Claudia
(Ngāti Maniapoto)

Ara
Institute of Canterbury
Ara rau, taumata rau

ANNUAL REPORT

For 9 months 1 April 2020 to 31 December 2020

Ara at a glance 2020

7,295 Equivalent full time students (EFTS) enrolled at Ara in 2020

Up from **7,203** in 2019

13,004 DOMESTIC STUDENTS

1,290 INTERNATIONAL STUDENTS

1,711

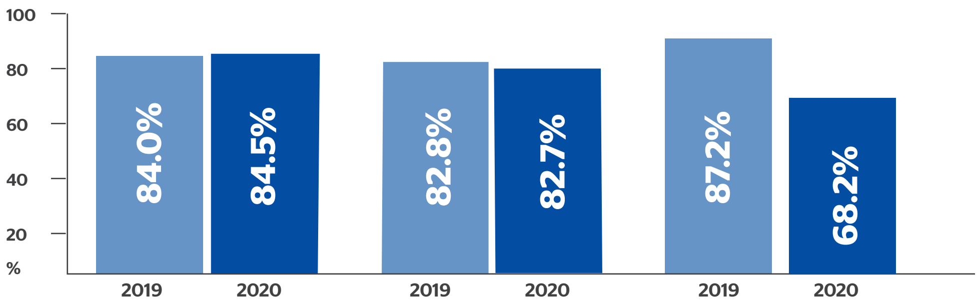
MĀORI STUDENTS ENROLLED

(13.8% of all SAC students)

566

PACIFIC STUDENTS ENROLLED

(5.2% of all SAC students)



SAC successful course completion rate

Of students satisfied or very satisfied

Of graduates in employment or further study in the year following graduation

The first students enrolled in many new programmes at Ara, in areas including: Accounting Support Services, Building Information Modelling, Master of Creative Practice, Master of Health Practice, Networking Certificates, Painting and Decorating, PLC Programming, Pregnancy, Childbirth and Early Parenting Education, Quality Assurance and Strategic Management.

934 FULL TIME EQUIVALENT STAFF

6 MAIN CAMPUSES

Christchurch City (Madras Street), Manawa, Woolston, Timaru, Ashburton, Oamaru (plus four Ara Connect sites)

Parent $859k* Net surplus (2019: $114K)

Group $1.6m* Net surplus (2019: $1.7m)

Parent $119m* Total revenue (2019: $116m)

Group $119m* Total revenue (2019: $118m)

**Figures are for the full 2020 calendar year*

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Publication Format

The 2020 Ara Annual Report has been specifically designed, published and distributed in keeping with our commitment to sustainable principles as a digital publication online.

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

The digital version can be viewed at:
https://www.ara.ac.nz/about-us/annual-reports/

The 2020 academic year, despite its unprecedented challenges, will be remembered for the resilience, commitment and professionalism of Ara colleagues, as well as for the flexibility of our learners and their ability to respond to and embrace change and uncertainty in their learning experience. While the challenges due to COVID-19 were numerous, the excellent outcomes achieved by Ara will serve as a reminder of how well colleagues and learners worked together through disruption to achieve success. This was achieved – in part – due to the opportunities and developments COVID's challenges enabled and, in many cases, helped accelerate, including distance and hyflex course delivery, cross institutional learner support and intervention, and increased flexibility for our workforce.

These positive results are reflected in both increased enrolments and our learners' successful completion rates. They are further reflected in Ara's financially strong position with a surplus achieved, after abnormal items, of $859,000[1].

Some of the factors contributing to these successes include changes to our learning and teaching delivery, additional learner support activity and the inception of Ara's Framework for Māori Achievement. These will remain as key component parts of our work as we transition towards the end of 2022 and to the next stage of the Reform of Vocational Education.

The formation of Te Pūkenga occurred on 1 April 2020. Along with all institutes of technology and polytechnics, Ara Institute of Canterbury became a subsidiary of Te Pūkenga. This event led to a new governance structure and the formation of the Ara Institute of Canterbury Ltd Board. The Directors include Dr Thérèse Arseneau (Chairperson), Melanie Taite-Pitama (Deputy Chairperson), Murray Bain, Jane Cartwright, Maryann Geddes, Nettles Lamont, Andrea Leslie and Bryn Thompson.

Transforming lives through education continued as the core purpose of Ara's strategic focus areas and priorities in 2020. Ara also successfully focused on strengthening community partnerships with a range of stakeholders and employers, and on forming collaborations that delivered demonstrable outcomes for our learners and our communities. This included Te Ōhaka, our partnership with the Ministry of Awesome and ChristchurchNZ, supporting and growing the innovation eco-system in the region; and Te Papa Hauora, a unique partnership between Ara, Canterbury District Health Board, University of Canterbury and University of Otago which provides world class opportunities for learners in health and health-related disciplines, as well as a significant forum for health development initiatives and communications with our Canterbury community.

Ultimately, 2020 will be remembered for the amazing adjustment that all involved with Ara made to learning, working and interacting, leading to education and financial outcomes the institute can be proud to have achieved.

Ehara taku toa i te toa takitahi, engari he toa takitini kē – our strength is not that of a single warrior, but that of many.

Dr Thérèse Arseneau
Ara Board Chair

Tony Gray
Chief Executive

[1] *This result is for the twelve months January to December 2020 and is inclusive of results for both Ara Institute of Canterbury ($58,242,000) and Ara Institute of Canterbury Ltd ($57,383,000).*

Our Values

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

Aroha – Respect

Hono – Connect

Hihiri – Inspire

Our Purpose

Transforming lives through education

Ngāi Tātou ki te whai ao

Our Vision

Success for Learners

Connected Learning Communities

Leading Together

Building for the Future

Our Appreciation

Thank you to all of our students, staff, colleagues, fellow institutions, communities, industries and businesses for contributing to such a successful 2020.

Ara Board

Ara Institute of Canterbury Limited is a Crown Entity Subsidiary governed by its own board with accountability to Te Pūkenga as the immediate controlling entity and the Crown as the ultimate controlling entity.

The Board is made up of eight Directors. As the governing body of Ara, the Board operates in accordance with the Charter and Letter of Expectations as set out by the Minister of Education and Te Pūkenga.

The Board directs the management of Ara to achieve planned outcomes and to ensure that the organisation is acting prudently, legally and ethically.

Ara operates under a number of Acts of Parliament – particularly the Education and Training Act 2020, the Crown Entities Act 2004, and the Companies Act 1993.

List of Board Members: 1 April – 31 December 2020

Directors of the Company, Ara Institute of Canterbury Ltd as of 1 April 2020

Dr Dona Thérèse Arseneau	Chairperson
Ms Melanie Taite-Pitama	Deputy Chairperson
Murray Bain	Director
Jane Cartwright	Director
Maryann Geddes	Director
Nettles Lamont	Director
Andrea Leslie	Director
Bryn Thompson	Director

Te Kāhui Manukura

Senior Leadership Team

Mr Tony Gray	Chief Executive
Mr Te Marino Lenihan	Kaiārahi
Mr George Nelson	Deputy Chief Executive – Academic, Innovation and Research (until April 2020)
Mr Darren Mitchell	Deputy Chief Executive – Chief Operating Officer
Ms Karen Te Puke	Deputy Chief Executive – Customer Experience and Engagement
Ms Belinda de Zwart	Deputy Chief Executive – People and Culture

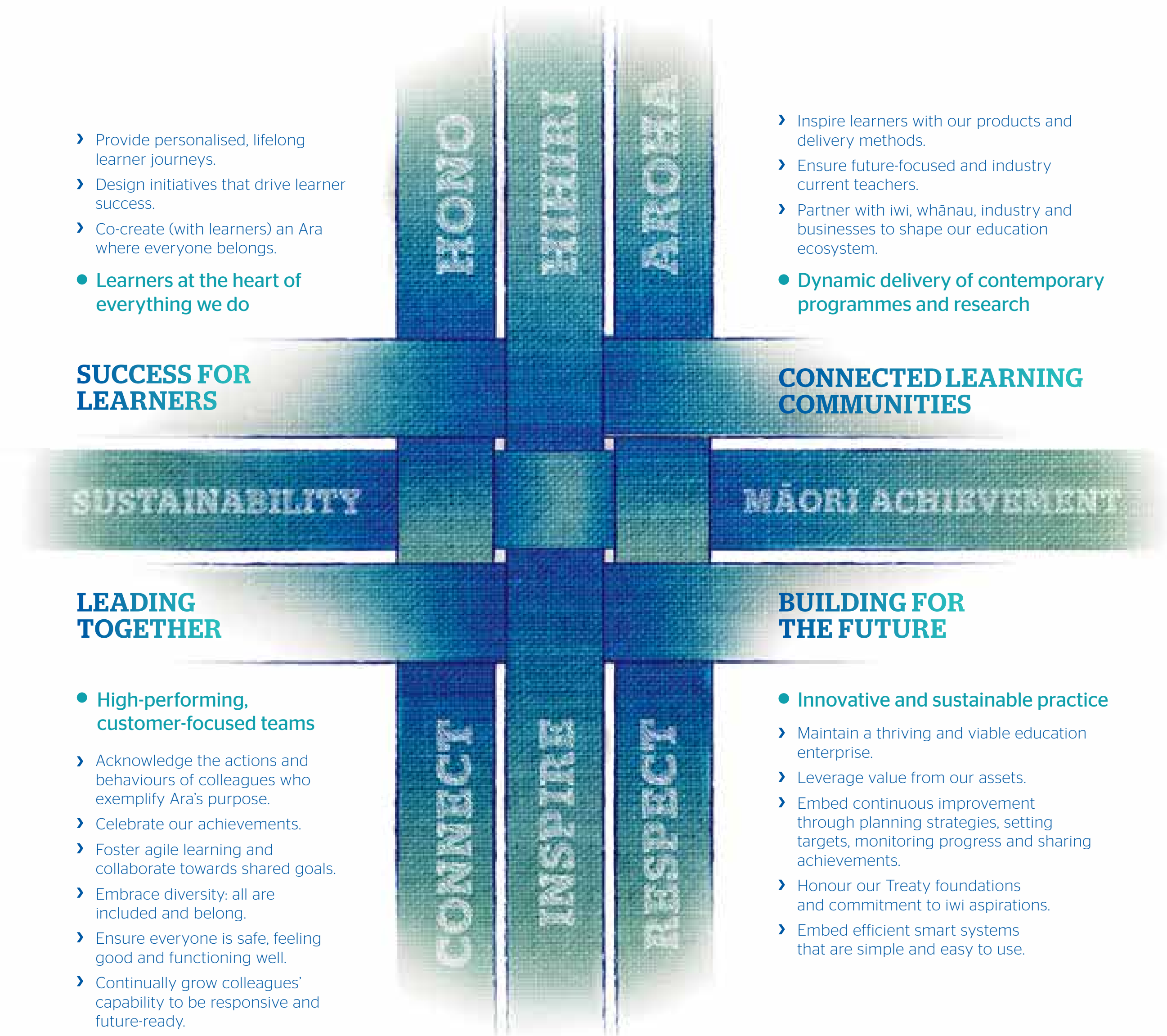
Ara Strategic Focus Areas and Priorities for 2020

The Ara strategic plan is set by the Board and determines the institution's direction in conjunction with a mix of Government policy directives and regional strategies. It is used to inform the Ara Investment Plan which is prepared in consultation with stakeholders and in collaboration with the Tertiary Education Commission. The 2020–2021 Strategic Plan sets our values, vision and outcomes.

ARA STRATEGIC FOCUS AREAS AND PRIORITIES 2020 – 2021

Ara Institute of Canterbury
Ara rau, taumata rau

PURPOSE: Transforming lives through education
Ngāi Tātou ki te whai ao



SUCCESS FOR LEARNERS

- › Provide personalised, lifelong learner journeys.
- › Design initiatives that drive learner success.
- › Co-create (with learners) an Ara where everyone belongs.
- ● Learners at the heart of everything we do

CONNECTED LEARNING COMMUNITIES

- › Inspire learners with our products and delivery methods.
- › Ensure future-focused and industry current teachers.
- › Partner with iwi, whānau, industry and businesses to shape our education ecosystem.
- ● Dynamic delivery of contemporary programmes and research

LEADING TOGETHER

- ● High-performing, customer-focused teams
- › Acknowledge the actions and behaviours of colleagues who exemplify Ara's purpose.
- › Celebrate our achievements.
- › Foster agile learning and collaborate towards shared goals.
- › Embrace diversity: all are included and belong.
- › Ensure everyone is safe, feeling good and functioning well.
- › Continually grow colleagues' capability to be responsive and future-ready.
- › Empower colleagues to lead courageously and inspire actions that transform.

