the Campus. The day was filled with free demonstrations, activities, markets, food stalls and a range of guest speakers.
- South West TAFE participated in a range of community events, including a Paddock to Plate pavilion at Hamilton Sheepvention, a marquee at the Sungold Field Days, Deakin University Open Day, Warrnambool Night Markets and Wimmera Careers Expo.
- Public Relations continue to provide an excellent means for the Institute to promote a range of initiatives, good news stories and outcomes with over 95 stories across all campuses and a range of publications across the region.



Find your
THING
TURN IT INTO A JOB YOU LOVE

**COME ALONG TO
A 2017 COURSE
INFO SESSION.**

**HURRY!
APPLY NOW FOR
2017 COURSES**

With over 150 courses and opportunities on offer, from health to horticulture or childcare to engineering, you're sure to FIND YOUR THING and turn it into the job you'll love. Don't miss out, come to one of our info sessions to find out more and apply for a 2017 place.

| INFO SESSIONS - WARRNAMBOOL CAMPUS | |
|---|--|
| Monday 20 November 12.30pm & 5.30pm | Tuesday 29 November 12.30pm & 5.30pm |
| <ul style="list-style-type: none"> • Building, Carpentry, Plumbing, Engineering, Electrical, Automotive • Information Technology & Digital Media • Agriculture, Horticulture, Agronomy & Conservation • Hospitality • Tourism, Events & Tour Guiding • Visual Arts • Graphic Design • Training and Assessment • General Education for Adults | <ul style="list-style-type: none"> • Community Services • Nursing, Aged Care, Disability Programs, Disability Support Training, Allied Health Assistance • Education Support (teacher aide) • Early Childhood Education & Care • Hair, Beauty, Nail Technology & Massage • VCAL Programs |

swtafe.vic.edu.au | 1300 648 911

WARRNAMBOOL • HAMILTON • PORTLAND • COLAC



2016-2018 STRATEGIC PLAN

WE HAVE FRESH AMBITION, PURPOSE AND VALUES STRONGER. BETTER. SMARTER.

Our Ambition: > Future focused education that creates a lifetime of opportunity and employability.

Our Purpose: > **What we do:** We deliver a modern and fresh approach to helping generations develop the skills they need for the futures they aspire to.

Who we do it for: For the communities and industries of South West Victoria and beyond... in new and emerging markets.

How we do it: Collaboratively, cleverly, creatively and courageously.

Our Values: > **People Focused**
We put the customer first. We tailor our approach so every learner is successful and we exceed the expectations of every employer. We invest in our staff to keep them at the cutting edge of practice.

Quality and Excellence

- We strive to exceed expectations.
- We think BOLDLY and find ways of doing things better. Always.
- We aim to distinguish ourselves and stand out from the rest.
- We act with integrity.

Innovation

We constantly seek innovation through:

- A dynamic approach
- Being responsive to community
- Collaboration with industry
- Fresh thinking
- Flexible and adaptive practices

STRONGER: Stronger Growth

We will become stronger in our vocational education and training through focus, student attraction and employability results.

Our strategies are:

- Focus – Manage a compact and competitive product portfolio within a set of specialised themes and in line with Government priorities.
- Growth – Attract and retain more students, and ensure each student attains their stated educational objectives.
- Results – Invest in and maximise the employability and suitability of our students to meet the needs of industry and community.

BETTER: Better Quality

We will provide a quality service through our education design, student experience and engagement with industry and community.

Our strategies are:

- Next practice – Ensure all education is future focused in its delivery and content.
- Modern – Build a contemporary approach to pedagogy which is aligned to industry and community needs. We will be a leader in the TAFE sector.
- Experience – Create an individualised experience for our students and other stakeholders that exceed their stated educational objectives.

SMARTER: Smarter & More Innovative

We will work smarter and be innovative with our brand, culture and systems.

Our strategies are:

- Brand – Leverage and deliver on the TAFE Victoria brand attributes – proud, contemporary and diverse – with our own brand refresh.
- Culture – Live the values and embed them in everything we do.
- Systems – Systemise our work practices to make them simpler and more efficient. Use technology and data to drive innovation.



GOVERNANCE

GOVERNANCE

INSTITUTE BOARD

South West TAFE is governed by a Board of Directors. The Board is responsible for overseeing and governing South West TAFE's strategic direction and associated corporate plans.

The Board is established in accordance with an Order in Council made under section 3.1.11(2)(c) of the Education and Training Reform Act 2006, to oversee and govern South West TAFE.

The Board is guided by a Code of Conduct and consists of a number of committees which provide specialised guidance for different areas of organisational activity. The Chief Executive Officer (CEO) and the Executive Team operate under a reporting and accountability framework. This framework monitors progress against targets established in the Board's strategic plans.

In line with our contract with the Higher Education and Skills Group, the Board also ensures that:

- appropriate compliance frameworks and controls are established
- risks are identified and managed
- reporting systems are in place
- key policies are operating and reviewed regularly
- an appropriate corporate culture is developed and maintained
- the Board's performance is monitored and evaluated
- the CEO's performance is evaluated against predetermined criteria.

MAJOR ACHIEVEMENTS OF THE BOARD

In the first half of 2016, the membership and structure of the Institute Board were refreshed following an amendment to the Education and Training Reform Act 2006. The new Board was established after a formal application process and membership now includes one elected staff member from within the Institute, and the CEO. Our Board members bring a wealth of experience in the fields of management, finance, corporate governance, education, and community and industry engagement and beyond.

The role and structure of the Board's standing committees was also refocussed in 2016 and includes the introduction of an Innovation and Industry Committee to explore new ways South West TAFE can deliver a modern and fresh approach to education based on current and emerging training and employment needs across the region. Looking towards 2017, the Board has established the following committees:

- Audit, Risk & Compliance Committee
- Innovation & Industry Committee
- Nominations and Remuneration Committee
- TAFE Structural Adjustment Fund
- Project Control Group

In the latter half of 2016, the refreshed Board reviewed our 2016 – 2018 strategic plan incorporating several key policy changes and leading to the creation of a 2017 – 2019 plan with the ambition of providing future focussed education that creates a lifetime of opportunity and employability.

REVIEW OF ANNUAL FINANCIAL STATEMENTS

Following the restructure of the Board's committees in December 2016, the onus on financial management and review moved from the Audit, Risk and Finance Committee onto the Board. As such, the Board reviewed and approved the Institute's Annual Financial Statements in their meeting on 22 February 2017.

BOARD DEVELOPMENT ACTIVITIES

The Board met eight times during 2016, excluding the Annual Meeting, for briefing sessions on various topics including major regional planning initiatives, corporate governance, committee agenda and performance monitoring, Institute strategy, business transition planning, and risk oversight. During 2016, Board members attended several development activities including:

- Victorian TAFE Association Governance Training – The Role of the CEO as a Board Director 14 September
- TAFE Boards in a Complex Environment 4 October
- Leadership Advance Workshop 3 June
- Great South Coast Leaders Lunch – Why Culture Matters in the Modern Boardroom 29 July
- VTA State Conference 18-19 August
- TAFE Directors Australia Convention 4-6 October
- South West TAFE Very Open Day 14 August

BOARD COMMITTEE STRUCTURE

In accordance with its powers, the Board has a number of committees, which draw on the skills, knowledge and experience of Board members and other specialist advisors. These committees assist the Board to meet its legal responsibilities to manage South West TAFE via sound corporate governance practices.

BOARD PRESIDENT'S ADVISORY GROUP

The main responsibilities of the Board President's Advisory Group are to:

- Oversee the process of recruitment of new Board Directors and Committee members.
- Oversee the Board's and individual Board Directors' performance reviews.
- Set and approve the remuneration and employment-related benefits offered to the CEO, based on guidelines and directions from the Board and the State Services Authority.

Committee Chair: Mike Weise

Committee members: Bill Hannah, Felicity Melican, Sue Brumby

AUDIT RISK & FINANCE COMMITTEE

The main responsibilities of the Audit, Risk & Finance Committee are to:

- Review and report independently to the CEO on the Annual Report and all other published financial information.
- Assist the CEO and the Board to monitor the effectiveness of various internal controls such as general operations, financial reporting and legal compliance.
- Determine the scope of the internal audit function, and ensure its resources are adequately resourced and effectively used, including coordination with external auditors.
- Oversee the effective operation of South West TAFE's risk management framework.
- Review management processes associated with identifying business risks and exposures, and review and assess the adequacy of management information and internal control structures.
- Review the integrity of South West TAFE's financial and external reporting mechanisms.
- Assist the Board to comply with South West TAFE's statutory and fiduciary duties in relation to financial and other requirements.
- Ensure that South West TAFE's financial systems are appropriately managed and that our financial position is accurately reported to the Board.
- Monitor South West TAFE's investments, corporate image, legal contracts, other contractual arrangements, and legislative compliance.
- Provide timely advice on the financial impact of recommendations from other Board committees.

Committee Chair: Bill Hannah

Committee members: Mike Weise, Ron Page, Felicity Melican, Mark Fidge

TAFE STRUCTURAL ADJUSTMENT FUND

The main responsibilities of the TAFE Structural Adjustment Fund are to:

- Provide overall strategic guidance and direction to the continuing implementation and development of the TSAF projects, within operational constraints.
- Develop and prioritise TSAF projects and feed these priorities back to:
 - the South West TAFE Board
 - HESG's Tertiary Education Governance Unit
 - the Student Management Systems (SMS) TAFE Users' (CEO's) Group – an external body
 - staff across the organisation.
- Work with external consultants appointed to support the TSAF and SMS delivery.
- Set and track targets and timelines for completion of each TSAF project.
- Support the SMS Working Group and relevant staff to meet these targets and timelines.
- Review and approve significant changes to any agreed projects and schedules.
- Monitor and approve any additional project finances.
- Develop and monitor risks, escalating as required to appropriate South West TAFE committees or staff for mitigation action.
- Review relevant business processes and recommend areas of proposed improvement aligned to the SMS, upon the recommendation of the PCG.
- Oversee a project post implementation review.
- Project Control Group

Committee Chair: Bill Hannah

Committee members: Felicity Melican, Mike Weise, Sue Brumby, Greg Walcott, Kate Fraser, Georgina Gubbins



INSTITUTE BOARD MEMBERS

TOP ROW FROM LEFT:

Felicity Melican

Board Chair

Mark Fidge

Director

Mike Weise

Director

Doreen Power

Director

Ann Ellis

Director

Susan Brumby

Director

Sandy Burgoyne

Director

BOTTOM ROW FROM LEFT:

Kate Fraser

Director

Sharna Westley

Director

William Hannah

Deputy Board Chair

Ron Page

Director

Toni Jenkins

Director

Georgina Gubbins

Director

Greg Walcott

Director

Felicity Melican BOARD CHAIR

Graduate Diploma Education (Secondary), Bachelor of Business (Accounting), Member, Institute of Chartered Accountants

Felicity was initially appointed to the Board on 26th October 2011 and was appointed as Board Chair in August 2016.

Felicity specialises in finance, superannuation and auditing, and has been with Sinclair Wilson Accountants and Advisors since 1993, becoming Principal in 2001. Felicity's key areas of interest are Audit and Assurance, and the not-for-profit and philanthropy sectors. Felicity also serves as Director on the South West Community Foundation, The A L Lane Foundation and the Thomas O'Toole Foundation (philanthropic trusts), and the South West Community Foundation (a community foundation incorporating the areas of Warrnambool, Colac, Corangamite, Glenelg and Southern Grampians), and is the current chair of the Great South Coast Regional Partnership.

Felicity has a passion for education and aged care and is a strong supporter of the Great South Coast region.

Felicity has also been a member of the Audit Risk and Finance Committee and the Board President's Advisory Group since 1 July 2012.

Mark Fidge DIRECTOR

Bachelor of Business (Accounting), Certified Practising Accountant (CPA), Diploma of Frontline Management, Graduate Australian Institute of Company Directors (GAICD)

Mark commenced on the Institute Board on 1 July 2016.

Mark is currently the Chief Executive Officer of South West Institute of TAFE, a position he has held since 2014 after initially joining the Institute as Finance Manager in 2003. He was appointed to the role of Executive Manager of Corporate Services in 2005, incorporating the role of Chief Finance Officer and appointed as the Institute Board Secretary in 2013. Prior to joining South West TAFE, Mark gained experience as a financial manager in a range of sectors in both Australia and the United Kingdom.



Mike Weise DIRECTOR

Bachelor of Science (Hons) (Agriculture), Graduate Certificate Education

Mike joined the Institute Board in April 2013 and has also served as a member of the Board President's Advisory Group and Audit, Risk and Finance Committee.

Mike is the Principal of Client Victoria Pty Ltd. a regional development business consulting company, working with peak bodies, universities, not for profit and statutory authorities. Prior to setting up Client Victoria, Mike was the CEO of the Dairy Development Agency, WestVic Dairy, and before that in a variety of roles for fifteen years in further and higher education and farm workforce development.

Doreen Power DIRECTOR

Master of Business Leadership, Graduate Diploma of Health Administration, Bachelor of Applied Science (Nursing & Midwifery), General Nursing Training, Graduate Australian Institute Company Directors (GAICD)

Doreen commenced on the Institute Board on 12 September 2016.

Doreen brings over 35 years' of experience in the Health Sector to the Institute Board; having held executive management and clinical roles across a range of complex health, aged care and community services in Victoria. Since 2015, Doreen has held the position of Chief Executive Officer of Lyndoch Living. Prior to this appointment, Doreen served as the Chief Executive Officer across a range of health services including rural health and community health services.

Ann Ellis DIRECTOR

Master of Business Administration, Bachelor of Special Education, Diploma of Primary Teaching

Ann commenced on the Board on 9 October 2016.

Since starting her career as a primary school teacher, Ann has had a long association with the Vocational Education sector in various teaching and non-teaching roles before moving into further managerial roles in both the government and non-government sectors in Queensland. Most recently, she held the position of Group General Manager with Engineering Education Australia, part of

Australia's peak body for professional engineers. Ann is currently the Regional Manager for Murray City Country Coast GP Training, a position which she has held since 2016. Ann also owns and runs an accommodation business in regional Victoria.

Susan Brumby DIRECTOR

PhD, Master of Health Management, Graduate of Australian Institute of Company Directors (GAICD), Graduate Diploma of Women's Studies, Certificate IV Workplace Training & Assessment, General Nursing & Midwifery Training, Fellow Australian Rural Leadership

Sue is committed to promoting positive educational opportunities and economic growth in the southwest. As the founding Director of the National Centre for Farmer Health and an executive staff member of Western District Health Service, she brings extensive experience in nursing, agriculture, research and higher education. She is a Graduate of the Australian Institute of Company Directors, Life Fellow of the Australian Rural Leadership Program and appointed member of the Victorian Agricultural Advisory Council. She has published and presented internationally and been recognised for her work in rural and regional communities. Susan joined the board on 1 September 2013 and has served as a member of the Board President's Advisory Group from 1 July 2014 until 8 June 2016.

Sandy Burgoyne DIRECTOR

Master of Sustainable Development, Bachelor of Arts (Geography), Diploma of Education

Sandy commenced on the Institute Board on 9 October 2016.

Sandy brings 25 years of education and corporate experience in developing and leading business strategy, marketing, change and business transformation within the telecommunications, information technology, retail and not-for-profit sectors. She is the founding Director of the Future Cities Collaborative at the United States Studies Centre, University of Sydney, a position she has held since 2012, and is the Managing Director of Adapt To consultancy services. Sandy is also a board member at Portland District Health.

Kate Fraser DIRECTOR

Bachelor of Economics, Fellow of the Australian Institute of Company Directors (FAICD)

Kate commenced on the Institute Board on 1 December 2015 and has over 20 years commercial experience in strategic planning, communications and business development in Sydney, Melbourne and Western Victoria.

A fellow of the Australian Institute of Company Directors, Kate has served on several state and federal government boards in the utilities and health sectors. Kate's industry experience includes strategy development, change management and new business acquisitions in consumer and marketing roles within the retail banking, consumer goods, finance and health insurance sector.

Sharna Westley DIRECTOR

Graduate Diploma in Health Promotion, Graduate Diploma in Education, Bachelor of Arts (Education), Diploma of Sustainability

Sharna commenced on the Institute Board on 1 July 2016 and serves as the elected staff member for the Institute.

Sharna brings a wealth of teaching industry experience to the board, having initially trained as a primary school teacher and working in this capacity in both Australia and the United Kingdom. Since returning to Australia in 2005, Sharna moved into the Vocational Education sector where she has developed a passion for working with young people and disadvantaged learners. She has held a range of teaching and coordination roles within the Institute and is currently pursuing a Masters of Inclusive Education.

William Hannah DEPUTY BOARD CHAIR

Master of Business Administration, Diploma of Sports Science, Bachelor of Commerce (Accounting)

Bill served on the Institute Board from 1 September 2013 until 18 September 2016, also serving as a member of the Audit Risk and Finance Committee from July 2014, and the Board President's Advisory Group from July 2015. Bill has a background in Finance and before retiring from the workforce in 2015, Bill was the Chief Financial Officer at Warrnambool Cheese and Butter Factory. He also has broad experience as a Financial Accountant and, since 1968, has worked in various companies including Denehurst Limited, Newcrest Mining Ltd, Kembla Coal & Coke P/L, Illawarra Meat Company, Airfast Services and Tip Top Bakeries.

Ron Page DIRECTOR

Masters of Sustainable Agriculture, Diploma of Company Directors, Bachelor of Applied Science (Agriculture), Professional Wool Classing Certificate, Associate Diploma in Agricultural Business Management

Ron served on the Institute Board from 1 September 2013 until 30 June 2016 and also served as a member of the Audit Risk and Finance Committee from 1 July 2015 until 30 June 2016. Ron has had over 9 years of executive management experience providing fiscal, strategic and operational leadership in uniquely challenging primary industry roles for WestVic Dairy, South West Climate Change Forum, Fonterra Australia and Dairy Farmers Milk Cooperative.

Toni Jenkins DIRECTOR

Masters of International Education Policy, Bachelor of Arts, Advanced Diploma of Business, Certificate in Workplace Leadership, Advanced Certificate in Management Skills, Certificate in Accounting, Certificate IV in Business Facilitation

Toni served on the Institute the board from 3 August 2012 until 30 June 2016 and was also a member of the Board President's Advisory Group from 1 July 2014 to 30 June 2015. Toni is currently the CEO of South West Local Learning and Employment Network (SWLLEN), a position she has held since 2003. Toni has also worked in a number of other roles since training as a registered nurse in 1980, including office management, financial management, A/Executive Officer and Project Facilitator of the Greater Green Triangle Area Consultative Committee, Co-ordinator of the New Enterprise Incentive Scheme, Employment Consultant and Case Manager.

Georgina Gubbins DIRECTOR

Master of Agribusiness, Bachelor of Nursing, Fellow Australian Institute Company Directors Course (FAICD)

Georgina served on the Institute Board from 6 October 2014 until 30 June 2016. Georgina has a background in the health and agricultural industries. She is the Managing Director of a red meat farming business and has been involved in State and National Agribusiness Advisory Committees. She currently sits on the Board of Wannon Water and has also served as the Chair of the Great South Coast Committee of AICD. Georgina brought her experience in governance and small business to the Board and is an advocate for rural and regional education.

Greg Walcott DIRECTOR

Attended Melbourne Grammar School and Monash University

Greg served on the Institute Board as a Ministerial appointee from 1 October 2012 until 30 June 2016, residing in the Shire of Southern Grampians. Greg's area of expertise is in mining and agriculture. He manages his own property near Kanagulk and is the Director of GW Consulting Services.

BOARD AND COMMITTEE MEMBERSHIP

The Board met eight times during the year, excluding the Annual Meeting, which was held on 22 June 2016. Meetings were scheduled bi-monthly with additional meetings held as required. Institute committees met 14 times to review and monitor various aspects of the Institute's operations. During 2016, no Board Directors declared a potential pecuniary interest in an issue discussed during Board or committee meetings.

| COMMITTEE MEMBERSHIP AND MEETINGS ATTENDED | | | | | | |
|--|-------------------------|--|----|-----|------|------|
| BOARD DIRECTOR | POSITION | TERM | IB | ARF | TSAF | BPAG |
| Mike Weise | Board Chair Director | 1 January 2016 – 30 June 2016 1 July 2016 – 19 August 2018 | 5 | 6 | 1 | 3 |
| William Hannah | Deputy Chair | 1 January 2016– 18 September 2016 | 6 | 6 | 5 | 3 |
| Susan Brumby | Director | 1 January 2016– 30 June 2019 | 7 | N/A | 3 | 2 |
| Georgina Gubbins | Director | 1 January 2016 – 30 June 2016 | 3 | 6 | 2 | N/A |
| Toni Jenkins | Director | 1 January 2016 – 30 June 2016 | 3 | N/A | N/A | N/A |
| Felicity Melican | Director Board Chair | 1 January 2016 – 30 June 2016 20 August 2016 – 31 July 2018 | 7 | 4 | 5 | 3 |
| Ron Page | Director | 1 January 2016 – 30 June 2016 | 3 | 5 | N/A | N/A |
| Greg Walcott | Director | 1 January 2016 – 30 June 2016 | 3 | 2 | 1 | N/A |
| Kate Fraser | Director | 1 January 2016 – 31 July 2019 | 8 | 1 | 1 | N/A |
| Ann Ellis | Director | 9 October 2016 – 31 December 2017 | 2 | N/A | N/A | N/A |
| Doreen Power | Director | 12 September 2016 – 31 December 2018 | 3 | N/A | N/A | N/A |
| Mark Fidge | Director | 1 July 2016 (ex officio) | 5 | 6 | 5 | 3 |
| Sandy Burgoyne | Director | 9 October 2016 – 31 December 2018 | 1 | N/A | N/A | N/A |
| Sharna Westley | Director | 1 July 2016 – 30 June 2019 | 5 | N/A | 2 | N/A |

IB – Institute Board (8 meetings)

ARF – Audit, Risk & Finance Committee (6 meetings)

TSAF – TAFE Structural Adjustment Fund PCG (5 meetings)

BPAG – Board Chair's Advisory Group (3 meetings)

BOARD REMUNERATION

Director's fees paid in 2016 totalled \$156,864.



EXECUTIVE MANAGEMENT GROUP

Day-to-day management of the Institute continued to be delegated to the CEO and Executive Management Group. The CEO and Executive Management Group operate under a reporting and accountability framework.

LEFT TO RIGHT:

Mark Fidge

CHIEF EXECUTIVE OFFICER

Bachelor of Business (Accounting), Certified Practising Accountant (CPA), Graduate of the Australian Institute of Company Directors (AICD), Diploma of Frontline Management.

Mark has been CEO since early 2015. Prior to becoming the CEO, Mark was the Executive Manager – Corporate Services incorporating the role of Board Secretary and Chief Financial Officer.

As CEO, Mark is responsible for implementing the strategic direction of the Institute and ensuring efficiency across the Institute to meet the requirements of Government, enterprises and individuals.

Robert Van Duynhoven

EXECUTIVE MANAGER CORPORATE SERVICES, CHIEF FINANCIAL OFFICER, BOARD SECRETARY

Bachelor of Commerce (Accounting & Marketing), Certified Practising Accountant (CPA), Graduate of the Australian Institute of Company Directors (AICD)

Robert was responsible for providing and maintaining the Institute's Corporate Services portfolio, including facilities master planning, finance, occupational health and safety, risk management, audit and compliance, human resources, student support services and information technology.

Robert was also the Institute's Board Secretary, carrying the responsibility of Chief Finance Officer and was the Executive overseeing the Institute's regional Hamilton Campus.

Robert resigned from the Institute on 21 December, 2016.

Richard Van Bergeijk

EXECUTIVE MANAGER STUDENT AND INDUSTRY ENGAGEMENT

Diploma of Business, Diploma of Management, Executive Certificate of Logistics Management

Richard commenced as the Executive Manager Student and Industry Engagement in February 2016.

Responsible for the areas of Business Development & Industry Engagement, Schools, Higher Education & Community Liaison, as well as Customer Service and Student Engagement; Richard brings to the Portfolio a 25 year history of working in a range of Management positions spanning small private enterprises through to large Multi-National organisations.

Madelyn Lettieri

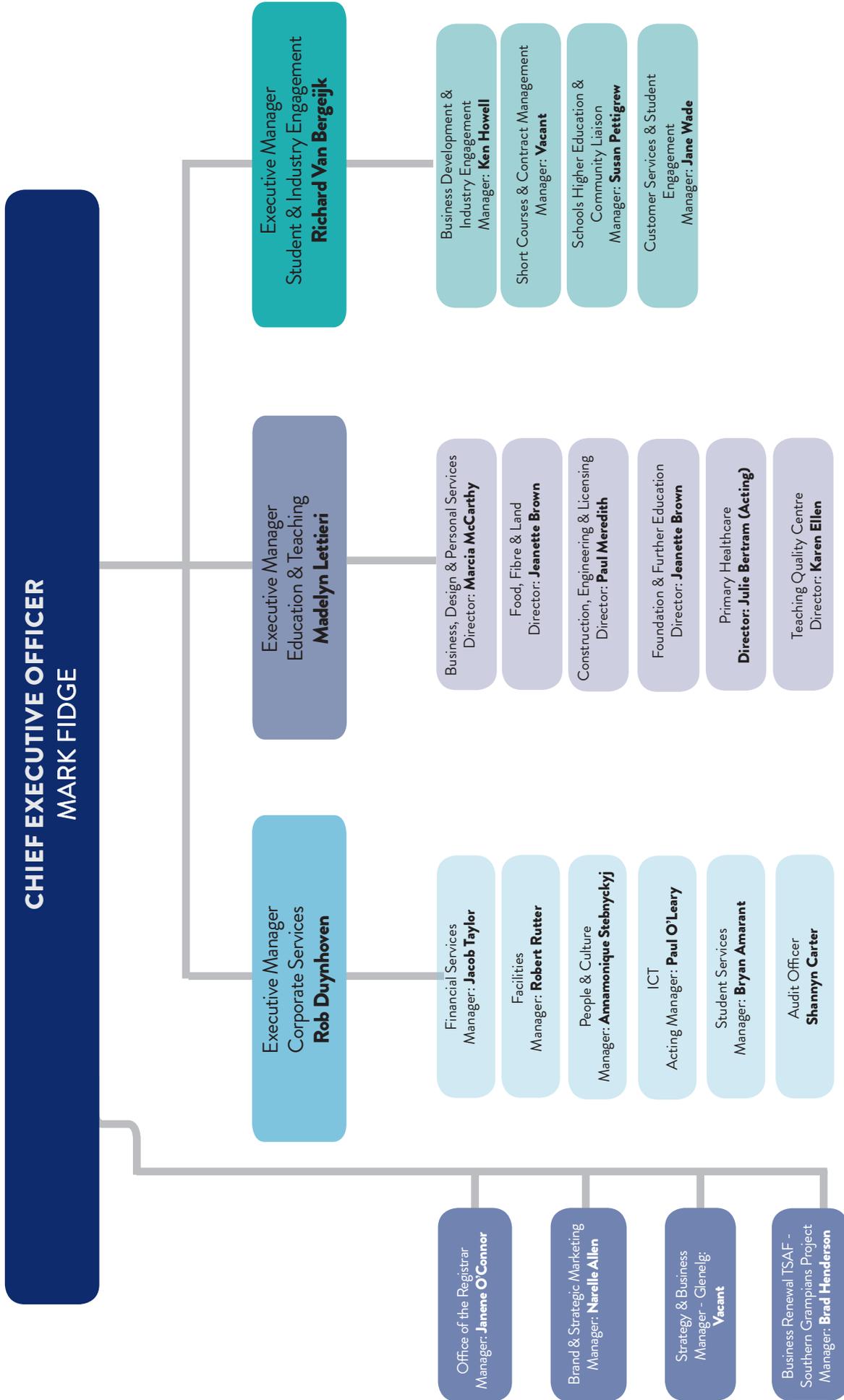
EXECUTIVE MANAGER EDUCATION & TEACHING SUPPORT

Diploma of Teaching, Diploma of Frontline Management, Graduate Certificate in Management Development (Education & Training) Certificate IV in Workplace Training & Assessment

Madelyn commenced at the Institute as the Executive Manager Education and Teaching Support in April 2015 and was formally appointed to the position in July 2015. Madelyn brings a wealth of Education and VET experience to the role.

This portfolio is responsible for the areas of Construction, Engineering and Licensing, Primary Healthcare, Foundation and Further Education, Business and Design, Food, Fibre and Land, and the Teacher Quality Centre. Madelyn is responsible for providing leadership to the Teaching Directorate and strategic direction to all Institute Teaching Centres.

SOUTH WEST INSTITUTE OF TAFE - ORGANISATIONAL STRUCTURE



The background features a complex geometric pattern of overlapping triangles and polygons in various shades of blue, from deep navy to light sky blue. The shapes are arranged in a way that creates a sense of depth and movement, with some areas appearing to recede into the distance. The overall composition is clean and modern.

STUDENTS

STUDENTS

STUDENT OUTCOMES

In 2016, South West TAFE delivered training to 6,722 individual enrolments which equated to 1.26 million student contact hours (SCH). The Higher Education and Skills Group, along with individual student tuition fee contributions, funded 85% of SCH delivered, with the remainder funded by individuals, industry and non-Victorian governments under User Choice Agreements.

This SCH figure underlines the Institute's dedication to delivering high quality training programs, in a year of complex changes to the vocational education and training industry. This also reflects the Institute's strategic intent to continue growth in line with regional demand.

The Institute continued to experience strong growth in our VCAL, Children's Services, Health and Community Services programs. Apprenticeships and Traineeships continued to be a significant part of delivery, with 27.7% of SCH delivered to these students.

STUDENT CONTACT HOURS RESULTS

| BY FUNDING SOURCE | SCH |
|---|------------------|
| GOVERNMENT PROFILE EXCLUDES TRAINEES/APPRENTICES | 723,618 |
| GOVERNMENT CONTRACTED APPRENTICESHIPS/TRAINEESHIPS | 349,467 |
| FULL FEE PAYING | 21,549 |
| FEE FOR SERVICE | 54,727 |
| TAFE IN SCHOOLS | 96,755 |
| OVERSEAS STUDENTS | 6,963 |
| OTHER (INCL. INTERSTATE APPRENTICESHIPS, SHORT COURSES) | 9,872 |
| TOTAL | 1,262,951 |
| BY CAMPUS | |
| HAMILTON | 137,601 |
| PORTLAND | 122,800 |
| WARRNAMBOOL | 897,952 |
| SHERWOOD PARK TRAINING FACILITY | 104,598 |
| TOTAL | 1,262,951 |
| BY DEPARTMENT/CENTRE | |
| DIVISION OF BUSINESS DEVELOPMENT AND INDUSTRY RELATIONSHIPS | 8,970 |
| DIVISION OF BUSINESS, DESIGN AND PERSONAL SERVICES | 191,307 |
| DIVISION OF CONSTRUCTION ENGINEERING AND LICENSING | 272,784 |
| DIVISION OF FOOD, FIBRE AND LAND | 186,460 |
| DIVISION OF PRIMARY HEALTH CARE | 209,480 |
| DIVISION OF FOUNDATION FURTHER EDUCATION | 393,950 |
| TOTAL | 1,262,951 |

STUDENT FEEDBACK

All students, staff and Institute clients have an opportunity to provide online feedback, complaints and compliments throughout the year.

Students are also surveyed at the end of short courses and regularly throughout the year on a subject-by-subject basis. South West TAFE participates in an annual "Student Satisfaction Survey" sent to all students, and collated by the Australian Council of Education Research (ACER).

YOUTH PROGRAMS

VET IN SCHOOLS

In 2016, 500 senior secondary school students undertook a vocational qualification as part of their senior secondary school qualification through studying at South West TAFE. The program is aimed at year 10, 11 and 12 students with over 20 schools from across the region making up class numbers in various program areas. The Institute has made a conscious decision to only offer programs via VETiS that have pathways into either work or further studies within this region. All courses have a pathway that encourages students to broaden their outlook when looking locally and beyond for their career opportunities. The VETiS program provides students with their first experience of vocational training within an adult learning environment and the 'employability skills' students gain are just as valuable as the technical skills with this cohort of students. The VETiS program provides students with credit towards their VCE and VCAL structures, and higher education pathways while providing students with the skills to survive and grow in the world of work. These are valuable skill sets to have when leaving secondary school.

HAMILTON DISTRICT SKILLS CENTRE

2016 rekindled the partnership with the Hamilton District Skills Centre under the auspice of South West TAFE as the RTO for their VETiS programs. The partnership was initially introduced for Hairdressing, Automotive, and Building and Construction, and will be expanded on in 2017. The partnership with Hamilton District Skills Centre has enabled South West TAFE to expand its offerings in the Hamilton region through the use of the Skills Centre facility and provides strong education opportunities for the Hamilton community. Brauer College of Warrnambool have also taken up the opportunity to partner with South West TAFE in the areas of Building, Hospitality and Engineering.

TRY A CAREER DAY

The 'Try a Career' day was a huge success this year with 860 year 9 students from all secondary schools across the region coming to South West TAFE to experience three quick snippets of a trade. First impressions count and South West TAFE is looking at ways to use this event as a chance to showcase South West TAFE as an educational provider innovative with its approach to education and delivery.

ASPIRATIONS

A new program was launched late in 2016 called Aspirations. The Aspirations program is aimed at grade 5 and 6 students from local primary schools. It's about demystifying TAFE and encouraging younger students to consider broader possibilities. It's important that at a young age students have the belief they can be what they want to be and TAFE is a place that can help them get there. A small pilot was run in November with a positive response from the school, students and parents. We look forward to having more involvement with this cohort in 2017.

SCHOOL BASED APPRENTICES AND TRAINEES

In 2016 the Institute had 118 School Based Apprentices and Trainees. Spread across all program areas, these students demonstrate diversity in study choices and the industries that are embracing the part time employment model and flexible delivery options. School Based Apprenticeships are a great way for students to engage with industry and understand the world of work. Education Support, and Early Childhood offered the most School Based Apprenticeships in 2016, followed by Automotive, Electrical, and Carpentry. A School Based Apprenticeship can be implemented across most program areas, however growth is based in industry awareness and demand.

DISABILITY PROGRAMS

In 2016, South West TAFE continued to deliver its renowned disability programs across South West Victoria. Participants engaged in many group and individual community focused activities, projects and classroom based learning. The Institute delivered a number of programs in partnership with disability services across the regions, providing relevant skills development for their clients.

South West Institute of TAFE is a registered DHHS and NDIS service provider. And much activity is currently underway ensuring we are ready to continue to support people with disabilities under the new NDIS system in 2017.

South West TAFE also actively engages with the Carers Recognition Act 2012 (Carers Act) by ensuring:

- Carers are actively engaged and encouraged to participate in care planning for the individuals they are supporting, and this is formalised through the South West TAFE Disability Departments Learning Needs Plan Guidelines.
- Families are encouraged to contact the Disability Liaison Officer regularly with any concerns and are kept informed of avenues to make suggestions or complaints.
- Biannually parents are invited to participate in face to face feedback sessions. The focus of these meetings is centred on how we can improve and add value to our services.
- Parents, families and students are asked to complete a service satisfaction survey annually.
- Parents are informed that they too can access referral services on request or as required.
- Local parents group receive fortnightly newsletters containing articles on recent activities and future events.
- Parents also receive emails pertaining to training and information sessions/workshops occurring within our area and the Metropolitan area that may be of interest to them.
- Regular contact is maintained by key staff to carers and these staff also receive regular supervision to ensure that they are supported to support others.
- Interpreter services are available to families/carers as required.
- Support via Koorie Liaisons is provided where appropriate.

All of South West TAFE's programs are well supported by its disability support team who work closely with our creative and dedicated teachers.

LEARNING SUPPORT

Over 2016 the Division of Foundation and Further Education, through the Learning Support Unit, continued to provide literacy, numeracy and study skills support to South West TAFE students across all campuses.

The Learning Support Unit coordinated the Language Literacy and Numeracy (LLN) Online Quiz process; an online literacy and numeracy assessment tool completed by newly enrolled students to ensure early detection of any students requiring learning support. Information from the LLN online quiz also supported and enhanced the pre-training evaluation process, providing staff with a Skills Analysis report for each student. Over 3930 students completed the LLN Online Quiz in 2016 and where indicated, additional literacy and numeracy support was provided in order for them to successfully complete their course and therefore increase retention rates.

Learning Support Unit staff conducted Orientation to Study programs that focused on specific learning skills such as research and referencing, study skills, Medication Maths for Nursing and generalist program assistance. Teaching departments accessing these programs included Early Childhood Education, Community Care, Nursing and Hair and Beauty.

Student support options included: regular 'drop in' library support sessions, timetabled small groups, online study support classes and in-class tutor assistance. Support for apprentice blocks including Carpentry, Auto, Plumbing and Engineering attending at Sherwood Park, Warrnambool and Portland were also provided.

The usage of the online tutorial support program 'Your Tutor' continued to grow in 2016 with 6,752 minutes consumed; a 319% increase in usage from the previous year. Anecdotal feedback supplied from Your Tutor highlighted the positive experiences of students using this service with an overall 'excellent' user satisfaction rating.

Learning, literacy and numeracy deficits continue to be a challenging skills gap for young people and adults returning to study or undertaking career change vocational courses. The Learning Support Unit at South West TAFE provides a valuable service to all teaching departments, with the aim of successful course completions for students who can then progress to meaningful employment and/or further education pathways.