BUILDING FOR THE FUTURE

- ● Innovative and sustainable practice
- › Maintain a thriving and viable education enterprise.
- › Leverage value from our assets.
- › Embed continuous improvement through planning strategies, setting targets, monitoring progress and sharing achievements.
- › Honour our Treaty foundations and commitment to iwi aspirations.
- › Embed efficient smart systems that are simple and easy to use.

■ Focus areas ● Outcomes › Priorities

Statement of Service Performance

The purpose of the Statement of Service Performance (SSP) is to provide evidence of performance against non-financial targets. Measures included in the Statement of Service Performance include both those specified as performance commitments in the 2019–2021 Investment Plan, other commitments agreed with TEC, plus some additional internal measures to provide a balanced view of performance. The measures from the Investment Plan are based on negotiations with the Tertiary Education Commission (TEC). Thus these reflect the outputs expected of Ara by the Ara Board and the TEC. The SSP includes best estimates for student related targets of course completion, qualification completion, progression and retention, based on internal student achievement data processed by 25 January 2021. Performance validation is confirmed via the TEC in mid 2021. The comparative figures (2019 Actual) related to predecessor ITP.

Enrolments

Measure	2019 Actual	2020 Investment Plan Target	2020 Revised Target[1]	2020 Actual
SAC Level 1–2 EFTS enrolled	140	166	113	137
SAC Level 3+ EFTS enrolled	5,518	5731	5678	5802
International EFTS enrolled	980	930	979	853
ACE EFTS enrolled	106	n/a	87	78
Trades Academy *(Formerly CTC)* EFTS enrolled (2)	144	n/a	138	148
Youth Guarantee EFTS enrolled	95	186	89	94
Other EFTS enrolled	221	n/a	195	183
Total EFTS enrolled	7,203	n/a	7279	7295

Responding to TEC Priority: Delivering Skills for Industry

EFTS delivered in healthcare provision at Levels 3–9	1,065	1090	n/a	1125
EFTS delivered in STEM subjects at Levels 3–9	1,718	1393	n/a	1817
EFTS delivered in Trades provision at Levels 3–9	1,107	1183	n/a	1158

14,294 students enrolled at Ara in 2020, across all locations and types of delivery. This equated to 7,295 EFTS (Equivalent Full Time Students) in 2020, up from 7,203 EFTS in 2019 and exceeded the 2020 budget target of 7,279 EFTS. SAC (Student Achievement Component) Level 3+ enrolments made up the majority of Ara provision. Based on 2019 actuals, the growth in SAC level 3+ for 2020 was +284 EFTS (an increase of 5%).

Following the introduction of the Targeted Training and Apprentice Fund (TTAF) one of the Government's responses to COVID-19, there was a notable increase in the sponsored areas: Community support, Construction, Engineering, Trades and Transport.

Excluding TTAF provision, SAC 3+ enrolments at Level 3- 7 and Level 8–9 increased in 2020. Specific areas of growth included health provision, in both long standing programmes such as the Bachelors of Nursing, as well as Pre-Health, Pregnancy and Childbirth Education, Musculoskeletal Health, Applied Science and post graduate qualifications in Health Practice.

Other areas of notable increases were qualifications in Hair and Beauty, Career and Study Preparation, Outdoor Education and Sustainability; plus, new qualifications in information design and the new Masters of Creative Practice. Domestic provision that has declined and can be attributed to COVID-19 impacts is, Tourism, Languages, sub degree Outdoor Education, and Community education courses.

The 2020 SAC Level 3+ target Included 220 EFTS to be delivered wholly online through TANZ eCampus, and although eCampus provision increased from 157 EFTS in 2019, with actuals of 193 EFTS, the full growth target for eCampus was not achieved. Additionally, domestic enrolment numbers in business and computing programmes across Levels 3 to 7 were below 2019 levels and short of the respective 2020 targets.

In 2020, Ara achieved strong international enrolments in semester one. This strong performance mitigated some of the short-term (in year) financial effects from COVID-19 . International border restrictions, has significantly impacted the English language portfolio, with a variance of-50.5% based on 2019 performance and 2020 targets.

1 The '2020 Revised Target' for enrolments, Responding to TEC Priority: Improving Adult Literacy and Numeracy and International Students are from the Ara 2020 budget, which was set in December 2019. Revisions are due to changes in the type and volume of provision funded by the Tertiary Education Commission and the Ministry of Education, as well as Ara revising 2020 delivery targets based on actual 2019 performance. The trends described above and the introduction of the TTAF contributed to Ara achieving the overall enrolment targets for STEM (Science, Technology, Engineering and Mathematics), Healthcare and Trades. These targets are aligned to the governments goal of "Delivering Skills for Industry".

Ara achieved the 2020 SAC Levels 1–2 enrolment target, and this delivery was consistent with 2019. This reflects a consistent demand of domestic students in the areas of foundation studies and English Language. 2020 resulted in a decline in enrolments into ACE (Adult and Community Education) funded programmes. This portfolio includes a mix of programmes focussed on computing, English language and general life skills. The decline across ACE provision was in both Christchurch and Timaru locations. It is also noted, that ACE provision was further affected in 2020 due to community site closures during COVID-19 lockdown and the review of Ara Connect locations. This review resulted in the closure of four community campuses, however there was the establishment of a Woolston delivery site and two High school partnerships (Rangiora and Papanui).

The Trades Academy EFTS target was achieved. Whilst this source of funding is included in the EFTS totals, it is funded on a places basis. In 2020 Ara enrolled 458 Trades Academy students, an increase on 2019 participation, but shy of the 475 places target. Enrolments were in areas such as trades, digital technology, cookery, hospitality, supported learning, business and outdoor education. Provision in the dual enrolment portfolio was delivered in schools and across all Ara locations.

Ara revised the 2020 Youth Guarantee enrolment target due to continual downward trends in demand for this provision and based on 2019 analysis. This 2020 target was reached. Whilst the targets for Youth Guarantee enrolments in Christchurch were achieved, those in Timaru were not.

The target for 'Other EFTS' was not achieved in 2020. This provision was below 2019 actuals. This shift was primarily due to fewer hours being delivered through Intensive Literacy and Numeracy (ILN) and ILN ESOL programmes, compared to 2019. The off-job training for ITO (Industry Training Organisation) apprentices met target, while enrolments in domestic full-fee provision and STAR (Secondary Tertiary Alignment Resource) were down due to COVID-19 impacts.

Responding to TEC Priority: Improving Adult Literacy and Numeracy

		2019 Actual	2020 Investment Plan Target	2020 Revised Target	2020 Actual
EFTS delivered through SAC provision at Levels 1–2		140	166	113	137
EFTS delivered through SAC provision at Level 3		934	1084	n/a	992
Successful course completion rate for SAC learners at Level 1		82.0%	73.4%	n/a	71.9%
Successful course completion rate for SAC learners at Level 2		53.4%	69.1%	n/a	59.8%
Successful course completion rate for SAC learners at Level 3		75.9%	76.8%	n/a	78.4%
Enrolments in specialist literacy and numeracy provision	> ILN	43 learners, 5,886 hours	44 learners, 6,486 hours	n/a	38 learners, 6,625 hours
	> ILN ESOL	62 learners, 21,852 hours	44 learners, 8,800 hours	n/a	37 learners, 10,192 hours

In response to the TEC priority to improve adult literacy and numeracy, Ara has aimed to increase provision through SAC Levels 1 and 2 and ILN (Intensive Literacy and Numeracy). Overall SAC provision at Level 3 increased in 2020 due to increased demand in Trades training (TTAF) and increased enrolments in pathway programmes (Career and study preparation), both programmes have a strong literacy and numeracy focus. Overall, SAC achievement at Levels 1–3 (combined) were similar to 2019. However, in isolation we see slight increases in the performance of Level 2 and Level 3, with a decline of 10.1% at Level 1.

This decline relates to a reduced performance in (NZ1880) New Zealand Certificate in English Language Level 1 and (NZ2853) New Zealand Certificate in Skills for Living for Supported Learners Level 1, compared to 2019 achieved. While participation in these programmes increased, there was a decline in course completion. High withdrawals and extensions of course dates contributed to this decline in course completion. It is known that the COVID-19 lockdown had a direct impact on learners in these areas.

Student Achievement – SAC (Student Achievement Component) and YG (Youth Guarantee)

	2019 Actual	2020 Investment Plan Target	2020 Actual
Successful Course Completion Rate for all SAC-funded students at all levels	84.0%	n/a	84.5%
Successful Course Completion Rate for all SAC-funded students at Levels 1-3	74.3%	n/a	76.8%
Successful Course Completion Rate for all SAC-funded students at Levels 4-6	80.1%	n/a	80/1%
Successful Course Completion Rate for all SAC-funded students at Levels 7+	90.7%	n/a	91.3%
Successful Course Completion Rate for YG-funded students at Levels 1-3	72.9%	81.0%	77.5%
Student progression rate for all SAC-funded students, from level 1-3 to a higher level	27.2%	n/a	24.6%
Student progression rate for all YG-funded students, at Levels 1-3	32.8%	n/a	18.0%
Number of SAC graduates at Levels 1-3	620	n/a	642
Number of YG graduates at all Levels 1-3	89	n/a	94
First year retention rate for all students at Levels 4-7 (non-degree)	60.8%	n/a	75.8%
First year retention rate for all students at Level 7 (degree)	75.5%	n/a	77.2%

In recent years, the TEC changed some of the performance metrics for assessing student achievement, including how programme levels and ethnicities are grouped. 2019 was the first time Ara reported using these new measures. Whilst targets were set for Māori, Pacific and non-Māori/non-Pacific as per TEC direction, overall targets were not required and were not set in the Investment Plan. However, overall performance by students of all ethnicities have been included above to provide a holistic view of Ara performance, and 2019 comparatives have also been calculated.

The overall successful course completion rate for SAC learners was similar to 2019 (84.7% - Nga Kete data source), which due to 2019 sector results would place Ara at the top of the institutions for this measure. This improved performance is based on the Level 7+ performance achieving 91.3%, a higher proportion of SAC provision at those higher levels, a further increase in achievement at Levels 1-3 and the relatively static performance at Levels 4-6, has contributed to this success. Furthermore, achievement was generally consistent in SAC provision between 2019 and 2020 across departments and subjects.

The successful course completion rate for Youth Guarantee (YG) courses increased by 4.6% however the investment plan target was not achieved. This increase from 2019 was based on consistent performance in trades areas, an uplift in Hospitality and Tourism, but a decrease in the successful completion rates for Hairdressing.

Graduate numbers for SAC 1-3 and Youth Guarantee learners are an increase on those for 2019. It is also notable that the progression rates for SAC and YG graduates at Levels 1 to 3 have declined, so whilst the numbers of graduates is up at this time, a higher proportion of graduates are exiting Ara compared to the 2019 rates. As YG is designed to improve the transition from school to work by providing a wider range of learning opportunities, making better use of the education network, and creating clear pathways from school to work and study, we know many of our young people transition on to further study outside of Ara. This includes transition in to employment and connecting with apprenticeship based learning. This information is validated through our exit interviews with all YG students.

The first year retention rates improved by 15% at Levels 4 to 7 (non-degree), and by 1.7% at Level 7 degree. Improved retention and attrition rates are aligned to Ara's continued focus on supporting and retaining learners over the transition periods. Interventions such as "keeping warm" and the support aligned to our Framework for Māori Achievement (FMA) have all attributed to these successes.