PURE Hair Beauty & Wellness Academy

STUDENT OF THE YEAR AWARDS

VETiS 1st Year Hairdressing
Erin Bevan

VETiS 2nd Year Hairdressing
Shannon Philp

Certificate III Hairdressing
Sheridan Hunt

Hairdressing Apprentice
Naomi Lee

VETiS 1st Year Beauty
Shae Warnock

VETiS 2nd Year Beauty
Shaniah Mitchell

Certificate II in Nail Technology
Bianca Durdin

Certificate III in Beauty Services
Cathy Finch

Diploma of Beauty
Amity Pope

Cert IV Massage Therapy
Shae Carter

Tourism, Travel & Events

STUDENT OF THE YEAR AWARDS

**Diploma of Travel and Tourism,
Diploma of Events**
Tanya Waterfall

**Certificate III in Travel and Certificate
III in Tourism**
Louis Chilton



Trades

NATIONAL AWARDS
**AMIC Victorian Apprentice
of the Year**
Matthew Caveny

**OUTSTANDING APPRENTICE
OF THE YEAR**

Carpentry
Tyler Hards

Cabinet Making
Thomas Moir

Plumbing
Jason Lester

Engineering
Jack Bell

Automotive
Andrea Lurissevich

Building and Construction
Nathan Murfett

Electrical
Jackson Dark

Arts

Peter Lucas Memorial Award
Connor Ovenden

**2016 OUTSTANDING
STUDENT AWARDS**

VOCATIONAL STUDENT OF THE YEAR
Leslie Bastock Lewis

TRAINEE STUDENTS OF THE YEAR
Tahlia Searle & Ebony McCosh
(Joint Winners)

DEAKIN PATHWAYS AWARD
Anne Hocking (Diploma of Nursing)

SCHOOL BASED AWARD
Hayley Keane

APPRENTICE AWARD
Thomas Hamilton

YOUTH STUDENT OF THE YEAR
Jordyn Arundell

KOORIE STUDENT OF THE YEAR
Cody Chatfield

“ When I was on placement it opened my eyes to the disadvantage experienced by Indigenous people and it made me more passionate to help.

I’m amazed at where I’m going already... I’m so happy that I’m moving in the right direction. ”

*Koorie Student of the Year
Cody Chatfield*



The background features a complex geometric design. It consists of several overlapping shapes in various shades of blue and teal. A prominent dark blue diamond is centered in the upper left. Other shapes include triangles and polygons with fine, parallel line patterns in lighter blue and teal. The overall composition is modern and abstract.

STAFF

STAFF

WORKFORCE STATISTICS

| | 2016 | | | 2015 | | |
|----------------------------|----------------|-----------------|---------------------|----------------|-----------------|---------------------|
| | ONGOING | | FIXED TERM & CASUAL | ONGOING | | FIXED TERM & CASUAL |
| | ACTUAL (COUNT) | FULL-TIME (EFT) | FULL-TIME (EFT) | ACTUAL (COUNT) | FULL-TIME (EFT) | FULL-TIME (EFT) |
| Gender | | | | | | |
| Female | 118 | 98.12 | 62.76 | 113 | 93.12 | 42.62 |
| Male | 66 | 64.82 | 34.54 | 66 | 65.32 | 23.58 |
| Age | | | | | | |
| Under 25 | 2 | 1.5 | 4.75 | 6 | 5.3 | 5.95 |
| 25-34 | 26 | 24.9 | 9.54 | 21 | 19.2 | 6.32 |
| 35-44 | 47 | 37.68 | 22.9 | 50 | 39.84 | 15.86 |
| 45-54 | 69 | 60.16 | 30.36 | 66 | 59.8 | 17.92 |
| 55-64 | 38 | 36.7 | 24.85 | 35 | 33.3 | 18.33 |
| Over 64 | 2 | 2 | 4.9 | 1 | 1 | 1.82 |
| Classification | | | | | | |
| Executive Officer | - | - | 3 | - | - | 3 |
| Senior Educator - Level 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Senior Educator - Level 2 | 17 | 16.8 | - | 11 | 10.8 | - |
| Senior Educator - Level 3 | 4 | 4 | 1.6 | 5 | 5 | - |
| Teacher Level 1 | 1 | 0.6 | - | 2 | 1.4 | - |
| Teacher Level 2 | 11 | 11.1 | 5.69 | 8 | 7.2 | 4.5 |
| Teacher Level 3 | 1 | 0.5 | - | 2 | 1.5 | - |
| Teacher Level 4 | 4 | 3.8 | 5.8 | 8 | 7.8 | 1 |
| Teacher Level 5 | 49 | 42.4 | 2.5 | 53 | 46.8 | 0.5 |
| Teacher casual | - | - | 41.69 | - | - | 21.73 |
| Specialist Staff Trainee | - | - | - | - | - | 4 |
| Specialist Staff - Level 1 | 3 | 2.12 | 0.84 | 3 | 1.72 | 3.19 |
| Specialist Staff - Level 2 | 20 | 13.66 | 15.04 | 31 | 23.76 | 9.64 |
| Specialist Staff - Level 3 | 25 | 23.06 | 5.93 | 11 | 9.57 | 0.73 |
| Specialist Staff - Level 4 | 16 | 12.81 | 3.24 | 15 | 12.9 | 2.72 |
| Specialist Staff - Level 5 | 14 | 13.49 | 2.81 | 11 | 11 | 2 |
| Specialist Staff - Level 6 | 7 | 7 | 2.08 | 7 | 7 | - |
| Specialist Staff - Level 7 | 3 | 2.8 | 1.08 | 2 | 2 | 2.2 |
| Specialist Staff - Level 8 | 8 | 7.8 | 5 | 9 | 9 | 5 |

| | ONGOING | | | FIXED TERM & CASUAL | |
|-----------------|----------------|-------------------|-------------------|---------------------|------|
| | ACTUAL (COUNT) | FULL-TIME (COUNT) | PART-TIME (COUNT) | FULL-TIME (EFT) | EFT |
| 1 December 2016 | 184 | 125 | 59 | 162.94 | 97.3 |
| 1 December 2015 | 179 | 122 | 57 | 158.44 | 66.2 |

| | FULL TIME | | PART TIME | | CASUAL | |
|---------------|-----------|------------|-----------|------------|---------|-------|
| | ONGOING | FIXED TERM | ONGOING | FIXED TERM | TEACHER | OTHER |
| PACCT FTE | 60.00 | 18.00 | 24.24 | 5.02 | | 15.79 |
| Executive FTE | 0.00 | 3.00 | 0.00 | 0.00 | | |
| Other FTE | 0.00 | 0.00 | 0.00 | 0.00 | | |
| Teacher FTE | 66.00 | 7.00 | 13.70 | 6.79 | 41.69 | |

Note: The information above represents staffing information based on staffing in the final pay period of 2016

The Institute's Human Resource Information Management System is the source of information for all staff reporting requirements. Regular staffing statistics are provided to appropriate internal committees and serve to inform the decision making process necessary to enhance quality service provision to students and other clients of the Institute. Reports, as required, are provided to relevant external authorities. Staffing figures for 2016, including an analysis by employment status, age and classifications are represented in the tables provided above. The Institute believes employees have been correctly classified in the workforce data collections.

OTHER DISCLOSURES

The Institute made 10 ex-gratia payments during 2016 totalling \$64,135.08.

PEOPLE AND CULTURE

By South West TAFE recognising the difference between the human resource function and the People and Culture ethos, it confirms the dedication of the Board, executive and employees, to fully understand and promote the development of a culture that supports the achievement and attainment of the Institute's strategy through collaboration. The People and Culture team collaborates with the organisation by aligning human resource practices and promoting a workplace culture that assists South West TAFE in achieving its strategic plan.

We do this by:

- developing strategies designed to attract, retain and engage our workforce;
- providing expert consulting advice to staff;
- maintaining up-to-date knowledge of employee relations and human resources practices, issues and trends; and
- promoting and developing a high performing culture.

By combining the human resource and people and culture functions, the Institute has increased its ability to support, direct, and lead areas of growth for our employees. 2016 People and Culture initiatives include:

- development of the People and Culture work plan;
- development of South West TAFE cultural plan utilising the results of the People Matter survey
- instigation of a human resource reporting matrix which will provide analytics to support robust decision making in relation to the workforce;
- implementation of the Induction series – Corporate induction and workplace induction programs
- recruitment review – to identify, develop and implement effective and efficient recruitment practises in the Institute to support our preferred culture

CORE SERVICES

South West TAFE recognises that our people are critical to our success. To this end, a key milestone was the introduction of South West TAFE's People and Culture Portfolio to the existing Human Resources structure. In April 2016, the Institute undertook a detailed review and refocus of underlying systems and processes to ensure consistency of support to employees and leaders, in line with our commitment to continually improve service delivery.

The ongoing implementation of this review is the development of a suite of clear, fit-for-purpose people-related policies, procedures, tools and processes, known as 'P&C Core Services'. Through 'P&C Core Services', the People and Culture team partners with each area of the organisation to provide consistent and specialist support to all leaders and employees as they transition through the various stages of employment.

ORGANISATION BY DESIGN

The focus of this stream is to ensure South West TAFE has the required people and capabilities in place for ongoing success and sustainability. This includes ensuring role balance and clarity regarding individual and team accountabilities are in place and incorporates a proactive approach to workforce planning. Recognising that effective workforce planning requires an integrated approach between South West TAFE's leaders and the People and Culture Team, the workforce planning model was introduced to the Institute.

The model enables South West TAFE to respond effectively to organisational staffing requirements. The model will become integral in further developing and designing the workforce plan for South West TAFE and will be a key project for the Workforce Development Steering Committee in 2017.

Ensuring South West TAFE has a planned approach to attract, develop and retain capability, talent management is imperative for ongoing success and sustainability. South West TAFE successfully attracted a number of new staff to the organisation in 2016, with a range of backgrounds and experiences aligned to support our ongoing challenges and diverse community expectations. Furthermore, a number of internal employee progressions and development movements occurred within the same period. These positive talent outcomes are a result of increased awareness of the benefits of a career at South West TAFE. These benefits will be further articulated as we continue to develop our Employee Value Proposition (EVP) in 2017.

As part of our ongoing commitment to actively incorporating the principles of diversity in our workplace and talent programs, during the reporting period, South West TAFE has concentrated on developing a clear understanding of its workforce composition and the communities we serve.

BUILDING CAPABILITY

In 2016, a key focus was the design and activation of programs to support an organisational shift to a customer centric culture seen as critical to realising our vision. To this end, a purpose-built development program, which looked at empowering our managers and leaders within South West TAFE, was developed and successfully launched.

Our shift to a customer centric culture has enabled an improved and consistent service experience for our students, community members and employees across our locations and at multiple touch points, as evidenced through South West TAFE staff survey results.

A further highlight of the reporting period included the launch of the 'Welcome to South West TAFE' corporate induction program. With the successful delivery of 2016, this program is now embedded as part of our on boarding activities.

TRAINING AND DEVELOPMENT

Training continued to be a high priority through 2016. In line with South West TAFE's commitment to the safety and wellbeing of our employees, workforce compliance and to enable leaders and employees to be set up for success in their roles, South West TAFE supported 264 external development opportunities throughout 2016.

| DEPARTMENT | APPLICATIONS SUBMITTED | APPROVED APPLICATIONS | COST |
|--------------------------------|------------------------|-----------------------|--------------|
| Education and Teaching Support | 187 | 162 | \$103,677.08 |
| CEO | 7 | 6 | \$7155.04 |
| Student & Industry Engagement | 12 | 12 | \$17,427.23 |
| Corporate Services | 91 | 84 | \$32,625.80 |
| Total | 297 | 264 | \$160,845.15 |

LEADERSHIP PROGRAM

As leadership capability is recognised as fundamental to South West TAFE's success and sustainability, this stream is centred on continually uplifting leadership capability, through the design and delivery of a suite of leadership-based programs.

During 2016, the development of a common framework and language for strategic thinking was a critical leadership development and organisational milestone for South West TAFE. In order to align a 'whole organisation' approach to strategic thinking and activation, South West TAFE worked with our partner Dattner Grant to successfully deliver a series of key leadership workshops for all Institute managers and leaders over the year. An emphasis on people leadership capabilities continued in 2016-2017, with a strong focus on continued development of our leaders and managers through the design and delivery of our generic management capability program.

TRAINEESHIP PROGRAM

South West TAFE's traineeship program is an opportunity to support community members to gain work experience whilst achieving a qualifications. Working with West Vic, we have been able to assist the eight trainees to complete their traineeships in 2016, with some continuing their careers within South West TAFE.

PEOPLE MATTER SURVEY

For the past four years South West TAFE has been undertaking the People Matter Survey which assists the institute to measure and build a workplace of choice. From the responses received (58 % of staff), five key areas of strengths from the report this year show that our staff:

- 95% of staff believe that the work that they do is important (2% higher than benchmark)
- 94% of staff believe that their work group strives to achieve customer satisfaction (3% higher than benchmark)
- 89% of staff believe that their work group always tries to improve its performance (7% higher than benchmark)
- 89% of staff believe that they have clear understanding of how their role contributes to the organisational stated outcomes (4% higher than benchmark)

These response rates have indicated a great degree of alignment to South West TAFE's values. The People Matter survey results have been instrumental in identifying key directions for South West TAFE in setting the cultural plan "Working Together".

HEALTH SAFETY AND WELLBEING

Ongoing review and improvement to our Health, Safety and Wellbeing (HSW) Management activities has been focused on consolidating and enhancing our framework to include relevant mentoring for managers, team leaders and Health and Safety representatives throughout the organisation, to support a proactive approach to safety and wellbeing.

Monthly HSW initiatives, including performance and activities reporting, were revised and an improved reporting structure was implemented in 2016 to include HSW Lag and Lead indicators.

Returning people to work following an injury or illness is an essential element of the recovery process and our commitment to providing a safe work place. In consultation with employees, a new Return to Work Framework will be developed in 2017. The framework brings to life our commitment to assist employees to stay at work or return to work as soon as possible, by outlining a practical and aligned approach to injury management.

INDUSTRIAL RELATIONS

The specialist staff EBA was approved by the Fair Work Commission in December 2016; the teachers multiple enterprise agreement remains in negotiations. It is envisaged that this will be completed by mid-2017.

THE FUTURE

2017 will focus on further developing our Employee Value Proposition, including the design and implementation of diversity and recognition programs. Furthermore, talent and succession management will also be a key focus as a framework and set of tools to proactively deliver our talent management throughout the South West TAFE.

Building a culture of high performance and accountability will remain a key imperative 2017. The ongoing embedding of the findings of the recruitment review will form a key component of this holistic EVP and will continue to inform workforce planning decisions, ensuring South West TAFE is positioned to attract and retain capability and talent.

Plans are in place to further support the development of a capability framework for South West TAFE. This will ensure the delivery of an exceptional service experience for our customers and communities, in line with our organisational values.

The background features a complex geometric pattern of overlapping triangles and polygons in various shades of blue, from deep navy to light sky blue. The shapes are arranged in a way that creates a sense of depth and movement, with some areas appearing to recede into the distance. The overall composition is clean and modern, typical of a corporate or business-themed graphic design.

BUSINESS

BUSINESS

REGIONAL PROJECTS

In 2016, South West TAFE developed and strengthened a number of industry partnerships throughout the region. Using its industry engagement framework "Industry Connect", linkages with industry sectors and partners are being enhanced to identify and create contextualised training solutions for local businesses.

LYNDOCH LIVING

Work continues in response to predicted growth in the aged care industry, and the partnership between South West TAFE and Lyndoch Living, a local aged care community and retirement facility, continues to grow. Work has commenced on a number of projects to help position Lyndoch as a leader in their field, whilst giving access to South West TAFE students to practical, industry focussed learning environments.

SOUTH WEST HEALTHCARE

During 2016 South West TAFE continued to strengthen its partnership with South West Healthcare. South West Healthcare again made a significant commitment to healthcare education and workforce development in our region. South West Healthcare's provision of clinical placement opportunities plays a major role in the ongoing development and training of our Nursing and Allied Health Assistance students by enabling them to apply and consolidate the knowledge, skills and attitudes they are taught in the classroom to a healthcare environment.

We have worked with key personnel from South West Healthcare to provide us with feedback, advice and information to improve the delivery of our healthcare programs and outcomes for our students.

SOUTH WEST SKILLS AND JOBS CENTRE

The Skills and Jobs Centre provides services for prospective students, employers, apprentices, trainees, and unemployed or transitioning workers. The Centre has trained staff who can guide its clients through careers advice and training and retraining opportunities. The Centre is not a recruitment agency or an employer, but it is a starting point for help and referral to other services.

The Skills and Jobs Centre is located in the Old Court House on the Warrnambool Campus and has hot desks located in the Portland and Hamilton offices of Westvic staffing solutions. Staff located in the Centre include the Business Development Team, Short and Industry Courses advisors and the Work Ready Team.

The Centre provides an ideal meeting space with industry for discussions on training opportunities and needs. The Centre also provides a space for industry partners and organisations such as Commerce Warrnambool that can be utilized for meetings and presentations that help the Institute develop links with the community.

AUSTRALIAN HOME CARE

During 2016 South West TAFE continued to strengthen its partnership with Australian Home Care. In Victoria, 10 successful trainees complete Certificate III in Health Support Services. Another 68 commenced Certificate III in Health Support Services and 52 commenced Certificate III in Individual Support.

Additionally we commenced First Aid and CPR delivery across Victoria with opportunities to continue delivery in 2017 in both Victoria and New South Wales for Australian Home Care employees.

South West TAFE established two brokerage agreements for delivery of Certificate III in Health Support and Certificate III in Individual Support in New South Wales and Western Australia. New South Wales commenced 52 trainees in December. Western Australia has signed up 48 trainees and will commence training in February 2017.

Throughout the year we have worked collaboratively with Australian Home Care to establish our training product, providing opportunity for feedback, advice and information to improve the delivery of our traineeship programs and improve outcomes for our students.

PORThAUL

Meeting the demand for suitably skilled and qualified drivers is a growing problem within the area of transport and logistics. An innovative and flexible approach to training saw South West TAFE strengthen its relationship with Porthaul in 2016. Porthaul leads the way in both the earthworks and transport industries, through a platform of continuous commitment to quality and excellence. Working with Porthaul's key personnel, South West TAFE has contextualised its offering to ensure that the training meet the needs of this growing business in the Portland and surrounding areas in 2017.

WORKREADY PROJECT

South West TAFE's 'Back to Work' funded project was launched in 2016. The unique project developed a traineeship model designed to grow training in areas of community need and industry growth, helping Victorians get and keep jobs. Expanding to include apprenticeships and partnered by WestVic Staffing Solutions and Brophy Family and Youth Services, this holistic approach achieved 73 traineeship commencements and 25 apprenticeships.

At the commencement of this project, the project's steering committee reviewed the project submission closely, and in order to align to the Government's 'back to work' project, it acknowledged the region's unemployment rate. The challenge of entering our region's unemployed youth into the program, and long-term unemployed was discussed at a steering committee level. A strategic approach was agreed upon, and work began on the additional development of a training program, designed specifically to help bridge the gap between youth unemployment, and long-term unemployment.

In April 2016, SWTAFE launched a new training program called the WorkReady training program. This has been extremely well supported by our region's job networks and industry providers. Strengthening this model has been the essential pastoral care framework provided by Brophy Youth and Family Services. The program has been highlight successful, with over 45 students enrolling into the program this year. Three students have exited to jobs, with one exiting to the army. An additional six students will be exiting the program in the coming weeks. The program has been expanded to streamline secondary students into the program, and continues to be expanded across the region.

COMMERCE WARRNAMBOOL

Supporting and fostering the economic wellbeing of the city of Warrnambool and surrounds to ensure Warrnambool is "World Ready", is the primary aim of the newly re-formed and re-branded Commerce Warrnambool group. South West TAFE and Commerce Warrnambool through a joint Memorandum of Understanding will undertake to:

- Highlight and promote the many advantages of doing business with and in Warrnambool.
- Form mutually beneficial collaborative alliances within and external to its membership and its region.
- Attract and create professional development opportunities for its members.
- Ensure its members have opportunity to learn about and connect with the global marketplace, where appropriate.
- Create and facilitate networking opportunities for its members.
- Provide a platform for new partnerships and collaboration.

SWINBURNE UNIVERSITY OF TECHNOLOGY

South West TAFE and Swinburne University developed a partnership enabling South West TAFE students to undertake pathways which lead to VET qualifications and potentially higher Education qualifications with Swinburne University. The agreement opens up a range of other opportunities and includes training for staff professional development between the two Institutes.

HAMILTON DISTRICT SKILLS CENTRE

South West TAFE and the Hamilton District Skills Centre entered into an arrangement to create pathways for school students that create genuine opportunities. The objective is the collaboration of the two organisations to increase the course offering to the market, delivered in a new way, with the first collaborative project consisting of the co-delivery of a Certificate III Commercial Cookery qualification.

INDUSTRY CONNECT

In order to engage with Industry and capture valuable feedback that will help South West TAFE contextualise and tailor course delivery to Industry, South West TAFE launched its Industry Connect framework. The platform saw the running of more than 40 events in 2016. The events, both large and small, invited feedback from Industry groups and representatives across a wide range of sectors and demonstrates the importance placed on developing a stronger business relationships between SW TAFE and the key Industry players in the Region, in order to better understand their current and evolving training needs.

HIGHER EDUCATION PARTNERS

In 2016, South West TAFE continued to nurture and build strong allegiances with several Higher Education providers. These strategic partnerships support national and state strategic directions, and provide students with increased opportunities to enhance their education and training, whilst retaining a skilled workforce in the region. South West TAFE has strategically aligned their marketing campaigns to promote these pathways.

DEAKIN UNIVERSITY

South West TAFE and Deakin formalised their continuing Strategic Alliance in 2016, aimed at reinvigorating and strengthening this innovative partnership. The Deakin and South West TAFE Memorandum of Understanding further reinforced our partnership, and through the signing of a domestic student guaranteed entry agreement, have provided the South West community with a number of VET and higher education initiatives. It benefits regional, rural and remote students, creating seamless pathways from South West TAFE to university, helping build the jobs of the future in the South West region. Students have already seen the benefits of the guaranteed pathways from TAFE to University as South West TAFE students graduating from diplomas in Children's Services, Graphic Design, Accounting, Nursing, Tourism and Community Services can continue to complete their degrees as second year students at Deakin University.

In late 2016, the South West Advisory Group was established to ensure regional students would be able to continue to access further education choices without needing to leave their home towns. Membership of this group includes key representatives from community, industry and education providers including the CEO of South West TAFE. With the first meeting occurring in 2017, it is anticipated that the group will further develop the links between South West TAFE and Deakin University for the provision of future focussed offerings to the community of South West Victoria.

RMIT UNIVERSITY

In 2016 South West TAFE continued to work with RMIT to purchase the Ballarat Rd site in Hamilton. This agreement facilitated the Institute's continued provision of health related programs in Hamilton while the Institute developed an educational master plan for the Hamilton region. This has enabled the Institute to start the process of transition from their previous location in Hammond St to Ballarat Rd for the enrolment of students.

YANGZHOU POLYTECHNIC INSTITUTE

The continued partnership with Yangzhou Polytechnic Institute resulted in 15 students graduating with a Diploma of Accounting in China.

A group of 16 teachers from Yangzhou visited the Warrnambool Campus for two weeks to learn about the Australian Vocational System and training techniques.

JIANGSU POLYTECHNIC COLLEGE OF AGRICULTURE AND FORESTRY

A Memorandum of Understanding was signed with the College in December. The MOU provides a platform to develop cooperation across a number of areas including short courses, certificate courses and Diplomas.

INTERNATIONAL OPERATIONS

In 2016, the Institute's International operations consisted of offshore delivery and hosting short term study tours.

PARTNERSHIPS

The Institute's partnership with Yangzhou Polytechnic Institute (YPI) to deliver the Diploma of Accounting continued in 2016, with teaching staff travelling to China to deliver training. YPI also sent a group of 16 teachers to South West TAFE to undertake professional development at the Warrnambool Campus. This activity focussed on the development and construction of lesson plans and curriculum to engage learners.

OFFSHORE DELIVERY

During the year the Institute continued to deliver training onsite at YPI in China with thirteen students successfully graduating in 2016.

| INTERNATIONAL PROGRAMS INCOME | | |
|-------------------------------|------------------|------------------|
| | 2015 | 2016 |
| Offshore programs | \$150,000 | \$176,000 |
| Total | \$150,000 | \$176,000 |

NETWORKS

The Institute was an active member of the Warrnambool City Council International Relations Advisory Committee which aims to promote Warrnambool as a location for international cultural exchange, business, trade and tourism partnerships.

South West TAFE has also joined the Victorian TAFE consortium in exploring the delivery of professional development to the vocational sector in Brazil.

OVERSEAS TRAVEL

Staff from South West TAFE made two visits to Yangzhou Polytechnic Institute in 2016. The Director - Business Development and Industry Engagement attended the graduation ceremony of the Diploma of Accounting students at Yangzhou Polytechnic Institute, and the CEO and Director of Business Development and Industry Engagement later visited the Institute in December to negotiate expanding the relationship. During this trip, staff also visited the Guangdong College of Hospitality to discuss joint courses and a visit to the Jiangsu Polytechnic College of Agriculture and Forestry resulted in the signing of a Memorandum of Understanding to develop joint course offerings.

During 2016, Institute staff also received funding from the Department of Education and Training to deliver training to leaders of Vocational Training Colleges in New Delhi, India as a part of the Vocational Education Leadership Training (VELT) program.

RISK MITIGATION STRATEGIES

The Institute recognises the inherent risks associated with offshore activity and these risks have been identified and ranked in order of impact as part of the Institute's Board-endorsed Risk Management Plan.

The Risk Management Plan outlines specific strategies to mitigate risk in each of the identified areas. The results of each strategy are measured and the strategies adjusted accordingly.

Risk Management is a priority for the Board and as such the Institute provides regular reports to the Board regarding the Institute's offshore activities, which are inclusive of targets and actual results.

The background features a complex geometric design. It consists of several overlapping shapes in various shades of blue and teal. A prominent dark blue diamond is centered in the upper left. Other shapes include triangles and polygons with fine, parallel line patterns in lighter blue and teal. The overall composition is dynamic and modern.

COMMUNITY

COMMUNITY

COMMUNITY INVOLVEMENT

In 2016, in line with our objective of building relationships and partnerships with the community in which we operate, the Institute was involved through sponsorship and staff and student participation in a wide range of community events, forums and networking opportunities. Staff worked with various community partners, ensuring student learning was developed through both informal and formal organised programs. Student and Staff Community involvement included:

- Beyond the Bell forum participation by VCAL and VCE students
- Café Projects, Warrnambool
- Clean Up Australia Day, Portland
- Conservation Volunteers Australia (CVA) in Narrawong and Port Fairy volunteer work opportunity in conservation for VCAL Foundation and Intermediate
- East Warrnambool Primary School Transition to Secondary School with Senior VCAL students
- F Project activities
- Fun4Kids Festival – Early Childhood Education student led involvement
- Glenelg Shire Council Signage Audit
- Ivy's Army – student and staff fundraising
- Light the Night – Leukaemia Foundation
- Lyndoch Living student visits
- Making Waves – Nursing Practitioners Conference
- Pram to Preps children's activities at Flagstaff Hill
- Rotary Hole in One Competition
- Rotary School Lunch Project with Portland VCAL Student participation
- Sheepvention, Hamilton
- Sungold Fields Days
- Warrnambool and District Food Share Staff Support
- Portland Upwelling Festival – VCAL and Early Childhood Education student involvement
- VCAL Student Ball
- Victorian Dance Festival
- Warrnambool Night Markets
- Welcome to Hamilton Mural Project
- Wimmera Careers Expo

COMMUNITY PARTNERS

In 2016 the Institute enjoyed partnerships with the following community organisations:

- Brophy Family Youth Services
- Commerce Warrnambool
- Cruise Express, Portland
- Deakin University
- Glenelg and Southern Grampians LLEN
- Glenelg Shire Council
- Headspace
- Lions Clubs of the South West regions
- Lyndoch Living
- Marrung Education Plan Regional Partnership
- Portland District Health
- Regional Tertiary Advisory Group
- Rotary Clubs, South West Region
- South West Academy of Sport
- South West Disability Network partnership
- South West Local Learning & Employment Network (LLEN)
- South West Sport
- Warrnambool City Council

COMMUNITY MEMBERSHIP

During 2016 representatives from Executive and the Institute Management Group were active members of a range of community groups including:

- Beyond the Bell Committee
- Brophy Family and Youth Services
- Commerce Warrnambool
- Committee for Portland
- Glenelg and Southern Grampians LLEN Board
- Great South Coast Early Years Network
- Great South Coast Suicide Prevention Strategy Group
- Great South Coast Workforce Action Group
- Hamilton and District Skills Centre
- Horizon 21
- Ice Challenge Group
- Lyndoch Living Board
- South West LLEN Board
- South West Victoria Football Association
- Warrnambool and District Early Years Network
- Warrnambool and District Network of Schools
- Warrnambool Wolves Football Club
- Youth Link 55 Youth Network

The background features a complex geometric pattern of overlapping triangles and polygons in various shades of blue, from deep navy to light sky blue. The shapes are arranged in a way that creates a sense of depth and movement, with some areas appearing more prominent than others. The overall aesthetic is clean, modern, and professional.

COMPLIANCE

COMPLIANCE

OCCUPATIONAL HEALTH AND SAFETY

The Institute maintained a proactive, systematic approach to its OHS legislative compliance and duty of care obligations by providing safe and healthy working and learning environments for our students, employees, contractors and visitors.

The Institute's OHS & Emergency Planning Committee (OHS & EPC) membership includes the Chief Executive Officer ex officio, three management representatives, Chief Fire Warden, Compliance Officer, Disability Officer and 17 Health & Safety Representatives (HSRs) representing around 400 employees in 16 Designated Work Groups (DWGs) across the Institute's five campuses.

The HSR roles included:

- Participation in the 2016 review of Safe Operating Procedures (SOPs) and plant maintenance schedules by consultants Stokes Safety in trade training areas.
- Carrying out workplace OHS inspections and providing reports of issues identified.
- Assisting with investigation of health and safety issues.
- Consulting with the Executive team on health and safety matters.
- Assisting Directors and Senior Educators with OHS risk assessments.
- Receiving information from Executive and external sources to assist with their OHS role.
- Attending interviews, when required, between employees and Executive regarding OHS matters.
- Attending meetings of the OHS& EPC.

The OHS & EPC met six times during the year. Minutes of these meetings were forwarded to the Audit, Risk and Finance Committee and the Institute continued to administer OHS issues within the context of its risk management framework.

The following notable initiatives were implemented:

- Completion of OHS & EPC Action items including Test & Tagging of Electrical Appliances, installation of non-slip surface to fire escape stairs, inclusion of OHS matters in the Staff Bulletin, etc
- Review of relevant Institute OHS policies, procedures, guidelines and forms.
- Development of a procedure and checklist to ensure a consistent approach with departmental changes.
- Mandatory wearing of eye protection for all personnel in trade workshop training areas.
- Improved OHS induction processes for new and existing Institute employees and contractors.
- Emergency/Fire evacuation drills conducted six monthly.

- Training for OHS representatives.
- Training for Emergency Wardens.
- First aid training for nominated First Aid Officers.
- Office ergonomic assessments.
- Manual handling procedures and guidance.
- Influenza vaccinations.
- Promotion of the Employee Assistance program.
- Promotion of the Equality and Fairness in the Workplace Policy.

A total of 85 OHS incident reports were received for 2016 summarised as follows:

- 57 incidents involved students.
- 22 incidents with either nil or minor injuries for Institute employees (6 Workcover claims).
- One contractor incident with minor injury.
- Five property damage reports.

Of the 57 incidents involving students;

- Four of these related to Motorcycle Training.
- Two were reportable to Worksafe, no Notices were issued. Incident investigations were conducted and corrective/preventive actions implemented. By comparison there were three reportable incidents for 2015, with no Worksafe Notices issued.

Four Worksafe Improvement Notices were issued in October 2016 following a site visit as part of the Strategic Manual Handling Intervention Project. Corrective actions are being undertaken.

More than 120 specialist contractors were routinely engaged across Institute campuses to undertake maintenance and project work.

PERFORMANCE INDICATORS

Statistics for reported hazards and incidents are below.

| Hazards and Incidents | 2016 | 2015 | 2014 |
|--|-------------|--------|--------|
| Total full-time equivalent staff numbers at the last pay in December | 260 | 224 | 210 |
| Total Hazards Reported | 42 | 28 | 35 |
| Total Incidents Reported | 85 | 48 | 70 |
| Hazards per 100 full-time equivalent staff numbers | 16 | 12.5 | 16.7 |
| Incidents per 100 full-time equivalent staff numbers | 32.7 | 21.4 | 33.3 |
| Number of time lost standard claims per 100 full-time equivalent staff numbers | 1.15 | 0.89 | 0.50 |
| Time lost (hours) | 334.80 | 383.60 | 122.00 |
| Number of claims (standard and minor) | 7.00 | 2.00 | 1.00 |
| Number of fatalities | 0 | 0 | 0 |

| Claims | 2016 | 2015 | 2014 |
|-------------------------------------|-------------|---------|----------|
| Average cost per claim for the year | \$138,160 | \$4,128 | \$6,511 |
| Payments to date | \$123,737 | \$906 | \$29,746 |
| Estimate of outstanding claim costs | \$290,743 | \$3,222 | \$2,807 |

The average cost results for 2015 and 2016 are significantly different due to one claim which represented a substantial amount of the total costs for 2016. The average excluding this claim would align more closely to the previous years.

ACTIVITY TABLE

For the year ended 31 December 2016

| | | 2016 | 2015 |
|--|------|---------------|---------------|
| | Note | \$'000 | \$'000 |
| NOTE A1 - OPERATING STATEMENT | | | |
| Total Operating Expenses | | | |
| Delivery provision and support activity | A2 | 20,074 | 18,482 |
| Administration and general services activity | A3 | 5,935 | 5,670 |
| Property plant and equipment services activity | A4 | 4,516 | 4,690 |
| Student ad other services activity | A5 | 1,057 | 966 |
| Total Operating Expenses | | 31,582 | 29,808 |
| NOTE A2 - OPERATING STATEMENT | | | |
| Salaries, wages, overtime & allowances | | 14,806 | 12,930 |
| Superannuation | | 1,168 | 1,083 |
| Payroll Tax | | 779 | 617 |
| Other salary related costs | | 30 | 77 |
| Consumables | | 1,091 | 938 |
| Contract Services [571 - 583] | | 60 | 521 |
| Travel and motor vehicle expenses | | 225 | 431 |
| Depreciation | | 416 | 626 |
| Other direct delivery expenses | | 1,499 | 1,259 |
| Total expenses from transactions | | 20,074 | 18,482 |
| NOTE A3 - OPERATING STATEMENT | | | |
| Salaries, wages, overtime & allowances | | 2,790 | 3,361 |
| Superannuation | | 345 | 324 |
| Payroll Tax | | 230 | 189 |
| Other salary related costs | | 164 | 20 |
| Consumables | | 345 | 255 |
| Communication expenses [471-483] | | 728 | 364 |
| Fees [541-553] | | 242 | 272 |
| Travel and motor vehicle expenses | | 156 | 112 |
| Depreciation | | 21 | 13 |
| Other expenses | | 914 | 760 |
| Total expenses from transactions | | 5,935 | 5,670 |

ACTIVITY TABLE

For the year ended 31 December 2016

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| NOTE A4 - OPERATING STATEMENT | | |
| Salaries, wages, overtime & allowances | 892 | 469 |
| Superannuation | 80 | 44 |
| Payroll Tax | 53 | 25 |
| Other salary related costs | 1 | 3 |
| Consumables | 52 | 34 |
| Equipment [521 -523] | 127 | 219 |
| Energy costs [511 - 515] | 370 | 413 |
| Contract Services [571 - 583] | 942 | 1,028 |
| Rent / leasing charges [621 - 627] | 25 | 298 |
| Repairs & maintenance [641 - 665] | 265 | 407 |
| Depreciation | 1,642 | 1,678 |
| Other expenses | 67 | 72 |
| Total expenses from transactions | 4,516 | 4,690 |
| NOTE A5 - OPERATING STATEMENT | | |
| Salaries, wages, overtime & allowances | 715 | 606 |
| Superannuation | 67 | 51 |
| Payroll Tax | 39 | 29 |
| Other salary related costs | 6 | 7 |
| Consumables | 60 | 28 |
| Depreciation | 1 | 1 |
| Other expenses | 169 | 244 |
| Total expenses from transactions | 1,057 | 966 |



POSTAL ADDRESS
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 ABN: 76 750 969 979

STATEMENT OF COMPULSORY NON-ACADEMIC FEES

The following compulsory non-academic fees and charges were levied in accordance with the Ministerial Directions on Fees and Charges.

| | 2016 | 2015 |
|---|----------------|----------------|
| <i>Student fees and charges income</i> | | |
| Student Amenities Fees | 208,135 | 257,133 |
| TOTAL INCOME | 208,135 | 257,133 |
| <i>Student fees and charges expenditure</i> | | |
| Student services salaries and on-costs | 259,782 | 252,561 |
| Provision of student activities | 10,681 | 7,540 |
| Contribution towards student services | 12,082 | 21,979 |
| Contribution towards student facilities | 4,561 | 2,172 |
| TOTAL EXPENDITURE | 287,106 | 284,252 |
| Surplus/(Deficit) for year ended 31 December 2016 | (78,971) | (27,119) |

Certification

I certify that the information contained in this statement has been extracted from the accounting records of the Institute and that expenditure of funds is in accordance with the Ministerial Direction on Fees and Charges.

Jason Ernst
 Chief Finance and Accounting Officer
 23 March 2017

**POSTAL ADDRESS**

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RISK MANAGEMENT COMPLIANCE

The Institute has in place risk management policies and procedures that are consistent with Australian/New Zealand Risk Management Standard AS/NZ ISO31000:2009 and adhere to Ministerial Standing Direction 3.7.1 - Risk Management Framework and Processes.