Māori and Pacific students – Participation

	2019 Actual	2020 Investment Plan Target	2020 Actual
Proportion of EFTS enrolled who are Māori students at all levels	14.1%	n/a	13.8%
Proportion of EFTS enrolled who are Pacific students at all levels	4.9%	n/a	5.2%
Proportion of SAC EFTS delivered to non-Māori, non-Pacific, at Levels 1-3	74.2%	75.2%	76.0%
Proportion of SAC EFTS delivered to Māori learners, at Levels 1-3	20.5%	19.2%	18.7%
Proportion of SAC EFTS delivered to Pacific learners, at Levels 1-3	7.0%	6.7%	6.7%
Proportion of SAC EFTS delivered to non-Māori, non-Pacific, at Levels 4-7 non-degree	81.6%	82.4%	80.7%
Proportion of SAC EFTS delivered to Māori learners, at Levels 4-7 non-degree	13.6%	13.8%	14.6%
Proportion of SAC EFTS delivered to Pacific learners, at Levels 4-7 non-degree	5.4%	5.4%	5.8%
Proportion of SAC EFTS delivered to non-Māori, non-Pacific, at Level 7 (degree)	84.9%	87.4%	85.1%
Proportion of SAC EFTS delivered to Māori learners, at Level 7 (degree)	11.9%	12.2%	11.3%
Proportion of SAC EFTS delivered to Pacific learners, at Level 7 (degree)	3.6%	4.2%	4.2%
Proportion of SAC EFTS delivered to non-Māori, non-Pacific, at Level 8 and above	93.9%	87.8%	89.9%
Proportion of SAC EFTS delivered to Māori learners, at Level 8 and above	3.4%	12.1%	4.4%
Proportion of SAC EFTS delivered to Pacific learners, at Level 8 and above	2.7%	4.1%	5.8%

Overall Māori and Pacific participation rates were maintained in 2020 and continue to be well above the proportions within the Canterbury regional population. Most of the targets by level groups were achieved for both Māori and Pacific, with pleasing increases of Māori participation rates at Levels 4-7 (non-degree) and post graduate levels. Further success is also attributed to the increased Pacific rates at degree and post graduate level.

The targets by level group were set to achieve parity of participation at all levels by 2021, and four of the eight targets for 2020 were achieved. A particular success is the sustained participation of Māori at higher levels of study. There was notably more Māori participating in degree programmes, this included nursing, applied science, business, and music arts. Increased Pacific participation was in the areas of, social work, ICT, architectural studies, and engineering.

The positive shifts in 2020 demonstrate that a variety of initiatives and partnerships are working. Ara is committed to supporting Māori success, this is demonstrated through the long-term success of He Toki and our focus on the Framework for Māori Achievement (FMA). A principle of the FMA encourages and guides Ara to focus on providing good information to Māori learners and their whanau, provide comprehensive support through the transition from Kura to Career. This successful support is achieved through our recruitment and retention activities. We actively support key initiatives and events that engage, that celebrate, that support, students and whanau from pre-enrolment through to graduation.

Māori and Pacific students – Achievement

	2019 Actual	2020 Investment Plan Target	2020 Actual
Successful Course Completion Rate for non-Māori/non-Pacific SAC-funded students at all levels	86.0%	87.5%	86.1%
Successful Course Completion Rate for Māori SAC-funded students at all levels	74.9%	80.6%	77.9%
Successful Course Completion Rate for Pacific SAC-funded students at all levels	72.7%	78.6%	74.3%
Number of Māori SAC graduates at Levels 1-3	106	55	110
Number of Pacific SAC graduates at Levels 1-3	30	16	39
Number of non-Māori, non-Pacific SAC graduates at Levels 1-3	493	130	496
Number of Māori YG graduates at Levels 1-3	23	55	16
Number of Pacific YG graduates at Levels 1-3	7	16	5
Number of non-Māori, non-Pacific YG graduates at Levels 1-3	60	130	76
Student progression rate for non-Māori/non-Pacific SAC-funded students, from Levels 1-3 to a higher level	28.1%	50.0%	24.5%
Student progression rate for Māori SAC students from Levels 1-3, to a higher level	22.5%	46.0%	21.0%
Student progression rate for Pacific SAC students from Levels 1-3, to a higher level	25.0%	50.0%	22.0%
Student progression rate for non-Māori, non-Pacific YG-funded students, at Levels 1-3	35.5%	50.0%	33.0%
Student progression rate for Māori YG students from Levels 1-3, to a higher level	18.2%	50.0%	14.3%
Student progression rate for Pacific YG students from Levels 1-3, to a higher level	25.0%	50.0%	16.7%
First year retention rate for non-Māori, non-Pacific students at Levels 4-7 (non-degree)	60.5%	53.5%	76.7%
First year retention rate for Māori students at levels 4-7 (non-degree)	73.5%	52.5%	73.2%
First year retention rate for Pacific students at Levels 4-7 (non-degree)	45.0%	51.0%	66.7%
First year retention rate for non-Māori, non-Pacific students at Level 7 (degree)	77.3%	81.0%	78.6%
First year retention rate for Māori students at Level 7 (degree)	66.0%	74.0%	68.9%
First year retention rate for Pacific students at Level 7 (degree)	60.5%	77.0%	74.6%

Although the overall successful course completion rates for Māori and Pacific learners at Ara improved between 2019 and 2020, the targets were not achieved. These targets were determined based on the ambitious goal of achieving parity of achievement between Māori, Pacific, and non-Māori/non-Pacific by 2021, and whilst incremental improvements are being made, the targeted shift in Māori and Pacific achievement has not yet occurred.

The 2020 results for graduate numbers are largely a function of enrolment numbers through SAC Levels 1-3 and Youth Guarantee, which fluctuate year on year. Whilst these targets were not achieved, it is also noted that the progression rates for Māori and Pacific SAC and Youth Guarantee (1-3) graduates have declined between 2019 and 2020, highlighting a reduced proportion of Māori and Pacific graduates are transitioning into higher level study at Ara.

As YG and SAC 1-3 programmes are designed to improve the transition from Kura to Career by providing a wider range of learning opportunities, making better use of the education network, and creating clear pathways, we know many our young people transition on to further study outside of Ara. This transition includes employment and apprenticeship-based learning. This information is validated through exit interviews with YG students.

First year retention: The achievement of Māori and Pacific learners using this measure was mixed, with good improvements in retention at Levels 4 to 7 (non-degree) plus improvements for both groups at Level 7 (degree). Two out of four targets were achieved in this area.

While enrolments numbers for Māori and Pacific students saw positive improvements in 2020, including increased enrolments at higher levels of study, the achievement of these learners at a course level has only incrementally improved, and the gap between the first-year retention rates of Māori and Pacific, and Non-Māori/Non-Pacific learners, improved between 2019 to 2020. This positive improvement is connected to Pae Tata, More Māori come, stay, and succeed at Ara.

Key improvements in the areas of Māori success are attributed to the Ara FMA, this framework provides guidance to divisions and departments aligned to raising Māori Achievement. This also includes our vision of:

- More Māori come, stay, and succeed at Ara
- Whānau Transformation through education, enterprise, and agency
- Equitable education, employment, and income levels for all Māori

In the later part of 2020 Ara introduced the Māui te Tauira Mentoring programme. This programme endeavours to support Māori students to transform through education. This programme is multi-layered. In its first instance it provides support to learners and seeks to develop support within the student body. The second strength of the programme is in the creation of mentors across Ara to lead by example and to teach and grow others to carry those legacies.

Students learn how to develop strategies to cope with whānau and peer dynamics, emotional and cultural intelligence and draw upon models such as Te Whare Tapa Whā as a pillar to reflect on when coping with elements that effect our everyday functions. While the programme won't be able to provide all of the answers to life it aims to develop the key skills required to pursue them and become their own Māui.

International students

	2019 Actual	2020 Investment Plan Target	2020 Revised Target	2020 Actual
International EFTS enrolled	980	930	979	853
Successful Course Completion Rate for international students	89.4%	n/a	n/a	90.2%

International enrolment numbers in 2020 were significantly less than 2019 actual, the initial investment plan target, and the 2020 revised budget targets.

While the initial performance result was cushioned by high international enrolments in the first semester of 2020, the semester two recruitment and enrolment activities were significantly impacted following international border restrictions and closures as a result of COVID-19 pandemic. As a direct consequence Ara was unable to achieve its full year target.

The product portfolio of Level 3- 7 (non-degree) and the English language programmes experienced the greatest impact, as a result of international border closures.

While the overall participation in 2020 was down, the academic achievement of this group improved. The overall successful course completion rose by 0.8%, and notable improvements were recorded in Health, ICT, and Hospitality programmes. Furthermore, the achievement of international students (90.2%) continues to be higher than SAC-funded domestic students (84.5%).

Student survey results

	2019 Actual	2020 Investment Plan Target[2]	2020 Actual
Student Satisfaction[3]	82.8%	n/a	82.7%
Proportion of graduates in employment or further study in the year following graduation[4]	87.2%	n/a	68.2%

In 2019, the student satisfaction measure reported on whether students were satisfied with program based on 'agreed' and 'strongly agreed' responses. In 2020, the student satisfaction measure has expanded in scope and reported on whether students are satisfied with the program, teaching, institution and learning environment based on 'agreed' and 'strongly agreed' responses. Thus the student satisfaction survey result for 2019 has been restated from 85% to 82.8% to reflect the approach taken in the current year to allow for comparability of results reported across both year.

There was a 0.1% decline in student satisfaction between 2019 and 2020. However there was a positive increase in student experience related to learner support services, technology support and student environment. 93.5% of learners strongly agreed that they felt safe at Ara and 84.1% reflected that Ara was preparing them for industry relevant work. 93.5% of learners would recommend their programme of study to others.

In 2019, the graduate survey reported on whether graduates are either in employment or further study. In 2020, the graduate survey only reported whether the graduates are in employment. The change in questions asked attributed to a notable decline in result reported. 68.2% of graduates indicated that they were currently employed, this is down by 2.8% in 2019. The survey result show that 43% of graduate are employed in the field relevant to their studies, 23% are employed in the field not relevant to their studies and 31 % are not employed at the time of completing the survey. In addition, 79% of graduates indicated that Ara has prepared them for industry relevant work.

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2 *Student satisfaction survey and graduate outcome measure are not included in the Investment Plan therefore do not have an investment plan target. However Ara aims to at least maintain or increase these results from year to year.*

3 *Ara Institute of Canterbury Limited distribute the survey to students via the Qualtrics survey mailer which individualised email invitations to each participant. The survey can only be accessed through these specific email invitations. When the survey associated with a particular customized link is completed, Qualtrics will not allow that link to be used again which ensures that students do not complete the survey more than once.*

Student experience surveys are sent twice a year in May and October due to this being near the end of each semester. Surveys are sent out to all student except for those enrolled in certain programmes.

Excluded programmes are those not administered by Ara, non-formal courses, short courses, trade programmes under 20 weeks long and programmes for learners with low English language comprehension e.g. international students or students with learning disabilities. In the 12-month period ended 31 December 2020, there were 10,374 surveys issued to enquire students about their overall satisfaction in relation to programme, teaching, institution and learning environment. The results are based on 3,797 responses. The response rate is 37% and margin error is 1.27%.

4 *Graduate surveys are sent out after each graduation ceremony to the graduates of that particular round. The survey, a unique URL link, is sent to each graduate's email address. In the 12-month period ended 31 December 2020, there were 3,976 surveys issued to graduate about their current employment status as well as if they were planning to study and what would be important to them in selecting their tertiary provider. The results are based on 1,788 responses. The response rate is 45% and margin of error is 2.28%.*

Research

	2019 Actual	2020 Investment Plan Target	2020 Actual
The amount of External Research Income earned	8,000	100,000	0
The number of Research Degrees completed	0	0	0

The Research revenue impact here pertains to the COVID environment and community / industry restrictions during this time.

Campus redevelopment programme

	2019 Actual	2020 Investment Plan Target	2020 Actual
Campus Redevelopment Work Programme continues within scope, on time and within budget	Mostly achieved	n/a	Not achieved

A low level of activity was achieved in 2020, this primarily focused on a planning and revision of the Regional Master Plan. The original Master Plan is no longer fit for purpose as circumstances has been significantly changed due to the reform of Vocational Education sector and the impact of COVID-19.

Whilst the Regional Master Plan is revised, this revised plan is expected for consideration by Ara's Board at their June 2021 meeting. This will encompass all outstanding 67% strengthening work, space demand planning and regional delivery in Timaru.