A Risk Management Register is maintained by the CEO's office and monitored by the Institute's Audit, Risk and Finance Committee, which met six times in 2016. In addition, nominated relevant risks are considered and monitored by the other Board Committees.

Attestation of compliance

We certify that the Institute has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard, and Ministerial Standing Direction 3.7.1, and an internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures. The Audit Committee verifies this assurance and that the risk profile of the Institute has been critically reviewed within the last twelve months.

A handwritten signature in black ink, appearing to read "Felicity".

Felicity Melican
Board Chair
23 March 2017

A handwritten signature in black ink, appearing to read "Mark Fidge".

Mark Fidge
Chief Executive Officer
23 March 2017

A handwritten signature in black ink, appearing to read "J Ernst".

Jason Ernst
Chief Finance and Accounting Officer
23 March 2017

FREEDOM OF INFORMATION

The Institute was subject to the provisions of the Freedom of Information Act 1982 and employed a Freedom of Information Officer to ensure that the information it provided complied with the Act, and was provided in a timely and effective manner.

There were two requests for release of information under the Act, during the 2016 reporting period.

PROTECTED DISCLOSURE ACT 2012

The Institute retained its policy in relation to the Protected Disclosure Act 2012, which covered the procedures staff may use to disclose any concerns in relation to the Act. The Institute provided staff with a contact officer to assist with confidential disclosures.

No disclosures were made under the Act during the 2016 reporting period.

BUILDING AND CONSTRUCTION

The Institute continued to provide and maintain high-quality facilities that:

- complied with the Building Act 1993, Building Regulations 2006 and the Disability Discrimination Act 1992,
- met applicable occupational health and safety standards,
- exceeded the expectations set by students and staff and;
- respected the heritage of occupied sites in accordance with Local and State heritage laws.

The Institute continued to employ a Compliance Officer to maintain compliance with the Building Act 1993, Building Regulations 2006 and Building Code of Australia. The Compliance Officer was responsible for compliance issues in 40 buildings across all Institute campuses, including fire protection and evacuation systems in accordance with Essential Safety Measures maintenance standards.

South West TAFE Facilities Department engaged Stokes Safety to conduct quarterly reviews of Essential Safety Measures (ESM) maintenance schedules and produce the mandatory annual ESM reports for all Institute buildings.

In 2016 \$1,522,240 was spent on building compliance and maintenance works.

NATIONAL COMPETITION POLICY

The Institute has adopted the Competitive Neutrality Policy under the guidelines of the Victorian Government's Guide to Implementing Competitive Neutrality Pricing Principles, and associated documents.

The Institute has also developed and maintained a pricing model that ensures prices charged for business activities reflect all costs incurred, and that all advantages and disadvantages of government ownership be taken into account.

The Institute's pricing regime continued to meet the requirements of:

- National Competition Policy.
- Victorian Government policies on competitive neutrality.
- Ministerial Directions on Fees and Charges.
- Legislation and guidelines relating to the Goods and Services Tax (GST).
- Guidelines, rulings and interpretations made by the Australian Competition and Consumer Commission (ACCC) on the National Competition Policy, fair trading and the implementation of GST.

We met the Victorian Participation Policy by maintaining a list of suppliers of goods and, wherever possible, encouraging local businesses to apply for contract and work in the organisation.

INFORMATION COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

ICT expenditure represents the institute's costs in providing business-enabling ICT services. This expenditure is broken up into two categories:

- Business As Usual (BAU) expenditure – includes all remaining ICT expenditure other than Non-BAU ICT expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability; and
- Non-Business As Usual (Non-BAU) expenditure – is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects such as TSAF.

| \$'000 | \$'000 | \$'000 | \$'000 |
|---------------------|-------------------------|-------------------------|---------------------|
| BAU ICT expenditure | Non-BAU ICT expenditure | Operational expenditure | Capital expenditure |
| Total | Total = A+B | A | B |
| 2,354 | 2,140 | 98 | 2,042 |



FINANCIAL POSITION



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FINANCIAL REPORT FOR YEAR ENDED 31 DECEMBER, 2016
DECLARATION BY THE BOARD CHAIR, CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCE AND ACCOUNTING OFFICER

We certify that the attached financial statements for the South West Institute of TAFE has been prepared in accordance with Standing Direction 5.2.1(a) of the Financial Management Act 1994, applicable Financial Reporting Directions issued under that legislation, the Australian Charities and Non-for-profits Commission Act 2012, Australian Accounting Standards and other mandatory professional reporting requirements. The Institute has implemented and maintains processes to ensure the Institute's Annual Report is prepared in accordance with the FMA, these Directions, the Instructions, applicable Australian Accounting Standards and Financial Reporting Directions.

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 2016 and financial position of the Institute as at 31 December 2016.

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 the South West Institute of TAFE.

A handwritten signature in black ink, appearing to read "Felicity Melican".

Felicity Melican
 Board Chair
 23 March 2017

A handwritten signature in black ink, appearing to read "Mark Fidge".

Mark Fidge
 Chief Executive Officer
 23 March 2017

A handwritten signature in black ink, appearing to read "Jason Ernst".

Jason Ernst
 Chief Finance and Accounting Officer
 23 March 2017

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VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board of the South West Institute of TAFE

Opinion

I have audited the accompanying statement of performance for 2016 of the South West Institute of TAFE (the institute) which comprises the:

- statement of performance
 - statement of performance management certificate for 2016.
- In my opinion, the statement of performance of the South West Institute of TAFE in respect of the year ended 31 December 2016 presents fairly, in all material respects.

Basis for opinion

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 Statement of Performance* section of my report.

The Auditor-General's independence is established by the *Constitution Act 1978*. 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 statement of performance in Australia and 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 statement of performance

The Board of the institute is responsible for the preparation and fair presentation of the statement of performance 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.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the statement of performance

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the statement of performance based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the statement of performance 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 economic decisions of users taken on the basis of this statement of performance.

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 the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 statement of performance, including the disclosures, and whether the statement of performance 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 2017

as delegate for the Auditor-General of Victoria



Simone Bohan

VAGO

Victorian Auditor-General's Office

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AUDITOR-GENERAL'S INDEPENDENCE DECLARATION**To the Board, South West Institute of TAFE**

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for South West Institute of TAFE for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
23 March 2017



Simone Bohan

as delegate for the Auditor-General of Victoria

Auditing in the Public Interest

COMPREHENSIVE OPERATING STATEMENT

for the year ended 31 December 2016

| | Note | Institute | |
|--|----------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 |
| Continuing operations | | | |
| Income from transactions | | | |
| Government contributions - operating | 2(a)(i) | 24,087 | 19,922 |
| Government contributions - capital | 2(a)(ii) | 433 | 1,947 |
| Sale of goods and services | 2(b) | 6,245 | 7,350 |
| Interest | 2(c) | 132 | 184 |
| Other income | 2(d) | 780 | 490 |
| Total income from transactions | | 31,677 | 29,893 |
| Expenses from transactions | | | |
| Employee expenses | 3(a) | 21,851 | 19,831 |
| Depreciation and amortisation | 3(b) | 2,079 | 2,317 |
| Grants and other transfers | 3(c) | 74 | 80 |
| Supplies and services | 3(d) | 5,224 | 5,517 |
| Other operating expenses | 3(e) | 2,354 | 2,063 |
| Total expenses from transactions | | 31,582 | 29,808 |
| Net result from transactions (net operating balance) | | 95 | 85 |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets | 4(a) | - | 954 |
| Other gains/(losses) from other economic flows | 4(b) | 25 | (3) |
| Total other economic flows included in net result | | 25 | 951 |
| Net result from continuing operations | | 120 | 1,036 |
| Other economic flows - other comprehensive income | | | |
| Changes in physical asset revaluation surplus | | 5,087 | (1,211) |
| Total other economic flows - Other comprehensive income | | 5,087 | (1,211) |
| Comprehensive result | | 5,207 | (175) |

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

BALANCE SHEET

as at 31 December 2016

| | Note | Institute | |
|--|------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 |
| Assets | | | |
| Financial assets | | | |
| Cash and deposits | 14 | 8,826 | 9,763 |
| Receivables | 5 | 1,245 | 2,360 |
| Total financial assets | | 10,071 | 12,123 |
| Non-financial assets | | | |
| Inventories | 6 | 150 | 146 |
| Property, plant and equipment | 7 | 55,842 | 49,681 |
| Intangible assets | 8 | 3,205 | 2,896 |
| Other non-financial assets | 9 | 494 | 263 |
| Total non-financial assets | | 59,691 | 52,986 |
| Total assets | | 69,762 | 65,109 |
| Liabilities | | | |
| Payables | 10 | 2,195 | 2,209 |
| Provisions | 11 | 2,679 | 2,987 |
| Borrowings | 12 | 4,077 | 4,309 |
| Total liabilities | | 8,951 | 9,505 |
| Net assets | | 60,811 | 55,604 |
| Equity | | | |
| Accumulated surplus/(deficit) | | 23,820 | 23,700 |
| Physical asset revaluation surplus | 13 | 27,630 | 22,543 |
| Contributed capital | | 9,361 | 9,361 |
| Net worth | | 60,811 | 55,604 |
| Commitments for expenditure | 15 | 86 | 55 |
| Contingent assets and contingent liabilities | 16 | - | - |

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

| Institute | Note | Physical asset revaluation surplus | Accumulated surplus | Contributions by owner | Total |
|------------------------------------|------|------------------------------------|---------------------|------------------------|---------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2015 | | 23,754 | 22,664 | 9,361 | 55,779 |
| Comprehensive result for the year | | - | 1,036 | - | 1,036 |
| Revaluation reserve movement | | (1,211) | - | - | (1,211) |
| Year ended 31 December 2015 | | 22,543 | 23,700 | 9,361 | 55,604 |
| Comprehensive result for the year | | - | 120 | - | 120 |
| Revaluation reserve movement | 13 | 5,087 | - | - | 5,087 |
| Year ended 31 December 2016 | | 27,630 | 23,820 | 9,361 | 60,811 |

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

CASH FLOW STATEMENT

for the year ended 31 December 2016

| | Note | Institute | |
|---|--------------|-----------------|-----------------|
| | | 2016 \$'000 | 2015 \$'000 |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Government contributions - operating | | 25,481 | 20,770 |
| Government contributions - capital | | 433 | 1,947 |
| User fees and charges received | | 6,363 | 7,088 |
| Goods and services tax recovered from the ATO | | 1,146 | 923 |
| Interest received | | 137 | 167 |
| Other receipts | | 1,177 | 1,445 |
| Total receipts | | 34,737 | 32,340 |
| Payments | | | |
| Payments to suppliers and employees | | (30,640) | (29,525) |
| Goods and services tax paid to the ATO | | (1,206) | (1,821) |
| Other payments | | (74) | (80) |
| Total payments | | (31,920) | (31,426) |
| Net cash flows from/(used in) operating activities | 14(b) | 2,817 | 914 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investments | | - | 39 |
| Purchases of non-financial assets | | (3,661) | (569) |
| Sales of non-financial assets | | 139 | 4,499 |
| Net cash provided by/(used in) investing activities | | (3,522) | 3,969 |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (232) | (232) |
| Net cash flows from/(used in) financing activities | | (232) | (232) |
| Net increase/(decrease) in cash and cash equivalents | | | |
| | | (937) | 4,651 |
| Cash and cash equivalents at the beginning of the financial year | | 9,763 | 5,112 |
| Cash and cash equivalents at the end of the financial year | 14(a) | 8,826 | 9,763 |

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

CONTENTS

for the year ended 31 December 2016

| Note | Accompanying Note |
|-------------|--|
| 1 | Statement of significant accounting policies |
| 2 | Income from transactions |
| 3 | Expenses from transactions |
| 4 | Other economic flows included in net result |
| 5 | Receivables |
| 6 | Inventories |
| 7 | Property, plant and equipment |
| 8 | Intangible assets |
| 9 | Other non-financial assets |
| 10 | Payables |
| 11 | Provisions |
| 12 | Borrowings |
| 13 | Reserves |
| 14 | Cash flow information |
| 15 | Commitments for expenditure |
| 16 | Contingent assets and contingent liabilities |
| 17 | Leases |
| 18 | Superannuation |
| 19 | Trust account balances |
| 20 | Financial instruments |
| 21 | Responsible persons and executive officers |
| 22 | Related parties |
| 23 | Ex-gratia expenses |
| 24 | Remuneration of auditors |
| 25 | Subsequent events |
| 26 | Economic dependency |
| 27 | Institute details |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for South West Institute of TAFE. The Institute has no controlled entities.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2016 and the comparative information presented for the year ended 31 December 2015.

The following is a summary of the material accounting policies adopted by the Institute in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

The financial statements were authorised for issue by the Board members on 23rd of March 2017.

1.01 Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994 (FMA)* and applicable Australian Accounting Standards (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 Institute 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.

1.02 Basis of accounting preparation and measurement

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.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Institute, and have been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets. Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;

Critical accounting judgement and key sources of estimation uncertainty

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 AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment;
- superannuation expense; 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.

There are no critical judgements which apply in accounting policies of the Institute.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Fair value measurement

Consistent with AASB 13 *Fair Value Measurement*, the Institute determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For the purpose of fair value disclosures, the Institute has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Institute determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the Institute's independent valuation agency.

1.03 Reporting entity

The financial statements cover the South West Institute of TAFE as an individual reporting entity. The Institute is a statutory body corporate, established pursuant to an act made by the Victorian Government under the Education and Training Reform Act 2006.

Its principal address is:
 South West Institute of TAFE
 197-205 Timor Street
 Warrnambool, Victoria, 3280

The financial statements include all activities at the South West Institute of TAFE.

1.04 Basis of consolidation

The Institute has no controlled entities.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Institute.

1.05 Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result. The net result is equivalent to profit or loss derived in accordance with AASs.

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

- gains and losses from disposals of non-financial assets; and
- revaluations and impairments of non-financial physical and intangible assets;

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

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the Institute does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

1.06 Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Institute 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.

1.07 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.

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 flow.

Commitments and contingent assets or liabilities are presented on a gross basis.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

1.08 Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value. Amounts disclosed as income are, where applicable, net of returns, allowances and duties and taxes. Revenue is recognised for each of the Institute's major activities as follows:

Government contributions

Government contributions are recognised as revenue in the period when the Institute gains control of the contributions. Control is recognised upon receipt or notification by relevant authorities of the right to receive a contribution for the current period.

Sale of goods and services

(i) Student fees and charges

Student fees and charges revenue is recognised by reference to the percentage of 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 is treated as revenue in the year of receipt and the balance as Revenue in Advance.

(ii) 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.

(iii) Revenue from sale of goods

Revenue from sale of goods is recognised by the Institute when:

- (a) the significant risks and rewards of ownership of the goods have transferred to the buyer;
- (b) the Institute retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be reliably measured;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Institute; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

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.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

Other income

Rental income

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

Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

1.09 Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

Employee benefits

Expenses for employee benefits are recognised when incurred, except for contributions in respect of defined benefit plans.

Retirement benefit obligations

(i) Defined contribution plan

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

(ii) Defined benefit plans

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents the contributions made by the Institute to the superannuation plan in respect of current services of current Institute staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Institute does not recognise any deferred liability in respect of the plan(s) because the Institute has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as and when they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its finance report.

Depreciation and amortisation

Depreciation

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

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

| Class of asset | Method | Rate(s) |
|-----------------------|---------------|---------|
| Buildings | Straight Line | 1%-20% |
| Plant & equipment | Straight Line | 5%-33% |
| Motor vehicles | Straight Line | 20.0% |
| Library collections | Straight Line | 10%-20% |
| Internal use software | Straight Line | 7%-20% |
| Furniture & Fittings | Deminishing | 7.5% |

The assets' residual values and useful lives are reviewed and adjusted if appropriate on an annual basis.

Amortisation

Intangible assets with finite lives are amortised on a straight line basis over the assets useful lives. 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. 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. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the Institute tests all intangible assets with indefinite lives for impairment by comparing its recoverable amount with its carrying amount:

- (a) annually;
- (b) whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Interest Expense

Interest expense is recognised in the period in which it is incurred.

Grants and other transfers

Grants and other transfers to third parties are recognised as an expense in the reporting period in which they are paid or payable.

Fair value of assets and services provided free of charge or for nominal consideration

Resources provided free of charge or for nominal consideration are recognised at their fair value when the Institute obtains control over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

1.10 Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

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.

Disposal of non-financial assets

Any gain or loss on disposal of non-financial 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.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount and so require write downs).

All other assets are assessed annually for indications of impairment, except for:

- Inventories;
- Financial assets;
- Investment property that is measured at fair value;

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, except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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 flows 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. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Revaluations of financial instruments at fair value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Impairment of financial assets

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as 'other economic flows'.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

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

1.11 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 non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets 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, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1.11), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Financial liabilities at amortised cost

Financial instrument liabilities 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.

Financial instrument liabilities measured at amortised cost include all of the Institute's contractual payables, advances received and interest-bearing arrangements other than those designated at fair value through profit or loss.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative 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.

1.12 Financial assets

Cash and deposits

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.

Receivables

Receivables consist of:

- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- contractual receivables, which include debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables

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.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held to maturity investments; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

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
- the Institute retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without
- the Institute 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 the Institute has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Institute's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, the Institute assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as 'other economic flows' in the net result.

The amount of 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.

1.13 Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating leases

Institute as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Institute as lessee

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.

1.14 Non-Financial Assets

Inventories

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, including land held for sale, 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 is assigned to a land held for sale (undeveloped, under development, developed) and to other high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

The basis used in assessing loss of service potential for inventories held-for-distribution include 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.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Property, plant and equipment

All non-financial physical assets, 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 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.

Non-financial physical assets such as national parks, other Crown land and heritage assets are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

The fair value of cultural assets and collections, heritage assets and other non-financial physical assets that the State intends to preserve because of their unique historical, cultural or environmental attributes, is measured at the replacement cost of the asset less, where applicable, accumulated depreciation (calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset) and any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for-profit entity, the fair value may be derived from estimates of the present value of future cash flows. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

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.

For the accounting policy on impairment of non-financial physical assets, refer to Note 1.09 on Impairment of non-financial assets.

Library collections

Library collections are measured at cost less accumulated depreciation.

Leasehold improvements

The cost of a leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Restrictive nature of cultural and heritage assets, Crown land and infrastructures

Certain agencies hold cultural assets, heritage assets, Crown land and infrastructure, which are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. Consequently, there are certain limitations and restrictions imposed on their use and/or disposal.

Revaluations of non-financial physical assets

Non-financial physical assets measured at fair value are revalued in accordance with Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'other economic flows – other comprehensive income', and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decrease is recognised in 'other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. The asset revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Institute.

When recognition criteria AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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:

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

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Intangible assets are measured at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives as follows:

| | 2016 | 2015 |
|--|------|------|
| Capitalised software development cost (years) | 3.15 | 3.15 |

All intangible assets with indefinite useful lives are not depreciated or amortised, but are tested for impairment by comparing its recoverable amount with its carrying amount:

- (a) annually; and
- (b) whenever there is an indication that the intangible asset may be impaired.