Statement of Responsibility

The Ara Institute of Canterbury Ltd hereby certifies that:

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

2 It has been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

3 It is of the opinion that these Financial Statements and Statement of Service Performance fairly reflect the financial position and operations of this institution for the year ended 31 December 2020.

The financial statements were authorised for issue by the Ara Institute of Canterbury Ltd Board on 30 March 2021.

Dr Thérèse Arseneau
Chair of Board

Nettles Lamont
Chair of Audit and Risk Committee

Tony Gray
Chief Executive

Statement of Comprehensive Revenue and Expenses
for the Nine Months Ended 31 December 2020

		Parent		Group	
	Notes	Actual 9 months ended 31 Dec 2020 $000	Budget 9 months ended 31 Dec 2020 $000	Actual 9 months ended 31 Dec 2020 $000	Budget 9 months ended 31 Dec 2020 $000
Revenue					
Government Grants	2	942	143	942	143
Student Tuition Fees	2	25,421	33,512	25,421	33,512
Other Revenue	2	5,020	6,709	4,794	6,960
Finance Revenue	2	1,008	1,229	2,192	1,345
Gain on Investment Property Revaluations	2	-	-	175	100
Gain on Interest Rate Swaps	2	-	-	60	-
Total Revenue		**32,391**	**41,593**	**33,584**	**42,060**
Operating Expenses					
Employee Benefit Expenses	2	56,153	55,381	56,153	55,381
Depreciation Expense	2, 8	8,299	8,613	8,846	9,130
Amortisation Expense	2, 9	1,102	456	1,102	456
Finance Costs	2	1,041	1,041	1,368	1,422
Other Expenses	2	21,822	25,561	20,817	24,578
Transformation Expenses	2	1,422	1,717	1,422	1,717
Total Operating Expenses		**89,839**	**92,769**	**89,708**	**92,684**
Share of associate surplus	16	65	-	65	-
Net (Deficit)		**(57,383)**	**(51,176)**	**(56,059)**	**(50,624)**
Other Comprehensive Revenue and Expenses					
Gains on Property Revaluations	8	-	-	4,787	-
Total Other Comprehensive Revenue and Expenses		**-**	**-**	**4,787**	**-**
Total Comprehensive Revenue and Expenses		**(57,383)**	**(51,176)**	**(51,272)**	**(50,624)**

Net Operating Surplus analysed for non-recurring items

	Parent		Group	
	Actual 9 months ended 31 Dec 2020 $000	Budget 9 months ended 31 Dec 2020 $000	Actual 9 months ended 31 Dec 2020 $000	Budget 9 months ended 31 Dec 2020 $000
Net Operating (Deficit)	**(55,961)**	**(49,459)**	**(54,637)**	**(48,907)**
Transformation Expenses*	(1,422)	(1,717)	(1,422)	(1,717)
Net (Deficit)	**(57,383)**	**(51,176)**	**(56,059)**	**(50,624)**

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

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2020

		Parent			Group		
	Notes	Actual 31 Dec 2020 $000	Budget 31 Dec 2020 $000	Actual 1 Apr 2020 $000	Actual 31 Dec 2020 $000	Budget 31 Dec 2020 $000	Actual 1 Apr 2020 $000
ASSETS							
Current Assets							
Cash and Cash Equivalents	**3, 18**	7,635	5,132	10,629	9,192	10,362	12,498
Trade and Other Receivables	**4, 18**	2,998	2,670	50,624	3,162	2,720	50,779
Inventories	**5**	702	1,321	737	702	1,321	737
Prepayments		2,329	1,794	2,155	2,329	1,794	2,155
Assets held for Sale	**20**	48	–	–	48	–	–
Other Financial Assets	**6, 18**	62,200	53,000	78,000	65,736	53,000	78,137
Total Current Assets		**75,912**	**63,917**	**142,145**	**81,169**	**69,197**	**144,306**
Non-Current Assets							
Land and Buildings	**8**	292,972	295,232	294,775	322,473	321,857	319,972
Plant and Equipment	**8**	13,928	16,203	14,814	14,429	16,204	15,380
Investment accounted for using the equity	**16**	1,169	1,209	1,104	1,169	1,209	1,104
Other Financial Assets	**6**	–	–	–	6,385	4,999	8,144
Investment Properties	**7**	–	–	–	3,795	3,150	3,620
Intangible Assets	**9**	1,193	1,952	2,246	1,193	1,952	2,246
Total Non-Current Assets		**309,262**	**314,596**	**312,939**	**349,444**	**349,371**	**350,466**
TOTAL ASSETS		**385,174**	**378,513**	**455,084**	**430,613**	**418,568**	**494,772**
LIABILITIES							
Current Liabilities							
Trade and Other Payables	**10, 18**	5,736	5,000	4,331	5,902	5,082	4,377
Finance Leases Current	**11**	683	1,239	743	683	1,239	743
Loans and Borrowings	**11**	–	–	–	560	–	560
Employee Benefit Liabilities	**12**	3,615	2,462	3,463	3,615	2,462	3,463
Revenue Received in Advance	**13**	8,567	9,149	21,852	8,567	9,149	21,852
Total Current Liabilities		**18,601**	**17,850**	**30,389**	**19,327**	**17,932**	**30,995**
Non-Current Liabilities							
Finance Leases Non-current	**11**	24,886	25,402	25,151	24,886	25,402	25,151
Loans and Borrowings	**11**	–	–	–	11,058	12,325	11,478
Employee Benefit Liabilities Non current	**12**	228	238	238	228	238	238
Interest Rate Swaps		–	–	–	399	–	459
Total Non-Current Liabilities		**25,114**	**25,640**	**25,389**	**36,571**	**37,965**	**37,326**
TOTAL LIABILITIES		**43,715**	**43,490**	**55,778**	**55,898**	**55,897**	**68,321**
NET ASSETS		**341,459**	**335,023**	**399,306**	**374,715**	**362,671**	**426,451**
EQUITY							
Accumulated Comprehensive Revenue and Expense		237,243	230,372	294,619	255,822	247,922	311,874
Asset Revaluation Reserve		103,368	103,782	103,782	118,045	113,880	113,672
Trusts and Bequests Reserves		848	869	905	848	869	905
TOTAL EQUITY		**341,459**	**335,023**	**399,306**	**374,715**	**362,671**	**426,451**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the Nine Months Ended 31 December 2020

		Parent		Group	
	Notes	Actual 9 months ended 31 Dec 2020 $000	Budget 9 months ended 31 Dec 2020 $000	Actual 9 months ended 31 Dec 2020 $000	Budget 9 months ended 31 Dec 2020 $000
Cash Flows from Operating Activities					
Receipts of Government Grants		47,971	43,795	47,971	43,795
Receipts of Student Tuition Fees		13,048	14,139	13,048	14,139
Receipts of Other Income		4,432	6,709	4,211	6,986
Interest Received		1,223	1,229	1,261	1,345
Payments to Employees		(56,011)	(55,381)	(56,011)	(55,381)
Payments to Suppliers		(20,605)	(24,860)	(19,467)	(23,918)
Payments relating to transformation costs		(1,422)	(1,950)	(1,422)	(1,950)
Interest Paid		-	-	(327)	(375)
Net Cash Flows from Operating Activities	3	**(11,364)**	**(16,319)**	**(10,736)**	**(15,359)**
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		57	-	57	-
Proceeds from Sale and Maturity of Investments		130,000	27,000	130,000	27,000
Investment in term deposits		-	-	2	-
Purchase of Intangible Assets		(49)	(189)	(49)	(189)
Purchase of Property, Plant and Equipment		(5,712)	(8,354)	(5,712)	(8,454)
Purchase of Investments		(114,200)	-	(114,722)	-
Net Cash Flows from Investing Activities		**10,096**	**18,458**	**9,576**	**18,357**
Cash Flows from Financing Activities					
Repayments of Loans & Borrowings		-	-	(420)	(419)
Repayment of Finance Lease Liabilities		(1,726)	(1,769)	(1,726)	(1,769)
Net Cash Flows from Financing Activities		**(1,726)**	**(1,769)**	**(2,146)**	**(2,188)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(2,994)**	**370**	**(3,306)**	**810**
Cash and Cash Equivalents at the beginning of the year		10,629	4,762	12,498	9,552
Cash and Cash Equivalents at the end of the year	3	**7,635**	**5,132**	**9,192**	**10,362**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the Nine Months Ended 31 December 2020

	Notes	Parent Actual 9 months ended 31 Dec 2020 $000	Parent Budget 9 months ended 31 Dec 2020 $000	Group Actual 9 months ended 31 Dec 2020 $000	Group Budget 9 months ended 31 Dec 2020 $000
Balance at 1 April		399,306	386,199	426,451	404,296
Bequest Funds		(50)	–	(50)	–
Total Comprehensive Revenue and Expenses		(57,383)	(51,176)	(51,272)	(50,624)
Revaluation Adjustment		(414)	–	(414)	8,999
Closing Balance		**341,459**	**335,023**	**374,715**	**362,671**
By Class					
Accumulated comprehensive revenue and expense					
Balance at 1 April		294,619	281,548	311,874	298,546
Net Surplus/(Deficit) for the period		(57,383)	(51,176)	(56,059)	(50,624)
Appropriation of Net Surplus from(to) Restricted Reserves		7	–	7	–
Closing Balance		**237,243**	**230,372**	**255,822**	**247,922**
Trusts and Bequests Reserves					
Balance at 1 April		905	869	905	869
General bequest funds		(25)	–	(25)	–
Appropriation of Net Surplus		11	–	11	–
Application of Trusts and Bequests		(43)	–	(43)	–
Closing Balance		**848**	**869**	**848**	**869**
Restricted reserves consist of scholarships, bequests and trust funds held by the Institute on behalf of others.					
Asset Revaluation Reserve					
Balance at 1 April		103,782	103,782	113,672	113,880
Fair Value Revaluation of Land and Buildings		(414)	–	4,373	–
Closing Balance		**103,368**	**103,782**	**118,045**	**113,880**

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

Asset Revaluation Reserve is comprised of:

	Parent Actual	Parent Budget	Group Actual	Group Budget
Land	40,104	40,104	49,128	40,104
Buildings	63,264	63,678	68,917	73,776
	103,368	**103,782**	**118,045**	**113,880**

The accompanying notes form part of these financial statements

Statement of Childcare Operating Income and Expenditure

for the Year Ended 31 December 2020 (Parent and Group)

	Actual 12 months ended 31 Dec 2020 $000	Budget 12 months ended 31 Dec 2020 $000	Actual 12 months ended 31 Dec 2019 $000
Revenue			
Operating Grants	489,238	460,000	438,081
Fees	177,981	221,892	199,025
Total	**667,219**	**681,892**	**637,106**
Expenditure			
Salaries and Related Costs	627,211	653,304	640,031
Consumables	3,318	4,383	4,671
Administration	11,075	11,333	12,662
Occupancy Costs	58,000	58,000	58,000
Depreciation	803	803	1,203
Total	**700,407**	**727,823**	**716,567**
Net (Deficit)	**(33,188)**	**(45,931)**	**(79,461)**

Total Child Funded Hours	**2020**	**2019**
Children Aged Under Two	9,824	10,266
Children Aged Two and Over	12,603	9,686
20 Hours ECE	24,587	22,991
Plus 10 Subsidy	4,385	5,264
Total	**51,399**	**48,207**

Statement of Special Supplementary Grants

Ara received funding as Special Supplementary Grants during 2020. These items are subject to Section 199(1)(b) of the Education and Training Act 2020. There is a requirement in Section 199(5) to apply such grants only for the purposes specified. The following statement reports on this obligation and discloses the actual cost to Ara which resulted from the activities funded in this manner.

Grant Title	Grant Amount	Applied to	Salaries & Related Costs	Materials & Services	Total Cost	Net Cost to Ara
	$000		$000	$000	$000	$000
Students with Disabilities	166,534	Students with Disabilities	442,429	14,946	457,375	290,841
Support for Māori and Pacific people	127,036	Support for Māori and Pacific people	198,524	60,474	258,998	131,962
Total	**293,570**		**640,953**	**75,420**	**716,373**	**422,803**

Statement of Compulsory Student Services Fees

Pursuant to sections 227A(1) and 235D(1) of the Education and Training Act 2020, Ara is required to show how the use of the compulsory fees for student services is attributed.
Students are charged $250 including GST for a full time equivalent per annum. If the student is enrolled less than a full time equivalent the fee is pro-rated.
Income and expenditure associated with the provision of these services is separately accounted for. Details of the types of service and of the income and expenditure for the year are set out below.
In 2020, Income from Compulsory Student Service fees was pro-rated across categories on the basis of relative expenditure.

Actual 2020	Total $000	Advocacy and Legal Advice $000	Careers Information, Advice and Guidance $000	Counselling Services $000	Financial Support and Advice $000	Health Services $000	Media Services $000	Childcare Services $000	Sports, Recreation and Cultural Activities $000	Clubs and Societies $000
Revenue										
Compulsory Student Service Fees	1,723	61	619	1	54	243	62	355	302	26
Other Revenue	941	-	-	-	-	157	-	667	117	
Total Revenue	2,664	61	619	1	54	400	62	1,022	419	26
Expenditure	3,397	119	1,220	3	107	479	123	700	595	51
Surplus/(Deficit)	(733)	(58)	(601)	(2)	(53)	(79)	(61)	322	(176)	(25)

Actual 2019	Total $000	Advocacy and Legal Advice $000	Careers Information, Advice and Guidance $000	Counselling Services $000	Financial Support and Advice $000	Health Services $000	Media Services $000	Childcare Services $000	Sports, Recreation and Cultural Activities $000
Revenue									
Compulsory Student Service Fees	1,426	40	612	22	6	177	34	305	230
Other Revenue	990	-	-	-	-	170	-	637	183
Total Revenue	2,416	40	612	22	6	347	34	942	413
Expenditure	3,349	96	1,437	51	14	415	79	717	540
Surplus/(Deficit)	(933)	(56)	(825)	(29)	(8)	(68)	(45)	225	(127)

Statement of Compulsory Student Services Fees (continued)

Advocacy and Legal Advice

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

Careers Advice and Guidance

Ara provides career development advice and guidance as well as employment information. Career development may start prior to enrolment through assisting people to work through what they want to do and their study options. Learners are supported throughout their study to develop the wide range of skills and attributes that will maximise their advantage in the employment market. Learners have access to both Career Hub and Student Job Search for finding employment.

Resources are available for learners to work independently, attend workshops/seminars (or drop in sessions) and to have one to one guidance where necessary. These may include topics such as strength/skill identification, strategies to develop skills, attributes and experience, CV writing, letter writing, interview skills and contract negotiation. Learners use the myGPS app to guide them through the career and work readiness process and to maximise their potential outcomes.

Student Advice and Guidance

Student advice and guidance includes all generic student advisors (not including the library, learning staff and those who are funded from other sources) who offer support to learners to enable them to succeed in their studies, to find solutions and to access services that assist with solving problems they may face. This may include a listening ear, information and support for matters related to StudyLink, programme/course selection, accommodation, personal, spiritual, cultural, financial, legal, health and study concerns.

Counselling Services

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

Financial Support and Advice

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

Health Services

The Christchurch City campus has a Health Centre with doctors and nurses. Woolston campus has an on-site nurse part time during the academic year. In Timaru the Health Centre oversees information about access to low-cost health services. In addition, the Health Centre coordinates health promotion events and services that encourage proactive wellbeing and health management to students at all sites. Ara also has agreements in place for learners at other campuses to access lower cost (sometimes free) nursing and medical consultations.

Media Services

Ara encourages and supports online learning and communities and maintains information for current students – 'MyAra'. This holds all key relevant and up to date information for learners. A student communications team produce the Ara student magazine, Waha Kōrero every two months and maintain the student facebook site Ara Student Plug In as well as other documents designed by and for students.

Childcare Services

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

Sports, Recreation and Cultural Activities

Ara provides a wide range of free learner events, recreation and activities throughout the academic year at all sites. The events are structured to support learner wellbeing and success, fun and connection for example, Freshies for the orientation period.

In addition, both Christchurch City and Timaru campuses have gymnasium facilities. City learners can purchase a membership to the Christchurch city weights and fitness space at very low cost. There are no other charges for all other classes and facilities including the use of balls, racquets, etc.

Cultural events include welcomes and the celebration of Matariki, Te Wiki o Te Reo and many language weeks, Polyculture – a celebration of many diverse cultures of Ara students and marks many key ethnic, cultural, identity and spiritual celebrations.

Clubs and Societies

Ara has an advisor whose role is to support the development and sustainability of learner's groups, clubs, and societies. The groups vary from recreational, interest and identity to political and spiritual. They alter from year to year based on the direction and energy that learners choose to give them.

Notes to the Financial Statements

1 General Information

1.1 Reporting Entity

Ara Institute of Canterbury Limited (Ara or the Institute) is a Crown entity subsidiary that is domiciled and operates in New Zealand. The Institute was established on 1 April 2020 and its immediate controlling entity is Te Pūkenga— New Zealand Institute of Skills and Technology, and the ultimate controlling entity is the New Zealand Crown. The relevant legislation governing the Institute's operations includes the Education and Training Act 2020, the Crown Entities Act 2004, and the Companies Act 1993.

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

Ara and the Group provide educational and research services for the benefit of the community. It does not operate to make a financial return. Accordingly, Ara has designated itself and the Group as public benefit entities (PBEs) for financial reporting purposes.

The Institute came into existence on 1 April 2020. Therefore, the reporting period for the financial statements is for the nine months from 1 April 2020 to 31 December 2020.

1.2 Basis of Preparation

The financial statements of the Group have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Education and Training Act 2020, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The measurement base applied is historical cost except where otherwise identified.

The Minister of Education announced the Government's decisions on the Reform of Vocational Education proposals on 1 August 2019, and has since enacted the Education (Vocational Education and Training Reform) Amendment Act (the Act) on 24 February 2020 to give effect to those reforms.

In essence, the Act reforms the delivery of vocational education in New Zealand by creating a new Crown entity, Te Pūkenga and converting all existing institutes of technology and polytechnics (ITPs) into crown entity companies, which will take over the operational activities of existing ITPs.

The Act disestablished Ara Institute of Canterbury and transferred its assets and liabilities to a new company, Ara Institute of Canterbury Ltd on 1 April 2020. The Education and Training Act 2020 (schedule 1, clause 21) states that all Te Pūkenga subsidiaries will continue in existence until 31 December 2022. Thereafter the rights , assets and liabilities of Ara Institute of Canterbury Ltd will be transferred to Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga). There are mechanisms in the legislation to vary this date.

Despite these provisions, the financial statements have been prepared on a going concern basis, as the disestablishment is more than 12 months after the date of the financial statements are issued, and because the operational delivery of the functions of Ara Institute of Canterbury Ltd will continue through Te Pūkenga after 31 December 2022. Consequently, there have been no changes to the recognition and measurement, or presentation of information in these financial statements..

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

1.3 Budget Figures

The budget figures for the Institute and group have been derived from the budget approved by the Ara Institute of Canterbury Council at the start of the 2020 financial year. Those budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. The approved budget was for the full 2020 year but, to be consistent with the nine-month reporting period, the month-by-month budget from April to December 2020 has been used for the nine-month period for the statement of comprehensive revenue and expense and the statement of cash flows. The student achievement component (SAC) and fees-free funding was recognised by the predecessor ITP. Therefore, no budget amount has been included in the statement of comprehensive revenue and expense.

1.4 Group Structure

Subsidiaries

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

Associate

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

Joint Operation

Ara holds its 50% interest in the Health Precinct lease by way of a joint operation. Ara has determined that its interest in the jointly controlled asset constitutes a joint operation, as both parties to the arrangement have rights to the assets,and obligations for the liabilities, relating to the arrangement. Ara recognises its share of assets, liabilities, revenue and expenses of the joint operation. For further details of the lease, refer to note 11.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of Ara (the Parent), its subsidiaries, its associate and its joint operation. The financial statements of subsidiaries and the associate are prepared for the same reporting period as the Parent using consistent accounting policies.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. Subsidiaries are consolidated by aggregating like items of assets, liabilities, revenues, expenses and cash flows on a line-by-line basis. The balances and transactions between subsidiaries and the Parent are eliminated in full.

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

Notes to the Financial Statements

1 General Information (continued)

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

Accordingly, the results of Ara, the Ara Foundation and OEDT have been consolidated into Ara's financial statements for the period ended 31 December 2020. Its 16.7% equity share of its associate TANZ eCampus Limited has been equity accounted. Its joint operation with CDHB is accounted for as noted under 'Joint Operation' above.

1.5 New Standards

Standards issued and not yet effective and not early adopted

PBE IPSAS 41 Financial Instruments

In March 2019, the XRB issued PBE IPSAS 41 Financial Instruments. The new standard replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments and is effective for annual periods beginning on or after 1 January 2022. Ara has not yet assessed the impact of this new standard.

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for annual periods beginning on or after 1 January 2021. Ara has not yet assessed the impact of this new standard.

Service Performance Reporting

In November 2017, the XRB issued PBE FRS 48 Service Performance Reporting which replaces the service performance reporting requirements of PBE IPSAS 1. PBE FRS 48 is currently effective for annual periods beginning on or after 1 January 2021. The NZ Accounting Standards Board has recently issued an exposure draft that proposes to defer the adoption date of PBE FRS 48 by one year to reporting periods beginning on or after 1 January 2022. Ara has not yet assessed the impact of this new standard.

Standards adopted

Adoption of PBE IPSAS 40

PBE IPSAS 40 PBE Combinations was issued in July 2019 and is effective for annual financial statements covering periods beginning on or after 1 January 2021. The Institute has early adopted PBE IPSAS 40 and applied the standard for the vesting of the predecessor ITP's assets and liabilities to the Institute on 1 April 2020. Further information about the vesting is disclosed in Note 8 and Note 9.

1.6 Summary of Significant Accounting Policies

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

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

Foreign currency transactions

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

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

Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Taxation

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

Share Capital

On 1 April 2020, the Institute issued 100 shares to Te Pūkenga in accordance with clause 20(1)(c) of Schedule 1 to the Education and Training Act 2020. Each share carries one vote and an equal share in dividends and distribution of the Institute's surplus assets. These shares do not have a nominal or par value.

Notes to the Financial Statements

1 General Information (continued)

Critical accounting judgements, estimates and assumptions

In preparing these financial statements, Ara has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

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

- Estimating the fair value of land, buildings and infrastructure – refer to note 8.
- Long service leave – refer to note 12.

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

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

Comparatives

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

Notes to the Financial Statements

2 Revenue and Expenses

Revenue Accounting Policy

Revenue classification

Revenue is measured at fair value. Ara classifies its revenue into exchange and non-exchange transactions.

Exchange transactions

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

Non-exchange transactions

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

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

Student Achievement Component (SAC) funding

Student Achievement Component (SAC) funding is the Institute's main source of operational funding from the Tertiary Education Commission (TEC). The Institute considers SAC funding to be non-exchange revenue and would normally recognise SAC funding as revenue when the course withdrawal date has passed, based on the number of eligible students enrolled in the course at that date and the value of the course. However, for the 2020 year, the predecessor ITP has recognised all the funding for 2020 as government grant. This was because, in response to the COVID-19 pandemic, the TEC confirmed at the end of March 2020 that it will not seek repayment of 2020 investment plan funding, which includes SAC funding, if there is under-delivery in the 2020 year.

As a consequence, the Institute has not recognised any SAC funding during the nine-month period.

Fees-Free Revenue

The Institute considers that fees-free revenue is non-exchange revenue and would normally recognise revenue when the course withdrawal date for an eligible student has passed.

The Institute would present funding received as part of tuition fees. This is on the basis that receipts from the TEC are for payment on behalf of the student as specified in the relevant funding mechanism.

However, for the 2020 year, the predecessor ITP has recognised all the 2020 fees-free funding as government funding grant because, in response to the COVID-19 pandemic, the TEC confirmed that it will not seek repayment of 2020 fees-free funding.

The Institute has recognised the Targeted Training and Apprenticeship Fund (TTAF) as student tuition fees during the nine-month period. This was because the fund was not covered by TEC's non-repayment policy in response to COVID-19 and should therefore follow the normal accounting treatment.