Prepayments

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.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

1.15 Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the Institute prior to the end of the financial year that are unpaid, and arise when the Institute 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.

Provisions

Provisions are recognised when the Institute 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.

Employee benefits

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.

(i) Wages and salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Institute 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 Institute expects to wholly settle within 12 months; or
- present value - if the Institute does not expect to wholly settle within 12 months.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Institute 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 as 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.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for termination of employment. The Institute 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.

Employee benefits on-costs

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

Performance Payments

Performance payments for the Institute's Executive Officers are based on a percentage of the annual salary package provided under the contract of employment. A liability is provided for under the term of the contracts at reporting date and paid out in the next financial year.

Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Institute has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

1.16 Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

1.17 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 19) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of the GST receivable or payable respectively.

1.18 Equity

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.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distribution to owners.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

1.19 Materiality

In accordance with Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Error*, when an Australian Accounting Standard specifically applies to a transaction, other event or condition, the accounting policies applied to that item shall be determined by applying the Standard, unless the effect of applying them is immaterial.

Accounting policies will be considered material if their omission or misstatement could, either individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

1.20 Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

1.21 Comparative information

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

1.22 Change in accounting policy

Subsequent to the 2015 reporting period, the following new and revised accounting standards have been adopted in the current period with their financial impact detailed as below.

AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value

Disclosure of Not-for-Profit Public Sector Entities:

The Minister for Finance has approved the early adoption of AASB 2015-7. This enables Victorian not-for-profit public sector entities to benefit from some limited scope exemptions in relation to the fair value disclosure for the 2016 reporting period. The Institute has chosen to apply this early adoption. For fair value measurements that have been categorised within Level 3 of the fair value hierarchy, the Institute is no longer required to provide quantitative information about the 'significant unobservable inputs' used in determining the fair value measurement.

AASB 14 Regulatory Deferral Accounts:

However, the assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]

However, the assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]

However, the assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.

AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]

AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

1.23 New and revised AASBs in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period.

As at 31 December 2016 the following standards and interpretations (applicable to the Institute) had been issued but were not mandatory for financial year ending 31 December 2016. The Institute has not, and does not intend to, adopt these standards early.

| <i>Standard/Interpretation</i> | <i>Summary</i> | <i>Applicable for annual reporting periods beginning on</i> | <i>Impact on public sector entity financial statements</i> |
|--|--|---|--|
| 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. | | 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. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed. |
| AASB 14 Regulatory Deferral Accounts # | AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. | 1-Jan-16 | The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards. |
| 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-19 (Exposure Draft 263 – potential deferral to 1 Jan 2018) | 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. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding. |
| AASB 16 Leases | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1-Jan-19 | The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors. |
| 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. |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

| | | | |
|---|---|----------|--|
| AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation | <p>Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to:</p> <ul style="list-style-type: none"> - establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; - prohibit the use of revenue - based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. | 1-Jan-16 | The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation. |
| AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128] | Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. | 1-Jan-16 | The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A. |
| AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128] | <p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that:</p> <ul style="list-style-type: none"> - a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and - a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | 1-Jan-16 | The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature. |
| AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049] | The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities. | 1-Jan-16 | The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions. |
| AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of NonCash-Generating Specialised Assets of Not-for-Profit Entities | The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities. | 1-Jan-17 | The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136. |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 1

Summary of significant accounting policies

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2016 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. The AASB Interpretation in the list below is also not effective for the 2016 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2015)
- AASB 2014 8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2015) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]
- AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015 3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128] #
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016 -2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016 -3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions [AASB 2]

Note:

This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 2

Income from Transactions

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 2 Income from transactions | | |
| (a) Grants and other transfers (other than contributions by owners) | | |
| (i) Government contributions - operating | | |
| State government - contestable | 9,651 | 10,430 |
| Other contributions by Commonwealth Government | 23 | - |
| Other contributions by State Government | 14,413 | 9,492 |
| Total government contributions - operating | 24,087 | 19,922 |
| (ii) Government contributions - capital | | |
| State capital | 433 | 1,947 |
| Total government contributions - capital | 433 | 1,947 |
| Total government contributions | 24,520 | 21,869 |
| (b) Sales of goods and services | | |
| Student fees and charges | 4,363 | 5,474 |
| Rendering of services | | |
| Fee for service - Government | 551 | 527 |
| Fee for service - International operations - offshore | 150 | 150 |
| Fee for service - other | 833 | 856 |
| Total rendering of services | 1,534 | 1,533 |
| Other non-course fees and charges | | |
| Sale of goods | 348 | 343 |
| Total other fees and charges | 348 | 343 |
| Total revenue from sale of goods and services | 6,245 | 7,350 |
| (c) Interest | | |
| Interest from financial assets | | |
| Interest on bank deposits | 132 | 184 |
| Total interest from financial assets | 132 | 184 |
| Net interest income | 132 | 184 |
| (d) Other income | | |
| Rental income: | | |
| Rental Income | 165 | 170 |
| Total rental income | 165 | 170 |
| Donations, bequests and contributions | - | 2 |
| Reversal of Provision for Site Restoration | 240 | - |
| Other revenue | 375 | 318 |
| Total other income | 780 | 490 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 3

Expenses from Transactions

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 3 Expenses from transactions | | |
| (a) Employee expenses | | |
| Salaries, wages, overtime and allowances | 18,918 | 16,944 |
| Superannuation | 1,668 | 1,500 |
| Payroll tax | 965 | 858 |
| Worker's compensation | 102 | 107 |
| Long service leave | (111) | 150 |
| Annual leave | 127 | 74 |
| Termination benefits | 152 | 162 |
| Other | 30 | 36 |
| Total employee expenses | 21,851 | 19,831 |
| (b) Depreciation and amortisation | | |
| Depreciation of non-current assets | | |
| Buildings | 1,242 | 1,454 |
| Plant and equipment | 283 | 320 |
| Motor vehicles | 119 | 116 |
| Library collections | 65 | 65 |
| Total depreciation | 1,709 | 1,955 |
| Amortisation of non-current physical and intangible assets | | |
| Software | 370 | 362 |
| Total amortisation | 370 | 362 |
| Total depreciation and amortisation | 2,079 | 2,317 |
| (c) Grants and other transfers (other than contributions by owners) | | |
| Grants to external organisations | | |
| Grants and subsidies | 74 | 80 |
| Total grants and other transfers | 74 | 80 |
| (d) Supplies and services | | |
| Purchase of supplies and consumables | 1,550 | 1,256 |
| Communication expenses | 531 | 500 |
| Contract and other services | 1,406 | 1,740 |
| Cost of goods sold/distributed (ancillary trading) | 158 | 214 |
| Building repairs and maintenance | 403 | 407 |
| Minor equipment | 384 | 222 |
| Fees and charges | 792 | 1,178 |
| Total supplies and services | 5,224 | 5,517 |
| (e) Other operating expenses | | |
| General expenses | | |
| Marketing and promotional expenses | 582 | 442 |
| Occupancy expenses | 751 | 711 |
| Audit fees and services | 24 | 87 |
| Staff development | 196 | 163 |
| Travel and motor vehicle expenses | 437 | 390 |
| Other expenses | 296 | 270 |
| Total other expenses | 2,286 | 2,063 |
| Subtotal | 2,286 | 2,063 |
| Bad debts from transactions | 68 | - |
| Total other operating expenses | 2,354 | 2,063 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 4

Other economic flows included in net result

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 4 Other economic flows included in net result | | |
| (a) Net gain/(loss) on non-financial assets (including PPE and intangible assets) | | |
| Impairment of property plant and equipment (including intangible assets) | - | - |
| Net gain arising from changes in fair value | - | 1 |
| Net gain on disposal of property plant and equipment | - | 953 |
| Total net gain/(loss) on non-financial assets | - | 954 |
| (b) Other gains/(losses) from other economic flows | | |
| Net gain/(loss) arising from revaluation of long service leave liability ¹ | 25 | (3) |
| Total other gains/(losses) from other economic flows | 25 | (3) |

Notes:

1 Revaluation gain/(loss) due to changes in bond rates.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 5

Receivables

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 5 Receivables | | |
| Current receivables | | |
| Contractual | | |
| Sale of goods and services ¹ | 579 | 900 |
| Provision for doubtful contractual receivables (See also Note 5(a) below) | (107) | (118) |
| Revenue receivable | 100 | 138 |
| Total contractual | 572 | 920 |
| Statutory | | |
| Amounts owing from Victorian Government | 508 | 1,188 |
| GST receivables | 165 | 252 |
| Total statutory | 673 | 1,440 |
| Total current receivables | 1,245 | 2,360 |
| Total receivables | 1,245 | 2,360 |

Notes:

- 1 The average credit period for sales of goods and services and for other receivables is 30 days. No interest is charged on the outstanding balance. A provision has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement was recognised in the operating result for the current financial year.

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| (a) Movement in the provision for doubtful contractual receivables | | |
| Balance at beginning of the year | 118 | 96 |
| Increase/(decrease) in provision recognised in the net result | (11) | 22 |
| Balance at end of the year | 107 | 118 |

(b) Ageing analysis of contractual receivables

Please refer to Note 20(ii) for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from contractual receivables

Please refer to Note 20(ii) for the nature and extent of credit risk arising from contractual receivables.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 6

Inventories

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 6 Inventories | | |
| Current | | |
| Bookshop, Cabins and Cubby House | | |
| Inventories held-for-sale: | | |
| at cost | 150 | 146 |
| Total current inventories | 150 | 146 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 7

Property, plant and equipment

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

| | Land at fair value ¹ | Buildings | Assets under construct. | Plant and equipment | Motor Vehicles | Library | Total |
|--|---------------------------------|---------------|-------------------------|---------------------|----------------|------------|---------------|
| (a) Institute | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2015 | | | | | | | |
| Cost | - | 1,045 | - | 9,167 | 968 | 858 | 12,038 |
| Valuation | 9,186 | 41,876 | - | - | - | - | 51,062 |
| Accumulated depreciation | - | (2,902) | - | (6,822) | (345) | (580) | (10,649) |
| Net book amount | 9,186 | 40,019 | - | 2,345 | 623 | 278 | 52,451 |
| Year ended 31 December 2015 | | | | | | | |
| Opening net book amount | 9,186 | 40,019 | - | 2,345 | 623 | 278 | 52,451 |
| Additions | - | 163 | 127 | - | 227 | 52 | 569 |
| Disposals | - | - | - | (4) | (168) | - | (172) |
| Revaluation of PPE | (1,211) | - | - | - | - | - | (1,211) |
| Depreciation ¹ | - | (1,454) | - | (321) | (116) | (65) | (1,956) |
| Closing net book amount | 7,975 | 38,728 | 127 | 2,020 | 566 | 265 | 49,681 |
| At 31 December 2015 | | | | | | | |
| Cost | - | 1,208 | 127 | 9,107 | 1,027 | 874 | 12,343 |
| Valuation | 7,975 | 41,876 | - | - | - | - | 49,851 |
| Accumulated depreciation | - | (4,356) | - | (7,087) | (461) | (609) | (12,513) |
| Net book amount | 7,975 | 38,728 | 127 | 2,020 | 566 | 265 | 49,681 |
| Year ended 31 December 2016 | | | | | | | |
| Opening net book amount | 7,975 | 38,728 | 127 | 2,020 | 566 | 265 | 49,681 |
| Additions | - | 386 | 251 | 1,988 | 413 | 61 | 3,099 |
| Disposals | - | (60) | - | - | (139) | - | (199) |
| Transfer into/(out of) assets under construction | - | - | (127) | 7 | - | 3 | (117) |
| Revaluation of PPE | - | 5,087 | - | - | - | - | 5,087 |
| Impairment of assets | - | - | - | - | - | - | - |
| Depreciation ¹ | - | (1,242) | - | (283) | (119) | (65) | (1,709) |
| Closing net book amount | 7,975 | 42,899 | 251 | 3,732 | 721 | 264 | 55,842 |
| At 31 December 2016 | | | | | | | |
| Cost | - | - | 251 | 11,095 | 1,157 | 928 | 13,431 |
| Valuation | 7,975 | 42,906 | - | - | - | - | 50,881 |
| Accumulated depreciation | - | (7) | - | (7,363) | (436) | (664) | (8,470) |
| Net book value at the end of the financial year | 7,975 | 42,899 | 251 | 3,732 | 721 | 264 | 55,842 |

Notes

1 The useful lives of assets as stated in Note 1 are used in the calculation of depreciation as shown in Note 3(b).

Restricted assets

The Institute holds \$3.602 million worth of buildings listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 7

Property, plant and equipment

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

| (b) Fair value measurement hierarchy for assets as at 31 December 2016 | Fair value hierarchy | | | |
|--|-----------------------------------|---------------|-------------------------|----------------------|
| | Carrying amount as at 31 Dec 2016 | Level 1 | Level 2 | Level 3 |
| | | Quoted Prices | Observable Price Inputs | Un-observable Inputs |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Classified in accordance with the fair value hierarchy, see Note 1 | | | | |
| Land at fair value: | | | | |
| Specialised land | 7,975 | - | - | 7,975 |
| Total of land at fair value | 7,975 | - | - | 7,975 |
| Buildings at fair value: | | | | |
| Specialised buildings | 42,899 | - | - | 42,899 |
| Total of buildings at fair value | 42,899 | - | - | 42,899 |
| Plant, equipment and vehicles at fair value: | | | | |
| Vehicles | 721 | - | - | 721 |
| Plant and equipment | 3,732 | - | - | 3,732 |
| Library | 264 | - | - | 264 |
| Total of plant, equipment and vehicles at fair value | 4,717 | - | - | 4,717 |

Notes

1 There were no transfers between Levels during the year.

(c) Valuations of Property, Plant and Equipment

Fair value assessments have been performed at 31 December 2016 for all classes of assets. This assessment demonstrated that fair value was materially similar to carrying value for all classes other than Buildings, and therefore a full revaluation was not required this year for those other classes. The next scheduled full revaluation for this purpose Institute will be conducted in 2017.

A managerial revaluation on buildings was undertaken based on the Valuer General Indices as at 31 December 2016. This is reflected in the revaluation increment noted in (a)

Specialised land and specialised buildings

The market approach is used for specialised land, although it 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 Institute'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.

A managerial revaluation of the Institute's specialised land and specialised buildings was performed by the finance department. This revaluation was based on the independent valuation completed by the Valuer General Victoria, performed using the market approach adjusted for CSO. The managerial revaluations were completed using indices provided by the Valuer General Victoria. The effective date of the valuation is 31 December 2016.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 7

Property, plant and equipment

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

Heritage assets

Heritage assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

A managerial revaluation of the Institute's specialised Heritage assets was performed by the finance department. This revaluation was based on the independent valuation completed by the Valuer General Victoria, performed using the market approach adjusted for CSO. The managerial revaluations were completed using indices provided by the Valuer General Victoria. The effective date of the valuation is 31 December 2015 for Land and 31 December 2016 for Buildings.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Institute 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

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.

There were no changes in valuation techniques throughout the period to 31 December 2016.

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

| (d) Reconciliation of Level 3 fair value as at 31 December 2016 | Specialised land | Specialised buildings | Heritage assets | Plant and equipment | Motor Vehicles | Library |
|---|------------------|-----------------------|-----------------|---------------------|----------------|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance | 7,975 | 35,515 | 3,213 | 2,020 | 566 | 265 |
| Purchases (sales) | - | 326 | - | 1,988 | 274 | 61 |
| Transfers in (out) of Level 3 | - | - | - | 7 | - | 3 |
| Depreciations | - | (1,199) | (43) | (283) | (119) | (65) |
| Subtotal | 7,975 | 34,642 | 3,170 | 3,732 | 721 | 264 |
| Revaluation | - | 4,655 | 432 | - | - | - |
| Subtotal | - | - | - | - | - | - |
| Closing balance | 7,975 | 39,297 | 3,602 | 3,732 | 721 | 264 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 7

Property, plant and equipment

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

(e) Description of significant unobservable inputs to Level 3 valuations

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value measurement to changes in significant unobservable inputs |
|-----------------------|------------------------------|--|---|---|
| Specialised land | Market approach | Community Service Obligation (CSO) adjustment | 50-70% (60%) | A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value. |
| Specialised buildings | Depreciated replacement cost | Direct cost per square metre Useful life of specialised buildings | \$1,500 - \$4,000 /m2 (\$2,600/m2) 5 - 70 years (50 years) | A significant increase or decrease in the cost per square meter or estimated useful life would significantly lower (higher) fair value. |
| Heritage assets | Depreciated replacement cost | Direct cost per square metre Useful life of heritage buildings | \$480 / m2 5 - 70 years (50 years) | A significant increase or decrease in the cost per square meter or estimated useful life would significantly lower (higher) fair value. |
| Plant and equipment | Depreciated replacement cost | Cost per unit Useful life plant and equipment | \$2,000 - \$50,000 per unit (\$13,000 per unit) 3 - 10 years (5 years) | A significant increase or decrease in the cost per unit or estimated useful life would significantly lower (higher) fair value. |
| Motor vehicles | Depreciated replacement cost | Cost per unit Useful life of vehicles | \$10,000 - \$40,000 per unit (\$20,000 per unit) 3-10 years (4 years) | A significant increase or decrease in the cost per unit or estimated useful life would significantly lower (higher) fair value. |
| Library | Depreciated replacement cost | Cost per unit Useful life of collection | \$5 - \$200 per unit (\$75 per unit) 5 years | A significant increase or decrease in the cost per unit or estimated useful life would significantly lower (higher) fair value. |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 8

Intangible assets

| | Software | |
|--|--------------|-----------------|
| | \$'000 | Total \$'000 |
| Year ended 31 December 2015 | | |
| Gross carrying amount | | |
| Opening balance | 3,981 | 3,981 |
| Additions | - | - |
| Closing balance | 3,981 | 3,981 |
| Accumulated depreciation, amortisation and impairment | | |
| Opening balance | 723 | 723 |
| Amortisation of intangible non produced assets ¹ | 362 | 362 |
| Closing balance | 1,085 | 1,085 |
| Net book value at end of financial year | 2,896 | 2,896 |

| | Software | |
|--|--------------|-----------------|
| | \$'000 | Total \$'000 |
| Year ended 31 December 2016 | | |
| Gross carrying amount | | |
| Opening balance | 3,981 | 3,981 |
| Additions | 679 | 679 |
| Closing balance | 4,660 | 4,660 |
| Accumulated depreciation, amortisation and impairment | | |
| Opening balance | 1,085 | 1,085 |
| Amortisation of intangible non produced assets ¹ | 370 | 370 |
| Closing balance | 1,455 | 1,455 |
| Net book value at end of financial year | 3,205 | 3,205 |

Notes

- 1 Amortisation charged is reported as an expense in the Comprehensive Operating Statement.