Performance-Based Research Fund (PBRF)

PBRF funding is considered to be non-exchange in nature. PBRF funding is specifically identified by the TEC as being for a funding period as required by section 425 of the Education and Training Act 2020. Ara recognises its confirmed allocation of PBRF funding at the commencement of the specified funding period, which is the same as Ara's financial year. PBRF revenue is measured based on Ara's funding entitlement adjusted for any expected adjustments as part of the final wash-up process. Indicative funding for future periods is not recognised until confirmed for that future period.

Student Tuition Fees

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

Interest

Interest revenue is recognised using the effective interest method.

Notes to the Financial Statements

2 Revenue and Expenses (continued)

Revenue	Parent 9 months ended 31 Dec 2020 $000	Parent 3 months ended 31 Mar 2020 $000	Group 9 months ended 31 Dec 2020 $000	Group 3 months ended 31 Mar 2020 $000
Government Grants				
Normal Operational Grants	648	70,760	648	70,760
Special Supplementary Grants	294	81	294	81
Total Government Grants	**942**	**70,841**	**942**	**70,841**
Student Tuition Fees	**25,421**	**13,373**	**25,421**	**13,373**
Other Revenue				
Gains on Disposal of Property, Plant and Equipment	57	–	57	–
Revenue from Other Operating Activities	4,963	1,436	4,737	1,488
Total Other Revenue	**5,020**	**1,436**	**4,794**	**1,488**
Finance Revenue				
Interest Earned on Investments (including Bank Deposits)	1,008	481	2,192	3
Total Finance Revenue	**1,008**	**481**	**2,192**	**3**
Gain on Property Investment Revaluations	–	–	**175**	**10**
Gain on Interest Rate Swaps	–	–	**60**	**-**
Total Revenue	**32,391**	**86,131**	**33,584**	**85,715**

Revenue under exchange and non exchange transactions

Revenue under exchange transactions

International Student Fees	11,901	3,396	11,901	3,396
Other Revenue	3,761	1,265	3,535	1,317
Finance Revenue	1,008	481	2,192	3
Gain on Property Investment Revaluations	–	–	175	10
Gain on Interest Rate Swaps	–	–	60	–
Total Exchange Revenue	**16,670**	**5,142**	**17,863**	**4,726**

Other exchange revenue is mainly made up of: teaching delivery to external parties, student accommodation rent, facilities hire and restaurant revenue.

Revenue under non exchange transactions

Government Grants	942	70,841	942	70,841
Domestic Student Fees	12,124	9,650	12,124	9,650
Student Services Levy	1,396	327	1,396	327
Other Revenue	1,259	171	1,259	171
Total Non Exchange Revenue	**15,721**	**80,989**	**15,721**	**80,989**

Other Non Exchange revenue is mainly Industry Training Organisations (ITOs) revenue.

Total Revenue	**32,391**	**86,131**	**33,584**	**85,715**

Expenses

Finance Charge*	1,041	349	1,041	349
Interest on Bank Loans	–	–	327	124
Total Finance Costs	**1,041**	**349**	**1,368**	**473**

*Finance charge arises as a result of the Manawa lease classification. The lease is not funded through loans or borrowings, therefore the interest charge is a non cash item. Refer to Note 11 for an explanation of this charge.

Employee Benefit Expenses

Wages and Salaries	56,011	15,856	56,011	15,856
Increase (Decrease) in Employee Benefit Liabilities	142	887	142	887
Total Employee Benefit Expenses	**56,153**	**16,743**	**56,153**	**16,743**

Notes to the Financial Statements

2 Revenue and Expenses (continued)

	Parent		Group	
	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Depreciation Expense	**8,299**	**2,918**	**8,846**	**3,100**
Amortisation Expense	**1,102**	**154**	**1,102**	**154**
Other Expenses				
Audit New Zealand Fees for Financial Statement Audits	195	163	195	163
Other Auditor Fees for Audit of Ara Foundation and OEDT Financial Statements	–	–	18	–
Donations Made	4	1	4	1
Impairment of Receivables (Note 4)	(113)	119	(113)	119
Research and Development Expenditure	165	69	165	69
Minimum Lease Payments under Operating Leases	1,212	472	1,212	472
Other Operating Expenses	20,360	6,533	19,336	6,172
Total Other Expenses	**21,822**	**7,357**	**20,817**	**6,996**

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

Loss on Investment Property Valuations	**-**	**-**	**-**	**40**
Loss on Interest Rate Swaps	**-**	**-**	**-**	**181**
Transformation Expenses	**1,422**	**321**	**1,422**	**321**
Total Expenses	**89,839**	**27,842**	**89,708**	**28,008**

Notes to the Financial Statements

3 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less. The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Cash at Bank and in Hand	7,635	10,629	9,192	12,498
Total Cash and Cash Equivalents	**7,635**	**10,629**	**9,192**	**12,498**

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

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

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

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Net Surplus	(57,383)	58,242	(56,059)	57,660
Add/(Subtract) Non-Cash Items:				
Depreciation and Amortisation Expense	9,401	3,072	9,948	3,254
Recognition of Movement in Long Term Service Leave	(10)	-	(10)	-
Share of Associate's Deficit/(Surplus)	(65)	47	(65)	47
Gains/(Losses) on the Revaluation of Investments	-	-	(1,179)	685
Finance Lease Charge	1,041	349	1,041	349
Add/(Subtract) items classified as investing or financing activities:				
(Gains)/Losses on Disposal of Property, Plant and Equipment	(57)	-	(57)	-
Revaluation of Investment Properties	-	-	(175)	30
Equity Scholarship	(49)	(25)	(49)	(25)
Add/(Subtract) movements in working capital items:				
Accounts Receivable	47,625	(47,377)	47,616	(47,356)
Inventories	35	290	35	290
Prepayments	(174)	136	(174)	136
Accounts Payable	1,405	(2,500)	1,525	(2,560)
Income in Advance	(13,285)	4,334	(13,285)	4,334
Employee Benefits	152	887	152	887
Net Cash (Outflow)/Inflow from Operating Activities	**(11,364)**	**17,455**	**(10,736)**	**17,731**

Notes to the Financial Statements

4 Trade and Other Receivables

Accounting Policy

Student fees and other receivables are classified as loans and receivables and carried at the amount due less any provision for uncollectability.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Current				
Trade Receivables	2,896	50,566	3,060	50,722
Bank Interest Receivable	179	394	179	394
Related Party Receivables	188	42	188	42
Less Provision for Impairment of Receivables	(265)	(378)	(265)	(378)
Total Current Receivables	**2,998**	**50,624**	**3,162**	**50,779**

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

Total Receivables comprise:				
Receivables from exchange transactions	1,003	923	1,167	1,078
Receivables from non-exchange transactions	1,995	49,701	1,995	49,701
Total Receivables	**2,998**	**50,624**	**3,162**	**50,779**

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Maturity Analysis				
Current	2,376	48,287	2,540	48,442
Overdue but not Impaired 61 to 90 days	56	1,229	56	1,229
Overdue but not Impaired > 90 days	566	1,108	566	1,108
	2,998	**50,624**	**3,162**	**50,779**

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

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

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Opening Balance	378	259	378	259
Receivables Written Off During Period	(71)	(33)	(71)	(33)
Additional Provision made during the year	(42)	152	(42)	152
Closing Balance	**265**	**378**	**265**	**378**

Notes to the Financial Statements

5 Inventories

Accounting Policy

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

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

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

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Held for Resale	17	15	17	15
Materials and Consumables	685	722	685	722
Total Inventories	**702**	**737**	**702**	**737**

The write-down of inventories held for sale amounted to $Nil.

Notes to the Financial Statements

6 Other Financial Assets and Liabilities

Accounting Policy

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

Financial assets

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

Financial liabilities

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

Subsequent measurement

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

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

Term deposits

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

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

Managed fund

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

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

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Current Portion				
Bank Deposits Maturing within 12 months	62,200	78,000	65,736	78,137
Total Current Portion	**62,200**	**78,000**	**65,736**	**78,137**
Non-current Portion				
Bank deposits – OEDT	–	–	–	2,900
Fair Value through Profit and Loss				
Managed Funds – Ara Foundation	–	–	6,385	5,244
Total Non-current Portion	**–**	**–**	**6,385**	**8,144**
Effective Interest Rates				
Bank Deposits with Maturities of 3-12 months	1.69%	2.48%	1.69%	2.48%

There were no impairment provisions for other financial assets.

Residual Earthquake Insurance proceeds are invested as part of the overall term deposit portfolio. At balance date the insurance proceeds held for future repairs to damaged building stock totalled $28m.

Credit Quality of Financial Assets

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

Notes to the Financial Statements

6 Other Financial Assets and Liabilities (continued)

	Parent		Group	
	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Counterparties with Credit Ratings				
Cash and Cash Equivalents:				
AA– Cash at Bank and in Hand	7,635	10,629	9,192	12,498
Total Cash and Cash Equivalents	**7,635**	**10,629**	**9,192**	**12,498**
Term deposits:				
A	13,200	25,500	13,200	25,500
AA–	49,000	52,500	52,536	55,537
Total Term Deposits	**62,200**	**78,000**	**65,736**	**81,037**
Counterparties without Credit Ratings				
Other investments:				
Existing Counterparty with no Defaults in the Past	–	–	6,385	5,244
Total Other Investments	**–**	**–**	**6,385**	**5,244**

Notes to the Financial Statements

7 Investment Properties

Accounting Policy

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

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

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

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

Any gains or losses arising from changes in fair value are recognised in the surplus or deficit in the reporting period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. The net gain or loss on disposal is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in the surplus or deficit in the reporting period in which the disposal is settled.

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Balance 1 January	–	–	3,620	3,650
Fair Value Gain/(Loss)	–	–	175	(30)
Closing Balance	–	–	**3,795**	**3,620**

The valuation of investment property for OEDT as at 31 December 2020 was performed by an independent registered valuer, Telfer Young, on 31 December 2020. Telfer Young are experienced valuers with extensive market knowledge in the types and location of investment property owned by the Group.

The valuation of investment property for Ara Foundation as at 31 December 2020 was performed by an independent registered valuer, Colliers International Valuation (ChCh) Limited, on 04 January 2021. Colliers International Valuation (Chch) Limited are experienced valuers with extensive market knowledge in the types and location of investment property owned by the Group.

Notes to the Financial Statements

8 Property, Plant and Equipment

Accounting Policy

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

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

- Land and buildings are measured at fair value less subsequent accumulated depreciation and impairment losses.
- All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

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

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

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

Disposals

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

Under the Education and Training Act 2020, the Institute is required to notify Te Pūkenga, who then obtains consent from the Secretary for Education, to dispose of land and buildings.

Subsequent costs

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

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

Depreciation

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

Ara

- Buildings – 1% – 4%
- Buildings under finance lease – 3.33%
- Computer equipment – 20%
- Plant – 7.7% – 50%
- Furniture – 7.7%-50%
- Vehicles – 25%
- Library collection – 10%
- Computer equipment under finance lease – 33.3%

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

The Group

- Buildings – 1.1% – 4.8%
- Buildings under finance lease – 3.33%
- Computer equipment – 10% – 33.3%
- ·Plant – 7.7% – 50%
- Furniture – 7.7%-50%
- Vehicles – 20%-25%
- Library collection – 10%
- Computer equipment under finance lease – 33.3%

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

Impairment of property, plant and equipment held at cost

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

Notes to the Financial Statements

8 Property, Plant and Equipment (continued)

Revaluations

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

The carrying values of revalued assets are assessed periodically to ensure they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued. Revaluations for property, plant and equipment are accounted for on a class of asset basis.

The revaluation results are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in the asset revaluation reserve for that class of asset.

Land

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

Buildings

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

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

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

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

Revaluation

i) All Parent land and buildings were revalued as at 31 December 2018 in accordance with PBE IPSAS 17. The land and buildings valuation was completed by independent valuers: Daryl Taggart (BCom (VPM), MPINZ, ANZIV) and Hamish Collins (BCom (VPM), MPINZ) both, Registered Valuers of Quotable Value (QV).

ii) Land and buildings held under the Ara Foundation were revalued as at 31 December 2018 in accordance with PBE IPSAS 17. The valuation was completed by independent valuer Brent McGrath (Bcom (VPM) of Colliers International.

iii) Land and buildings held under the Ōtautahi Education Development Trust were revalued as at 31 December 2020 in accordance with PBE IPSAS 17. The valuation was completed by independent valuer Mark Dunbar (BCom (VPM), ANZIV, SPINZ, AREINZ) of Telfer Young.

iv) The Library resources have been valued by B Roberts of DTZ New Zealand Limited, independent registered valuers, at depreciated replacement cost as at 31 December 2005. This is deemed to be cost. Additions since 31 December 2005 are recorded at cost less accumulated depreciation and any accumulated impairment in value.

Fair value of Christchurch Campus Buildings

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

The cost to repair estimates have been developed from scopes of work prepared by Pace Project Management. These scopes have been considered and reviewed by consulting engineers and quantity surveyors as part of the insurance settlement process. The estimates have been reviewed by Deloitte, with adjustments made to standardise costs that include project management and preliminary and general costs.

Costs included in the estimates that are actuarial in nature, including escalation, have been removed in determining the fair value. Work completed for earthquake repairs has been deducted from the total expected repair cost, to determine the remaining cost to repair.

Notes to the Financial Statements

8 Property, Plant and Equipment (continued)

Vesting

As part of the reform of the delivery of vocational education in New Zealand, the Education (Vocational Education and Training Reform) Amendment Act 2020 converted the Ara Institute of Canterbury into the Ara Institute of Canterbury Limited on 1 April 2020. On this date, the rights, assets, and liabilities of Ara Institute of Canterbury vested in Ara Institute of Canterbury Limited for no consideration.

Ara Institute of Canterbury Limited has applied PBE IPSAS 40 PBE Combinations to account for the vesting of the assets and liabilities. The carrying amount of assets, liabilities, and equity reserves included in Ara Institute of Canterbury final disestablishment report as at 31 March 2020 were carried forward to become the opening balances for the Ara Institute of Canterbury Limited's statement of financial position at 1 April 2020. No adjustments were made to the amounts reported as at 31 March 2020. The opening 1 April 2020 balances are presented in the statement of financial position.

Property, Plant and Equipment Critical judgements in applying accounting policies

Crown owned land and buildings

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

Notes to the Financial Statements

8 Property, Plant and Equipment (continued)

2020 Parent	Cost/ Revaluation 1 April 2020 $000	Accumulated Depreciation and Impairment 1 April 2020 $000	Carrying Amount 1 April 2020 $000	Current Year Additions $000	Reclassification	Current Year Disposals $000	Current Year Impairment $000	Current Year Depreciation $000	Revaluation Changes $000	Cost/ Revaluation 31 Dec 2020 $000	Accumulated Depreciation and Impairment 31 Dec 2020 $000	Carrying Amount 31 Dec 2020 $000
Institution Land and Buildings	261,173	(5,125)	256,048	3,681	14,377	-		(4,374)	(414)	278,798	(9,480)	269,318
Crown Land and Buildings	17,287	(2,801)	14,486	-	(14,425)	-		(61)	-	2,862	(2,862)	-
Buildings under Finance Lease	25,736	(1,495)	24,241	56	-	-		(643)	-	25,792	(2,138)	23,654
Computer Equipment	11,524	(8,224)	3,300	681	480	(8)		(618)	-	10,367	(6,532)	3,835
Computer Equipment under Finance Lease	921	-	921	361	-	-		(474)	-	808	-	808
Plant	14,314	(10,242)	4,072	910	(542)	(1)	(145)	(659)	-	12,258	(8,623)	3,635
Furniture	5,550	(2,216)	3,334	258	-	(2)	(27)	(395)	-	5,673	(2,505)	3,168
Vehicles	2,182	(1,613)	569	93	-	-	(152)	(150)	-	2,090	(1,730)	360
Library Collection	5,218	(3,696)	1,522	87	-	-	(420)	(181)	-	2,507	(1,499)	1,008
Art Collection	1,096	-	1,096	18	-	-		-	-	1,114	-	1,114
Total Parent	**345,001**	**(35,412)**	**309,589**	**6,145**	**(110)**	**(11)**	**(744)**	**(7,555)**	**(414)**	**342,269**	**(35,369)**	**306,900**

2020 Group	Cost/ Revaluation 1 April 2020 $000	Accumulated Depreciation and Impairment 1 April 2020 $000	Carrying Amount 1 April 2020 $000	Current Year Additions $000	Reclassification	Current Year Disposals $000	Current Year Impairment $000	Current Year Depreciation $000	Revaluation Changes $000	Cost/ Revaluation 31 Dec 2020 $000	Accumulated Depreciation and Impairment 31 Dec 2020 $000	Carrying Amount 31 Dec 2020 $000
Group Land and Buildings	291,019	(9,774)	281,245	3,681	14,377	-		(4,857)	4,373	313,431	(14,612)	298,819
Crown Land and Buildings	17,287	(2,801)	14,486	-	(14,425)	-		(61)	-	2,862	(2,862)	-
Buildings under Finance Lease	25,736	(1,495)	24,241	56	-	-		(643)	-	25,792	(2,138)	23,654
Computer Equipment	15,094	(11,789)	3,305	681	480	(8)		(618)	-	13,937	(10,098)	3,839
Computer Equipment under Finance Lease	921	-	921	361	-	-		(474)	-	808	-	808
Plant	19,957	(15,325)	4,632	910	(542)	(1)	(145)	(723)	-	17,901	(13,770)	4,131
Furniture	5,550	(2,216)	3,334	258	-	(2)	(27)	(395)	-	5,673	(2,505)	3,168
Vehicles	2,516	(1,946)	570	93	-	-	(152)	(150)	-	2,424	(2,063)	361
Library Collection	5,218	(3,696)	1,522	87	-	-	(420)	(181)	-	2,507	(1,499)	1,008
Art Collection	1,096	-	1,096	18	-	-		-	-	1,114	-	1,114
Total Group	**384,394**	**(49,042)**	**335,352**	**6,145**	**(110)**	**(11)**	**(744)**	**(8,102)**	**4,373**	**386,449**	**(49,547)**	**336,902**

There was a reclassification of Crown Land and Buildings during 2020 as a result of two gazette notices that were issued. Legal ownership on the Crown Land and Buildings specified in the gazette notices was transferred to Ara and the Group. In 2020, Te Pūkenga has specified the useful lives to be applied to assets. In some cases, asset lives have shortened to a degree that has necessitated an impairment(Furniture $27k, Vehicles $152k, Plant $145k, Library Collection $420k). The amount of the impairment was $744k. In other cases, asset lives were extended which required a write up of balances(Institute Land and Buildings $71k, Computer Equipment $606k). These extensions are included in current year depreciation.

Notes to the Financial Statements

8 Property, Plant and Equipment (continued)

March 2020 Parent	Cost/ Revaluation 1 January 2020 $000	Accumulated Depreciation and Impairment 1 January 2020 $000	Carrying Amount 1 January 2020 $000	Current Year Additions $000	Reclassification	Current Year Disposals $000	Current Year Depreciation $000	Revaluation Changes $000	Cost/ Revaluation 31 March 2020 $000	Accumulated Depreciation and Impairment 31 March 2020 $000	Carrying Amount 31 March 2020 $000
Institution Land and Buildings	260,211	(3,615)	256,596	952	10	-	(1,510)	-	261,173	(5,125)	256,048
Crown Land and Buildings	17,297	(2,709)	14,588	-	(10)	-	(92)	-	17,287	(2,801)	14,486
Buildings under Finance Lease	25,736	(1,281)	24,455	-	-	-	(214)	-	25,736	(1,495)	24,241
Computer Equipment	16,855	(13,157)	3,698	43	-	-	(441)	-	11,524	(8,224)	3,300
Computer Equipment under Finance Lease	992	-	992	86	-	-	(157)	-	921	-	921
Plant	14,125	(9,983)	4,142	189	-	-	(259)	-	14,314	(10,242)	4,072
Furniture	11,672	(8,285)	3,387	78	-	-	(131)	-	5,550	(2,216)	3,334
Vehicles	2,182	(1,557)	625	-	-	-	(56)	-	2,182	(1,613)	569
Library Collection	6,539	(5,064)	1,475	105	-	-	(58)	-	5,218	(3,696)	1,522
Art Collection	1,096	-	1,096	-	-	-	-	-	1,096	-	1,096
Total Parent	**356,705**	**(45,651)**	**311,054**	**1,453**	**-**	**-**	**(2,918)**	**-**	**345,001**	**(35,412)**	**309,589**

March 2020 Group	Cost/ Revaluation 1 January 2020 $000	Accumulated Depreciation and Impairment 1 January 2020 $000	Carrying Amount 1 January 2020 $000	Current Year Additions $000	Reclassification	Current Year Disposals $000	Current Year Depreciation $000	Revaluation Changes $000	Cost/ Revaluation 31 March 2020 $000	Accumulated Depreciation and Impairment 31 March 2020 $000	Carrying Amount 31 March 2020 $000
Group Land and Buildings	290,056	(8,103)	281,953	953	10	-	(1,671)	-	291,019	(9,774)	281,245
Crown Land and Buildings	17,297	(2,709)	14,588	-	(10)	-	(92)	-	17,287	(2,801)	14,486
Buildings under Finance Lease	25,736	(1,281)	24,455	-	-	-	(214)	-	25,736	(1,495)	24,241
Computer Equipment	20,425	(16,722)	3,703	43	-	-	(441)	-	15,094	(11,789)	3,305
Computer Equipment under Finance Lease	992	-	992	86	-	-	(157)	-	921	-	921
Plant	19,705	(15,045)	4,660	252	-	-	(280)	-	19,957	(15,325)	4,632
Furniture	11,672	(8,285)	3,387	78	-	-	(131)	-	5,550	(2,216)	3,334
Vehicles	2,516	(1,890)	626	-	-	-	(56)	-	2,516	(1,946)	570
Library Collection	6,539	(5,064)	1,475	105	-	-	(58)	-	5,218	(3,696)	1,522
Art Collection	1,096	-	1,096	-	-	-	-	-	1,096	-	1,096
Total Group	**396,034**	**(59,099)**	**336,935**	**1,517**	**-**	**-**	**(3,100)**	**-**	**384,394**	**(49,042)**	**335,352**

Notes to the Financial Statements

8 Property, Plant and Equipment (continued)

Capital Work in Progress

Accounting Policy

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

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

	Parent		Group	
	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Institution Land and Buildings	91	349	91	349

Restriction of Title

Under the Education and Training Act 2020, the Institute is required to obtain consent from the Ministry of Education to dispose of land and buildings. For plant and equipment, there is an asset disposal limit formula, which provides a limit up to which a TEI may dispose of plant and equipment without seeking the approval from the Ministry of Education. Detailed information on the asset disposal rules can be found on the Tertiary Education Commission website.

Insurance of Assets

Ara participates in a collective procurement arrangement with ITPs for its comprehensive insurance programme. All buildings and equipment are covered for material damage based on replacement value.

The insurance programme has a $200 million annual limit for Earthquake/Natural Disaster claims made by the participating ITPs.

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

Given that the combined ITP insurance Earthquake/Natural Disaster cap is $200 million, in the event of a large one off event may result in Ara being under insured.

Ara maintains a minimum balance of $5 million in cash reserves in line with Board position to fund the full value of the insurance excess in the event of a significant insurance claim.

Assets as Security

There are no assets pledged as security for liabilities (2019: Nil).

Capital Commitments

	Parent		Group	
	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Capital Commitments Approved and Contracted				
Land and Buildings	1,059	90	1,059	90

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

Notes to the Financial Statements

9 Intangible Assets

Accounting Policy

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

Radio Frequency acquisition and development

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

Amortisation

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

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

The amortisation rates for computer software licenses range from 16.7% – 33.3%.

Impairment of intangible assets

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

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

Research and course development costs

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

Vesting

As part of the reform of the delivery of vocational education in New Zealand, the Education (Vocational Education and Training Reform) Amendment Act 2020 converted the Ara Institute of Canterbury into the Ara Institute of Canterbury Limited on 1 April 2020. On this date, the rights, assets, and liabilities of Ara Institute of Canterbury vested in Ara Institute of Canterbury Limited for no consideration.