Significant intangible assets

The Institute has capitalised software development expenditure for the development of its Student Management System software (2013: \$7,189,529). In 2014 the carrying amount of the capitalised software development was revalued to \$2,658,495 with the impairment loss of \$4,531,034 reflected in the comprehensive operating statement. Its useful life is 15 years and will be fully amortised in 2028.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 9

Other non-financial assets

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 9 Other non-financial assets | | |
| Current other non-financial assets | | |
| Prepayments | 494 | 263 |
| Total current other non-financial assets | 494 | 263 |
| Total other non-financial assets | 494 | 263 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 10

Payables

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 10 Payables | | |
| Current | | |
| Contractual | | |
| Supplies and services ¹ | 932 | 1,063 |
| Amounts payable to government and agencies | - | 17 |
| Revenue in Advance | 103 | 171 |
| Other payables ¹ | 980 | 696 |
| | 2,015 | 1,947 |
| Statutory | | |
| GST payable | 163 | 215 |
| FBT payable | 17 | 11 |
| Other taxes Payable | - | 36 |
| Total current payables | 2,195 | 2,209 |
| Total payables | 2,195 | 2,209 |

Notes

- 1 The average credit period is 30 days. No interest is charged on the other payables for the first 30 days from the date of the invoice.

(a) Maturity analysis of contractual payables

Please refer to Note 20(iii) for the maturity analysis of contractual payables.

(b) Nature and extent of risk arising from contractual payables

Please refer to Note 20(iii) for the nature and extent of risks arising from contractual payables.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 11

Provisions

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 11 Provisions | | |
| Current provisions | | |
| Employee benefits (Note 11(a))¹ | | |
| Annual leave (Note 11(a)): | | |
| Unconditional and expected to wholly settle within 12 months ² | 69 | 49 |
| Unconditional and expected to wholly settle after 12 months ² | 689 | 498 |
| Long service leave (Note 11(a)): | | |
| Unconditional and expected to wholly settle within 12 months ² | 827 | 193 |
| Unconditional and expected to wholly settle after 12 months ² | 609 | 1,093 |
| Provisions for on costs (Note 17(a) and Note 17(b)): | | |
| Unconditional and expected to wholly settle within 12 months ² | 128 | 106 |
| Unconditional and expected to wholly settle after 12 months ² | 94 | 175 |
| Total current provisions | 2,416 | 2,114 |
| Non-current | | |
| Employee benefits (Note 11(a)) ¹ | 228 | 475 |
| On costs (Note 17(a) and Note 17(b)) | 35 | 73 |
| Make good provision (Note 11(b)) ³ | - | 325 |
| Total non-current provisions | 263 | 873 |
| Total provisions | 2,679 | 2,987 |

Notes:

- Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.
- Amounts are measured at present values.
- In accordance with the deed of renewal and variation to the lease agreement over the land at Deakin University, Sherwood Park, Warrnambool, the Institute no longer must remove any leasehold improvements from the leased property and restore the premises to its original condition. As a result the provision has been reduced in 2016 to \$NIL (2015: \$325k).

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 11

Provisions

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| (a) Employee benefits and on costs¹ | | |
| Current employee benefits | | |
| Annual leave | 758 | 547 |
| Long service leave | 1,436 | 1,286 |
| Non current employee benefits | | |
| Long service leave | 228 | 475 |
| Total employee benefits | 2,422 | 2,308 |
| Current on costs | 222 | 281 |
| Non current on costs | 35 | 73 |
| Total on costs | 257 | 354 |
| Total employee benefits and on costs | 2,679 | 2,662 |

Notes

- ¹ Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are recognised as a separate provision.

| | Institute | | |
|---|------------------|----------------|--------------|
| | 2016 \$'000 | | |
| (b) Movement in provisions - Institute | Make-Good | Oncosts | Total |
| Opening balance | 325 | 354 | 679 |
| Additional provisions recognised | - | - | - |
| Reductions resulting from re measurement or settlement without cost | (325) | (97) | (422) |
| Closing balance | - | 257 | 257 |
| Current | - | 222 | 222 |
| Non-current | - | 35 | 35 |
| | - | 257 | 257 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 12

Borrowings

| | Institute | |
|---------------------------------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 12 Borrowings | | |
| Current | | |
| Advances from government ¹ | 232 | 232 |
| Total current borrowings | 232 | 232 |
| Non-current | | |
| Advances from government ¹ | 3,845 | 4,077 |
| Total non-current borrowings | 3,845 | 4,077 |
| Total borrowings | 4,077 | 4,309 |

Notes:

- 1 These are unsecured loans which bear no interest. The term of a loan is generally agreed by the Minister at the time the advance was provided.

(a) Maturity analysis of borrowings

Please refer to Note 20(iii) for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to Note 20(iii) for the nature and extent of risks arising from borrowings.

(c) Default and breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 13

Reserves

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 13 Reserves | | |
| (a) Physical asset revaluation surplus¹: | | |
| Balance at 1 January | 22,543 | 23,754 |
| Revaluation increments/(decrements) | 5,087 | (1,211) |
| Balance at 31 December | 27,630 | 22,543 |
| Net changes in reserves | 5,087 | (1,211) |

Notes

- The physical assets revaluation surplus arises on the revaluation of land and buildings.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 14

Cash flow information

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 14 Cash flow information | | |
| (a) Reconciliation of cash and cash equivalents | | |
| Total cash and deposits disclosed in the balance sheet ¹ | 8,826 | 9,763 |
| Balance as per cash flow statement | 8,826 | 9,763 |

Notes:

- 1 The Institute does not hold a large cash reserve in its bank accounts. Cash received by the Institute from the generation of income is generally paid into the Institute's bank accounts. Similarly, any Institute expenditure, including those in the form of cheques drawn by the Institute for the payment of goods and services to its suppliers and creditors are made via the Institute's bank accounts.

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| (b) Reconciliation of net result for the period | | |
| Net result for the year | 120 | 1,036 |
| Non cash movements: | | |
| (Gain)/loss on sale or disposal of non current assets | - | (954) |
| Depreciation and amortisation of non current assets | 2,079 | 2,318 |
| Forgiveness of liabilities | 60 | - |
| Write-off of obsolete stock | 23 | 24 |
| Allowance to recoverable amounts | (11) | 22 |
| Total non-cash flows in operating result | 2,151 | 1,410 |
| Movements in assets and liabilities | | |
| Decrease / (increase) in trade receivables | 1,126 | 235 |
| Decrease / (increase) in inventories | (27) | (48) |
| Decrease / (increase) in other assets | (231) | 40 |
| Increase / (decrease) in payables | (14) | (1,984) |
| Increase/ (decrease) in provisions | (308) | 225 |
| Total movement in operating assets and liabilities | 546 | (1,532) |
| Net cash flows from/(used in) operating activities | 2,817 | 914 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 15

Commitments for expenditure

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 15 Commitments for expenditure | | |
| (b) Non-cancellable operating lease commitments payable¹ | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | 90 | 47 |
| Later than one year but not later than five years | 5 | 14 |
| Total minimum lease payments in relation to non-cancellable operating leases | 95 | 61 |
| GST reclaimable on the above | (9) | (6) |
| Net Commitments Non-cancellable Operating Leases | 86 | 55 |

Notes:

1 Operating Leases

Operating lease 1 - Adelaide Office, Suite 17, 283-287 Sir Donald Bradman Drive, Brockly Park

Operating lease 2 - RMIT Hamilton

Operating lease 3 - Land, Deakin University, Sherwood Park, Warrnambool

Operating lease 4 - Portland, 73-75 (Bay 3) Beverley Street, Portland

Operating lease 5 - Storage Sheds, 27 Dickson Street, Warrnambool

Operating lease 6 - Warrnambool & District Trade Training Centre, Caramut Road

Operating lease 7 - 2 Rooms, 218 Manifold Street, Camperdown

Operating lease 8 - Storage, Raglan Pde, Warrnambool

Operating lease 9 - Colac Campus, Colac

Operating lease 10 - Office Facility, Hamilton

Operating lease 11 - Office Facility, Portland

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 16

Contingent assets and contingent liabilities

16 Contingent assets and contingent liabilities

There were no contingent assets at balance date.

The institute has been in dialogue with the Department of Education and Training in relation to subcontracted short duration training delivery, in relation to funding claimed for 2014. The institute is currently conducting a review, the outcome of which is unknown at the date of this report.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 17

Leases

(i) Operating leases - Institute as lessee

Refer to Note 15 (Commitments for expenditure).

(ii) Operating leases - Institute as lessor

The Institute leases out certain land, buildings and equipment, which are excess to current requirements, at current market rates.

Leasing arrangements

Property Leases at the Warrnambool campus.

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Non-cancellable operating lease receivables | | |
| Payments due | | |
| Within one year | 153 | 82 |
| Later than one year but not later than five years | 293 | 305 |
| Total non-cancellable operating lease receivables | 446 | 387 |
| GST payable on the above | (41) | (35) |
| Net operating leases receivables | 405 | 352 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 18

Superannuation

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

The Institute does not recognise any defined benefit liability in respect of the plan(s) 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 Statement of Comprehensive Income of the Institute.

The name and details of the major employee superannuation funds and contributions made by the Institute are as follows:

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 18 Superannuation | | |
| Paid Contribution for the Year | | |
| Defined benefit plans : | | |
| State Superannuation Fund – revised and new | 77 | 87 |
| Total defined benefit plans | 77 | 87 |
| Defined contribution plans: | | |
| VicSuper | 788 | 773 |
| Other | 654 | 522 |
| Total defined contribution plans | 1,442 | 1,295 |
| Total paid contribution for the year | 1,519 | 1,382 |
| Contribution Outstanding at Year End | | |
| Defined benefit plans: | | |
| State Superannuation Fund – revised and new | 6 | 7 |
| Total defined benefit plans | 6 | 7 |
| Defined contribution plans: | | |
| VicSuper | 77 | 80 |
| Other | 67 | 52 |
| Total defined contribution plans | 144 | 132 |
| Total | 150 | 139 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 19

Trust Account Balances

Trust accounts opened and closed by the Institute during 2016:

Trust accounts opened during 2016

Nil

Trust accounts closed during 2016

Nil

| | Opening balance as at 1 Jan 2016 | Total receipts | Total payments | Closing balance as at 31 Dec 2016 |
|---|---|-------------------|-------------------|--|
| 2016 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trust account balances relating to Trust Accounts controlled and/or administered by the Institute: | | | | |
| Cash and cash equivalents and investments | | | | |
| Administered trusts | | | | |
| South West Institute of TAFE Foundation Limited | 325 | 6 | - | 331 |
| Total administered trusts | 325 | 6 | - | 331 |
| Total cash and cash equivalents and investments | 325 | 6 | - | 331 |

| | Opening balance as at 1 Jan 2015 | Total receipts | Total payments | Closing balance as at 31 Dec 2015 |
|---|---|-------------------|-------------------|--|
| 2015 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trust account balances relating to Trust Accounts controlled and/or administered by the Institute: | | | | |
| Cash and cash equivalents and investments | | | | |
| Administered trusts | | | | |
| South West Institute of TAFE Foundation Limited | 319 | 6 | - | 325 |
| Total administered trusts | 319 | 6 | - | 325 |
| Total cash and cash equivalents and investments | 319 | 6 | - | 325 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

(i) Financial risk management objectives and policies

The Institute's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements.

The Institute's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Institute. The Institute 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 and other price risks and ageing analysis for credit risk.

Risk management is carried out by the Finance function of the Institute under policies approved by the Board. The Board provides written principles for overall risk management.

The carrying amounts of the Institute's contractual financial assets and financial liabilities by category are disclosed below:

| Carrying amount of financial instruments by category | Note | Institute | |
|--|------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 |
| (a) Loans and receivables | | | |
| Cash and deposits | 14 | 8,826 | 9,763 |
| Receivables¹: | | | |
| Trade receivables | 5 | 472 | 782 |
| Revenue receivables | 5 | 100 | 138 |
| Total loans and receivables | | 9,398 | 10,683 |
| Total financial assets | | 9,398 | 10,683 |
| (b) Financial liabilities at amortised cost: | | | |
| Payables¹: | | | |
| Supplies and services | 10 | 932 | 1,063 |
| Other payables | 10 | 980 | 696 |
| Borrowings: | | | |
| Advances from government | 12 | 4,077 | 4,309 |
| Total financial liabilities at amortised cost | | 5,989 | 6,068 |
| Total financial liabilities | | 5,989 | 6,068 |

Note:

- 1 Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from Victorian Government, GST input tax credit recoverable and taxes payable).

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

(ii) Credit risk

Credit risk arises from the contractual financial assets of the Institute, which comprise cash and deposits, non-statutory receivables, available-for-sale contractual financial assets and derivative instruments. The Institute's exposure to credit risk arises from potential default of a counter party on contractual obligations resulting in financial loss to the Institute.

Credit risk is measured at fair value and is monitored on a regular basis by the Audit, Risk and Finance committee. The 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 Institute's strict credit policies may only purchase in cash or using recognised credit cards.

The Institute does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Institute.

The trade receivables balance at 31 December 2016 and 31 December 2015 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

The Institute minimises credit risk in relation to student loans receivable by employing Education Pathway Officers. These officers manage the day to day establishment and ongoing monitoring of debt collection from students.

In addition, the Institute 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 Institute'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 Institute 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 financial statements, net of any allowances for losses, represents the Institute'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. Currently the Institute does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

Credit quality of contractual financial assets that are neither past due nor impaired ¹

| | Financial ins.(AA rating) | Govt agencies (AAA rating) | Other counter-party | Total |
|--|---------------------------|----------------------------|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2016 | | | | |
| Cash and deposits | 8,826 | - | - | 8,826 |
| Receivables | - | - | 572 | 572 |
| Investments and other financial assets | - | - | - | - |
| Total contractual financial assets 2016 | 8,826 | - | 572 | 9,398 |
| 2015 | | | | |
| Cash and deposits | 5,763 | 4,000 | - | 9,763 |
| Receivables | - | - | 920 | 920 |
| Investments and other financial assets | - | - | - | - |
| Total contractual financial assets 2015 | 5,763 | 4,000 | 920 | 10,683 |

Note

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

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

Ageing analysis of financial assets

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The following table discloses the ageing analysis for the Institute's financial assets.

| | Carrying amount | Not past due and not impaired | Past due but not impaired | | | 1-5 years | Impaired financial assets |
|---|-----------------|-------------------------------|---------------------------|------------|-------------------|-----------|---------------------------|
| | | | Less than 1 month | 1-3 months | 3 months - 1 year | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2016 Financial assets | | | | | | | |
| Receivables¹: | | | | | | | |
| Trade receivables | 472 | 154 | 28 | 22 | 268 | - | - |
| Revenue receivables | 100 | 100 | - | - | - | - | - |
| Investment and other financial assets: | | | | | | | |
| Investments in Shares/Equities | - | - | - | - | - | - | - |
| Total 2016 financial assets | 572 | 254 | 28 | 22 | 268 | - | - |
| 2015 Financial assets | | | | | | | |
| Receivables¹: | | | | | | | |
| Trade receivables | 782 | 102 | 71 | 351 | 258 | - | - |
| Revenue receivables | 138 | 138 | - | - | - | - | - |
| Investment and other financial assets: | | | | | | | |
| Investments in Shares/Equities | - | - | - | - | - | - | - |
| Total 2015 financial assets | 920 | 240 | 71 | 351 | 258 | - | - |

Note

1 Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from Victorian Government, GST input tax credit recoverable and taxes payable).

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

(iii) Liquidity risk

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

The Institute'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 institute'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 Institute manages liquidity risk by:

- maintaining an adequate level of reserves and uncommitted funds 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 markets; and
- careful maturity planning of its financial obligations by matching the maturity profiles of financial assets and liabilities, and continuously monitoring forecast and actual cash flows.

The Institute'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 the Institute'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.

Maturity analysis of financial liabilities

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements represents the Institute's maximum exposure to liquidity risk.

The following table discloses the contractual maturity analysis for the Institute's financial liabilities.

| | Carrying amount | Nominal amount | Maturity dates | | | | |
|---|-----------------|----------------|-------------------|--------------|-------------------|--------------|----------|
| | | | Less than 1 month | 1-3 months | 3 months - 1 year | 1-5 years | 5+ years |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2016 Financial liabilities | | | | | | | |
| Payables¹: | | | | | | | |
| Supplies and services | 932 | 932 | 930 | 1 | 1 | - | - |
| Other payables | 980 | 980 | 980 | - | - | - | - |
| Borrowings | | | | | | | |
| Advances from government | 4,077 | 4,077 | - | - | 232 | 3,845 | - |
| Total 2016 financial liabilities | 5,989 | 5,989 | 1,910 | 1 | 233 | 3,845 | - |
| 2015 Financial liabilities | | | | | | | |
| Payables¹: | | | | | | | |
| Supplies and services | 1,063 | 1,063 | 53 | 1,010 | - | - | - |
| Other payables | 696 | 696 | 696 | - | - | - | - |
| Borrowings | | | | | | | |
| Advances from government | 4,309 | 4,309 | - | - | 232 | 4,077 | - |
| Total 2015 financial liabilities | 6,068 | 6,068 | 749 | 1,010 | 232 | 4,077 | - |

Note

1 Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from Victorian Government, GST input tax credit recoverable and taxes payable).

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

(iv) Market risk

The Institute 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 affect on the operating result and/or net worth of the Institute. e.g. an adverse movement in interest rates or foreign currency exchange rates.

The Institute's exposures to market risk are primarily through foreign currency risk, interest rate risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

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

There has been no significant change in the Institute'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.

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 Institute 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 Institute has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

The Institute 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 a monthly basis.

There has been no significant change in the Institute'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 Institute's year end result.

The Institute's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are set out in the financial instrument composition and maturity analysis table below.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instrument composition and interest rate exposure

| | Weighted average effective rate | Total Carrying Amount per Balance Sheet | Interest rate exposure | | |
|---|---------------------------------|---|------------------------|---------------------|----------------------|
| | % | \$'000 | Floating interest rate | Fixed interest rate | Non-Interest Bearing |
| 2016 | | | | | |
| Financial assets | | | | | |
| Cash and deposits | 2.1 | 8,826 | 8,826 | - | - |
| Receivables¹: | | | | | |
| Trade receivables | - | 472 | - | - | 472 |
| Revenue receivables | - | 100 | - | - | 100 |
| Investment and other financial assets: | | | | | |
| Investments in Shares/Equities | - | - | - | - | - |
| Total financial assets | 2.1 | 9,398 | 8,826 | - | 572 |
| Financial liabilities | | | | | |
| Payables¹: | | | | | |
| Supplies and services | - | 932 | - | - | 932 |
| Other payables | - | 980 | - | - | 980 |
| Borrowings | | | | | |
| Advances from government | - | 4,077 | - | - | 4,077 |
| Total financial liabilities | - | 5,989 | - | - | 5,989 |

| | Weighted average effective rate | Total Carrying Amount per Balance Sheet | Interest rate exposure | | |
|---|---------------------------------|---|------------------------|---------------------|----------------------|
| | % | \$'000 | Floating interest rate | Fixed interest rate | Non-Interest Bearing |
| 2015 | | | | | |
| Financial assets | | | | | |
| Cash and deposits | 2.1 | 9,763 | 9,763 | - | - |
| Receivables¹: | | | | | |
| Trade receivables | - | 782 | - | - | 782 |
| Revenue receivables | - | 138 | - | - | 138 |
| Investment and other financial assets: | | | | | |
| Investments in Shares/Equities | - | - | - | - | - |
| Total financial assets | 2.1 | 10,683 | 9,763 | - | 920 |
| Financial liabilities | | | | | |
| Payables¹: | | | | | |
| Supplies and services | - | 1,063 | - | - | 1,063 |
| Other payables | - | 696 | - | - | 696 |
| Borrowings | | | | | |
| Advances from government | - | 4,309 | - | - | 4,309 |
| Total financial liabilities | - | 6,068 | - | - | 6,068 |

Note

1 Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from Victorian Government, GST input tax credit recoverable and taxes payable).

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

Sensitivity analysis and assumptions

The Institute's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The Institute's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 1% up and down (2015: 1% up and down) in market interest rates (AUD);

The following tables show the impact on the Institute's net result and equity for each category of financial instrument held by the Institute at the end of the reporting period as presented to key management personnel, if the above movements were to occur.

| | Carrying amount \$'000 | Interest rate risk | | | |
|--|---------------------------|--------------------|------------------|------------------|------------------|
| | | -1% | | 1% | |
| | | Result \$'000 | Equity \$'000 | Result \$'000 | Equity \$'000 |
| 31 December 2016 | | | | | |
| Contractual financial assets | | | | | |
| Cash and deposits | 8,826 | (88) | (88) | 88 | 88 |
| Total increase/(decrease) in financial assets | 8,826 | (88) | (88) | 88 | 88 |
| Total increase/ (decrease) | 8,826 | (88) | (88) | 88 | 88 |

| | Carrying amount \$'000 | Interest rate risk | | | |
|--|---------------------------|--------------------|------------------|------------------|------------------|
| | | -1% | | 1% | |
| | | Result \$'000 | Equity \$'000 | Result \$'000 | Equity \$'000 |
| 31 December 2015 | | | | | |
| Contractual financial assets | | | | | |
| Cash and cash equivalents | 9,763 | (98) | (98) | 98 | 98 |
| Total increase/(decrease) in financial assets | 9,763 | (98) | (98) | 98 | 98 |
| Total increase/ (decrease) | 9,763 | (98) | (98) | 98 | 98 |

(v) 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 result for the current year and future years.

The Institute manages funding risk by continuing to diversify and increase funding from Commercial activities, both domestically and off shore.

There has been no significant change in the Institute'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.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 20

Financial instruments

(vi) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Fair values of financial instrument asset and liabilities are determined using the fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Institute can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Institute considers that the carrying amount of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value, and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

For other assets and other liabilities the fair value approximates their carrying value. Financial assets where the carrying amount exceeds fair values have not been written down as the Institute intends to hold these assets to maturity.

The carrying amounts and aggregate net fair values of financial assets and liabilities at balance date are:

| | 2016 | | 2015 | |
|---|-----------------|----------------|-----------------|----------------|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | |
| Cash and deposits | 8,826 | 8,826 | 9,763 | 9,763 |
| Receivables¹: | | | | |
| Trade receivables | 472 | 472 | 782 | 782 |
| Revenue receivables | 100 | 100 | 138 | 138 |
| Investment and other financial assets: | | | | |
| Investments in Shares/Equities | - | - | - | - |
| Total financial assets | 9,398 | 9,398 | 10,683 | 10,683 |
| Financial liabilities | | | | |
| Payables¹: | | | | |
| Supplies and services | 932 | 932 | 1,063 | 1,063 |
| Other payables | 980 | 980 | 696 | 696 |
| Borrowings | | | | |
| Advances from government | 4,077 | 4,077 | 4,309 | 4,309 |
| Total financial liabilities | 5,989 | 5,989 | 6,068 | 6,068 |

Note

1. Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from Victorian Government, GST input tax credit recoverable and taxes payable).

The Institute did not have any financial instruments that are measured subsequent to initial recognition at fair value as at 31 December 2016.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 21

Responsible persons and executive officers

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.

(i) Minister

The relevant Minister was the Hon. Steve Herbert, MP, Minister for Training and Skills until his resignation from the ministerial position on 9th November 2016. The Hon. Gayle Tierney, MP, was sworn in as the current Minister for Training and Skills and Minister for Corrections from the 9th of November 2016.

Remuneration of the Minister for Higher Education 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.

(ii) Chief executive officer (accountable officer)

Mark Fidge

Remuneration received or receivable by the Chief Executive Officer in connection with the management of the Institute during the reporting period was in the range: \$250,000 - 259,999, (2015: \$220,000 - 229,999)

(iii) Members of the Board

| Name | Appointment | Notes |
|------------------|-----------------------|---|
| Mike Weise | Ministerial nominee | Chair until 30 June, interim Chair until 19 August 2016 |
| Susan Brumby | Ministerial nominee | |
| William Hannah | Board nominee | Resigned 18 September 2016 |
| Toni Jenkins | Ministerial nominee | Term concluded 30 June 2016 |
| Felicity Melican | Ministerial nominee | Chair as of 20 August 2016 |
| Ronald Page | Board nominee | Term concluded 30 June 2016 |
| Georgina Gubbins | Ministerial nominee | Term concluded 30 June 2016 |
| Greg Walcott | Board nominee | Term concluded 30 June 2016 |
| Katherine Fraser | Ministerial nominee | |
| Sandy Burgoyne | Board nominee | Appointed 1 July 2016 |
| Doreen Power | Board nominee | Appointed 1 July 2016 |
| Ann Ellis | Board nominee | Appointed 1 July 2016 |
| Mark Fidge | Ministerial nominee | CEO, Appointed 1 July 2016 |
| Sharna Westley | Staff elected nominee | Appointed 1 July 2016 |

Remuneration of the board members in connection with the management of the Institute are disclosed below.

| | 2016 No. | 2015 No. |
|--|-------------|-------------|
| Income range | | |
| The number of board members whose total remuneration from the Institute was within the specified income bands are as follows: | | |
| Less than \$10,000 | 9 | 2 |
| \$10,000 - \$19,999 | 3 | 7 |
| \$20,000 - \$29,999 | 1 | - |
| \$30,000 - \$39,999 | 1 | 1 |
| Total number of board members | 14 | 10 |
| Total remuneration of board members (\$'000) | 149 | 146 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 21

Responsible persons and executive officers

Other transactions

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.

(iv) Executive officers

The following persons also had authority and responsibility for planning, directing and controlling the activities of Institute during the financial year:

Mark Fidge - Chief Executive Officer from 24 February 2015

Robert Van Duynhoven - Executive Manager – Corporate Services from 13 April 2015 to 22 December 2016

Madelyn Lettieri - Executive Manager - Education and Teaching Support from 27 July 2015

Richard Van Bergeijk - Executive Manager - Student and Industry Engagement from 1st February 2016

Remuneration of executive officers

The number of executive officers, including the chief executive officer, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands.

The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

The total annualised employee equivalent provides a measure of full time equivalent executive offices over the reporting period.

Total remuneration includes payments of leave entitlement balances upon cessation.

| | Total Remuneration | | Base Remuneration | |
|---|--------------------|-------------|-------------------|-------------|
| | 2016 No. | 2015 No. | 2016 No. | 2015 No. |
| Income range | | | | |
| The number of executive officers whose total remuneration from | | | | |
| \$100,000 - \$109,999 | - | 1 | - | 1 |
| \$130,000 - \$139,999 | 1 | - | 1 | - |
| \$140,000 - \$149,999 | - | 1 | - | 1 |
| \$160,000 - \$169,999 | 1 | - | 1 | - |
| \$180,000 - \$189,999 | 1 | - | 1 | - |
| \$200,000 - \$209,999 | - | 1 | - | 1 |
| \$220,000 - \$229,999 | - | 1 | - | 1 |
| \$250,000 - \$259,999 | 1 | - | 1 | - |
| Total number of executive officers | 4 | 4 | 4 | 4 |
| Total annualised employee equivalent (AEE) | 4 | 4 | 4 | 4 |
| Total amount of remuneration (\$'000) | 493 | 461 | 493 | 461 |

Other transactions

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

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 22

Related Parties

Key management personnel

Related parties disclosures are set out in Note 21 (Responsible persons and executive officers).

Transactions with related parties

There were no transactions between any one related person and South West Institute of TAFE.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 23

Ex-gratia expenses

| | Institute | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 23 Ex-gratia expenses | | |
| In-Lieu-of-notice and gratuity payments | 64 | 111 |
| | 64 | 111 |

Notes:

- 1 The total for ex-gratia expenses is also presented in 'other operating expenses' of Note 3 Expenses from transactions.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 24

Remuneration of auditors

| | Institute | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| 24 Remuneration of auditors | | |
| Remuneration of Victorian Auditor General's Office for: | | |
| Audit of the financial statements | 17 | 17 |
| Total remuneration of Victoria Auditor General's Office | 17 | 17 |
| Remuneration of other auditors | | |
| Internal Audit services | 7 | 70 |
| Total remuneration of other auditors | 7 | 70 |
| Total Remuneration of auditors | 24 | 87 |

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 25

Subsequent events

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Institute, the results of those operations, or the state of affairs of the Institute in future financial years.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 26

Economic dependency

Other than Higher Education and Skills Group funding, which is separately disclosed, South West Institute of TAFE is not dependent on another entity for a significant volume of revenue or financial support.

Notes to the Financial Statements for the year ended 31 December 2016

NOTE 27

Institute Details

Institute details

The registered office of the Institute is:

South West Institute of TAFE
197 - 205 Timor Street, Warrnambool, Victoria 3280

The principal place of business is:

South West Institute of TAFE
197 - 205 Timor Street, Warrnambool, Victoria 3280

DISCLOSURE INDEX

The Institute's 2016 Annual Report has been prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister of Finance. This index has been prepared to demonstrate that the Institute has complied with statutory disclosure requirements.

| Item No. | Source Reference | Summary Of Reporting Requirement | Page Number |
|--|------------------|--|--------------------------------|
| REPORT OF OPERATIONS | | | |
| CHARTER AND PURPOSE | | | |
| 1 | FRD 22G | Manner of establishment and the relevant Minister | 13 |
| 2 | FRD 22G | Purpose, functions, powers and duties linked to a summary of activities, programs and achievements | 1-4 13-15 27-29 36-39 |
| 3 | FRD 22G | Nature and range of services provided including communities served | 13 41-42 |
| MANAGEMENT AND STRUCTURE | | | |
| 4 | FRD 22G | Organisational structure and chart, including responsibilities | 23-24 |
| 5 | FRD 22G | Names of Board members | 19-21 |
| FINANCIAL AND OTHER INFORMATION | | | |
| 6 | FRD 03A | Accounting for Dividends | N/A |
| 7 | FRD 07B | Early adoption of authoritative accounting pronouncements | 73 |
| 8 | FRD 10A | Disclosure Index | 115-118 |
| 9 | FRD 17B | Long Service leave and annual leave for employees | 71 89-90 |
| 10 | FRD 20A | Accounting for State motor vehicle lease arrangements prior to 1 Feb 2004 | N/A |
| 11 | FRD 22G | Operational and budgetary objectives, performance against objectives and achievements | 1-11 |
| 12 | FRD 22G | Occupational health and safety statement including performance indicators, performance against those indicators. Reporting must be on the items listed at (a) to (e) in the FRD | 44-45 |
| 13 | FRD 22G | 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. | 31-32 |
| 14 | FRD 22G | Summary of the financial results for the year including previous 4 year comparisons | 11 |
| 15 | FRD 22G | Summary of significant changes in financial position | 11 |
| 16 | FRD 22G | Key initiatives and projects, including significant changes in key initiatives and projects from previous years and expectations for the future | 1-4 15 36-39 |
| 17 | FRD 22G | Post-balance sheet date events likely to significantly affect subsequent reporting periods | 11 112 |
| 18 | FRD 22G | Summary of application and operation of the <i>Freedom of Information Act 1982</i> | 50 |
| 19 | FRD 22G | Discussion and analysis of operating results and financial results | 6-11 26 36-39 |
| 20 | FRD 22G | Significant factors affecting performance | 11 |
| 21 | FRD 22G | Where a TAFE has a workforce inclusion policy, a measurable target and report on the progress towards the target should be included | N/A |
| 22 | FRD 22G | Schedule of any government advertising campaign in excess of \$100,000 or greater (exclusive of GST) include list from (a) – (d) in the FRD | N/A |

| | | | |
|----|---------------------|--|----------------|
| 23 | FRD 22G | Statement of compliance with building and maintenance provisions of the Building Act 1993 | 9 |
| 24 | FRD 22G | Statement, where applicable, on the implementation and compliance with the National Competition Policy | 50 |
| 25 | FRD 22G | Summary of application and operation of the Protected Disclosure Act 2012 | 50 |
| 26 | FRD 22G and FRD 24C | Summary of Environmental Performance including a report on office based environmental impacts | 9-10 |
| 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 | 11 |
| 28 | FRD 22G | 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 | 28 |
| 29 | FRD 22G | List of other information available on request from the Accountable Officer, and which must be retained by the Accountable Officer (refer to list at (a) – (l) in the FRD) | 119 |
| 30 | FRD 22G | 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; and 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); and (ii) Capital expenditure (CAPEX). | 50 |
| 31 | FRD 25B | Victorian Industry Participation Policy Disclosures | 50 |
| 32 | FRD 26A | Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004 | N/A |
| 33 | FRD 29A | Workforce Data Disclosures on the public service employee workforce. Note: TAFEs <u>must</u> report on a calendar year basis (ie not financial year basis). | 31-32 |
| 34 | SD 3.7.1 | The Responsible Body must ensure that the Agency applies the Victorian Government Risk Management Framework. | 49 |
| 35 | FRD 22G | 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. | 1-4 8 11 |
| 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. | 52 |
| 37 | SD 5.2.3 | The report of operations must be signed and dated by the Responsible Body or a member of the Responsible Body. | 2 4 |
| 38 | CG 10 (clause 27) | Major Commercial Activities | 11 |
| 39 | CG 12 (clause 33) | Controlled Entities | 61 |

| FINANCIAL REPORT | | | |
|--|--------------------------|---|-----------------------|
| FINANCIAL STATEMENTS REQUIRED UNDER PART 7 OF THE FINANCIAL MANAGEMENT ACT 1984 | | | |
| 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. | 52 |
| OTHER REQUIREMENTS UNDER STANDING DIRECTION / FINANCIAL MANAGEMENT ACT 1994 (FMA) | | | |
| 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"> • the Accountable Officer; • subject to Direction 5.2.2(c), the CFO; and • for Agencies with a statutory board or equivalent governing body established by or under statute, a member of the Responsible Body. | 52 |
| 42 | FRD 30C | Rounding of amounts | 73 |
| 43 | SD 3.2.1.1(c) | The Responsible Body must establish an Audit Committee to: <ul style="list-style-type: none"> • 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 | 17-18 |
| OTHER REQUIREMENTS AS PER FINANCIAL REPORTING DIRECTIONS IN NOTES TO THE FINANCIAL STATEMENTS | | | |
| 44 | FRD 11A | Disclosure of ex-gratia payments | 32 110 |
| 45 | FRD 21B | Disclosures of Responsible Persons, Executive Officer and Other Personnel (Contractors with significant management responsibilities) in the Financial Report | 107-108 |
| 46 | FRD 102 | Inventories | 68 |
| 47 | FRD 103F | Non-financial physical assets | 56 65 |
| 48 | FRD 104 | Foreign currency | 60 |
| 49 | FRD 105B | Borrowing costs | 72 91 |
| 50 | FRD 106 | Impairment of assets | 68 75 82 101 |
| 51 | FRD 107B | Investment properties | 61 68 |
| 52 | FRD 109 | Intangible assets | 70 86 |
| 53 | FRD 110 | Cash flow statements | 58 93 |
| 54 | FRD 112D | Defined benefit superannuation obligations | 64 97 |
| 55 | FRD 113A | Investment in subsidiaries, jointly controlled entities and associates | N/A |
| 56 | FRD 114B | Financial instruments – general government entities and public non-financial corporations | 65 67 99-106 |
| 57 | FRD 119A | Transfers through contributed capital | 56 72 |
| 58 | FRD 120J | Accounting and reporting pronouncements applicable to the reporting period | 60-76 |

| COMPLIANCE WITH OTHER LEGISLATION, SUBORDINATE INSTRUMENTS AND POLICIES | | | |
|--|---|---|-------|
| 59 | Legislation | <p>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:</p> <ul style="list-style-type: none"> · Education and Training Reform Act 2006 (ETRA) · TAFE institute constitution · 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 | 119 |
| 60 | ETRA s3.2.8 | Statement about compulsory non-academic fees, subscriptions and charges payable in 2016 | 48 |
| 61 | Policy | Statement that the TAFE institute complies with the Victorian Public Sector Travel Principles | 119 |
| 62 | Key Performance Indicators | <p>Institutes to report against:</p> <ul style="list-style-type: none"> · KPIs set out in the annual Statement of Corporate Intent; and · Employment costs as a proportion of training revenue; · Training revenue per teaching FTE; · Operating margin percentage; · Training Revenue diversity. | 8 |
| OVERSEAS OPERATIONS OF VICTORIAN TAFE INSTITUTES | | | |
| 63 | PAEC and VAGO (June 2003 Special Review item 3.110) | <ul style="list-style-type: none"> · Financial and other information on initiatives taken or strategies relating to the institute's overseas operations · Nature of strategic and operational risks for overseas operations · Strategies established to manage such risks of overseas operations · Performance measures and targets formulated for overseas operations · The extent to which expected outcomes for overseas operations have been achieved. | 38-39 |

COMPLIANCE WITH OTHER LEGISLATION AND SUBORDINATE INSTRUMENTS

South West TAFE complies with all relevant legislation and subordinate instruments, including, but not limited to, the following:

- Education and Training Reform Act 2006 (ETRA)
- TAFE Institute constitution
- Directions of the Minister for Training and Skills (or predecessors)
- TAFE Institute Commercial Guidelines
- TAFE Institute Strategic Planning Guidelines
- Victorian Public Sector Travel Principles
- Public Administration Act 2004
- Financial Management Act 1994
- Freedom of Information Act 1982
- Building Act 1993
- Protected Disclosure Act 2012
- Victorian Industry Participation Policy Act 2003

FURTHER INFORMATION

Consistent with the requirements of the Financial Management Act 1994, information is available on request from the Accountable Officer,

- a 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;
- details of publications produced by the entity about itself, and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by the entity;
- details of any major external reviews carried out on the entity;
- details of major research and development activities undertaken by the entity;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- details of assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors including:
 - (i) consultants/contractors engaged;
 - (ii) services provided; and
 - (iii) expenditure committed to for each engagement.

Enquiries regarding this information should be directed to:

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Issued March 2017

South West Institute of TAFE

ABN: 76 750 969 979

RTO: 3120

The information contained in this publication was correct at time of issue.