Ara Institute of Canterbury Limited has applied PBE IPSAS 40 PBE Combinations to account for the vesting of the assets and liabilities. The carrying amount of assets, liabilities, and equity reserves included in Ara Institute of Canterbury final disestablishment report as at 31 March 2020 were carried forward to become the opening balances for the Ara Institute of Canterbury Limited's statement of financial position at 1 April 2020. No adjustments were made to the amounts reported as at 31 March 2020. The opening 1 April 2020 balances are presented in the statement of financial position.

Notes to the Financial Statements

9 Intangible Assets (continued)

2020	Gross Carrying Amount 1 April 2020 $000	Accumulated Amortisation 1 April 2020 $000	Net Carrying Amount 1 April 2020 $000	Current Year Additions $000	Current Year Disposals $000	Reclassification $000	Current Year Impairment $000	Current Year Amortisation $000	Gross Carrying Amount 31 Dec 2020 $000	Accumulated Amortisation 31 Dec 2020 $000	Net Carrying Amount 31 Dec 2020 $000
Parent and Group – Other	953	(430)	523	-	-	-	(217)	(146)	953	(793)	160
Parent and Group – Software	4,159	(2,436)	1,723	17	(29)	62	(444)	(295)	4,209	(3,175)	1,033
Total Group	**5,112**	**(2,866)**	**2,246**	**17**	**(29)**	**62**	**(661)**	**(441)**	**5,161**	**(3,968)**	**1,193**

March 2020	Gross Carrying Amount 1 January 2019 $000	Accumulated Amortisation 1 January 2019 $000	Net Carrying Amount 1 January 2019 $000	Current Year Additions $000	Current Year Disposals $000	Reclassification $000	Current Year Impairment $000	Current Year Amortisation $000	Gross Carrying Amount 31 March 2020 $000	Accumulated Amortisation 31 March 2020 $000	Net Carrying Amount 31 March 2020 $000
Parent and Group – Radio Frequency	953	(377)	576	-	-	-	-	(53)	953	(430)	523
Parent and Group – Software	4,107	(2,335)	1,772	52	-	-	-	(101)	4,159	(2,436)	1,723
Total Group	**5,060**	**(2,712)**	**2,348**	**52**	**-**	**-**	**-**	**(154)**	**5,112**	**(2,866)**	**2,246**

All intangible assets are externally acquired. In 2020, Te Pūkenga has specified the useful lives to be applied to assets. In some cases, asset lives have shortened to a degree that has necessitated an impairment and also the write off of the full remaining balances. The amount of the impairment was $661k. The category Radio Frequency was renamed to Other for these financials due to the Radio Frequency asset being written off in the period.

In 2019, there was no impairment or disposal of intangible assets.

Work in Progress

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

	Parent		Group	
	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Software	1	3,907	1	3,907

Notes to the Financial Statements
10 Trade and Other Payables

Accounting Policy

Trade payables are recorded at the amount payable.

	Parent		Group	
	9 months ended 31 Dec 2020 $000	3 months ended 31 Dec 2020 $000	9 months ended 31 Dec 2020 $000	3 months ended 31 Dec 2020 $000
Trade Payables	3,082	1,843	3,248	1,889
Other Payables	2,578	2,438	2,578	2,438
Related Party Payables	76	50	76	50
Total Payables	**5,736**	**4,331**	**5,902**	**4,377**

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

Payables under Exchange Transactions				
Trade Payables	3,157	1,893	3,157	1,893
Other Payables	969	550	969	550
Total Payables under Exchange Transactions	**4,126**	**2,443**	**4,126**	**2,443**
Payables under Non-exchange Transactions				
Taxes payable (GST and rates)	1,350	1,607	1,355	1,613
Other Payables	260	281	421	321
Total Payables under Non-exchange Transactions	**1,610**	**1,888**	**1,776**	**1,934**
Total Payables	**5,736**	**4,331**	**5,902**	**4,377**

Notes to the Financial Statements

11 Loans and Finance Leases

Accounting Policy

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

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

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

Finance Leases

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

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

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

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

Lease critical judgements in applying accounting policies

Manawa Lease

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

Maturity Analysis

	Parent		Group	
Lease Liabilities	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Less than One Year	683	743	683	743
Later than One Year but not more than Five Years	1,786	1,755	1,786	1,755
Later than Five Years	23,100	23,396	23,100	23,396
Total Lease Liabilities	**25,569**	**25,894**	**25,569**	**25,894**
Weighted Average Interest Rate	5.55%	5.53%	5.55%	5.53%

Description of Material Leasing Arrangements

Ara has entered into finance leases for various IT assets as well as for the building discussed in the Manawa lease section above. The net carrying amount of the leased items is shown in Note 8. The finance leases can be renewed at the option of Ara. Ara has the option to purchase the asset at the end of the lease term for the various IT assets. Ara does not have the option to purchase the building for the Manawa lease at the end of the lease term. There are no restrictions placed on Ara by any of the finance leasing arrangements.

Notes to the Financial Statements

11 Loans and Finance Leases (continued)

Contractual Maturity Analysis of Financial Liabilities

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

	Carrying Amount $000	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Parent 2020							
Finance Leases	25,569	51,103	1,051	1,006	1,865	1,833	45,348
Secured Loans	–	–	–	–	–	–	–
Total	**25,569**	**51,103**	**1,051**	**1,006**	**1,865**	**1,833**	**45,348**
Group 2020							
Finance Leases	25,569	51,103	1,051	1,006	1,865	1,833	45,348
Secured Loans	11,618	14,734	428	425	838	824	12,219
Total	**37,187**	**65,837**	**1,479**	**1,431**	**2,703**	**2,657**	**57,567**

Group Property Finance Lease Reconciliation 2020

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

	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Total minimum lease payments payable	50,295	839	851	1,665	1,640	45,300
Future Finance Charges	(25,533)	(689)	(684)	(1,355)	(1,339)	(21,466)
Present value of minimum lease payments	**24,762**	**150**	**167**	**310**	**301**	**23,834**
Present value of minimum lease payments						
Finance leases	24,762	150	167	310	301	23,834
Total present value of minimum lease payments	**24,762**	**150**	**167**	**310**	**301**	**23,834**

	Carrying Amount $000	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Parent March 2020							
Finance Leases	25,894	52,469	1,083	1,046	1,937	1,775	46,628
Secured Loans	–	–	–	–	–	–	–
Total	**25,894**	**52,469**	**1,083**	**1,046**	**1,937**	**1,775**	**46,628**
Group March 2020							
Finance Leases	25,894	52,469	1,083	1,046	1,937	1,775	46,628
Secured Loans	12,038	16,319	477	473	931	913	13,525
Total	**37,932**	**68,788**	**1,560**	**1,519**	**2,868**	**2,688**	**60,153**

Group Property Finance Lease Reconciliation March 2020

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

	Contractual Cash Flows $000	Less than 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Total minimum lease payments payable	51,546	832	839	1,696	1,646	46,533
Future Finance Charges	(26,575)	(695)	(691)	(1,369)	(1,351)	(22,469)
Present value of minimum lease payments	**24,971**	**137**	**148**	**327**	**295**	**24,064**
Present value of minimum lease payments						
Finance leases	24,971	137	148	327	295	24,064
Total present value of minimum lease payments	**24,971**	**137**	**148**	**327**	**295**	**24,064**

Notes to the Financial Statements

12 Employee Benefit Liabilities and Other Provisions

Employee Entitlements

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

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

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

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

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

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

	Parent		Group	
Employee Entitlements	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Annual Leave	3,316	3,144	3,316	3,144
Long Service Leave	284	297	284	297
Sick Leave	243	260	243	260
As at 31 December	**3,843**	**3,701**	**3,843**	**3,701**
Current Portion	3,615	3,463	3,615	3,463
Non-Current Portion	228	238	228	238
	3,843	**3,701**	**3,843**	**3,701**

Notes to the Financial Statements

13 Revenue Received in Advance

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Government Grants	93	–	93	–
Fees Income	8,328	21,852	8,328	21,852
Other Revenue in Advance	146	–	146	–
Total revenue in advance	**8,567**	**21,852**	**8,567**	**21,852**
Current Portion	8,567	21,852	8,567	21,852
Total	**8,567**	**21,852**	**8,567**	**21,852**

Notes to the Financial Statements

14 Operating Leases

Accounting Policy

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

Non-cancellable Operating Lease Commitments
Property Leases

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Not later than One Year	1,346	1,650	130	137
Later than One Year and not later than Five Years	4,831	4,807	101	78
Later than Five Years	12,568	13,459	-	-
Total Operating Leases	**18,745**	**19,916**	**231**	**215**

The total of minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $nil.

Equipment Leases				
Not later than One Year	1,476	1,482	1,476	1,482
Later than One Year and not later than Five Years	1,102	2,206	1,102	2,206
Total Equipment Leases	**2,578**	**3,688**	**2,578**	**3,688**

Description of Material Leasing Arrangements

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

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

Notes to the Financial Statements

15 Contingent Assets and Liabilities

Parent

As at 31 December 2020, Ara had no contingent liabilities.

Holiday Act Compliance

Many public and private sector entities, including Ara Institute of Canterbury Ltd (Ara), are continuing to investigate potential historic underpayment of holiday entitlements.

For employers such as Ara that have workforces that include differential occupational groups with complex entitlements, non-standard hours, allowances and/or overtime, the process of assessing compliance with the Act and determining the potential underpayment is time consuming and complicated.

To address this issue, management appointed a payroll specialist, to undertake a full review of Ara's system, processes and records to determine the scale of the potential issue. As a result of the disruption caused by COVID-19 including the closure of international borders this piece of work was paused. Ara will recommence this review in 2021 which will include the recruitment of a locally based payroll specialist. There is uncertainty over any actual costs which may arrive from this audit, so any future liability cannot be reasonably estimated.

Ara has not made an estimate and instead disclosed a contingent liability note in its financial statements.

Group

As at 31 December 2020, both the OEDT and the Ara Foundation had no contingent liabilities.

Notes to the Financial Statements

16 Related Party Transactions

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

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

Significant transactions with government-related entities

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

Ara has received funding and grants from the Tertiary Education Commission totalling $1 million (March 2020: $71 million) to provide education and research services for the 2020 financial year.

Ara also leases at a nil rental amount, land and buildings legally owned by the Crown. Further information on the accounting for Crown-owned land and buildings is disclosed in Note 1.6 under the "Critical accounting judgements, estimates and assumptions" section.

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

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

Ara purchases goods and services from entities related to the Crown and it also provides services to entities related to the Crown. The purchase and provision of goods and services to government-related entities for the period ended 31 December 2020 are small when compared to total expenditure by Ara.

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

Inter-Group Transactions

Ara Foundation

Ara Foundation is accounted for as a subsidiary of Ara.

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

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

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

During 2020, Ara's revenue included the following transactions with the Ara Foundation:

	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**
Grants	81	16

At 31 December 2020, Ara owed the Foundation $148,374 for earthquake repair insurance proceeds. The Foundation owed Ara $23,941.

At 31 March 2020, Ara owed the Foundation $148,374 for earthquake repair insurance proceeds. The Foundation did owed Ara $16,265.

Notes to the Financial Statements

16 Related Party Transactions (continued)

Ōtautahi Education Development Trust

Ōtautahi Education Development Trust is accounted for as a subsidiary of Ara. For accounting purposes only the OEDT is a controlled entity under PBE IPSAS 20. Ara appoints three of the seven trustees of the Ōtautahi Education Development Trust. During 2020, Ara's revenue included the following transactions with the Trust:

	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Income	291	6

During 2019, Ara's expenditure included the following transactions with the Trust:

Lease of Student Accommodation Block	825	275
Lease of B Block Car Park	17	6
Lease of Paxus House	296	99
Lease of ground for Jazz School Building	62	21

At 31 December 2020, OEDT owed Ara $Nil. Ara did not owe OEDT any monies.

At 31 March 2020, OEDT owed Ara $Nil. Ara did not owe OEDT any monies.

TANZ eCampus Ltd

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

	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Parent and Group – Equity accounted carrying amount	1,169	1,104
Summarised financial information of associate presented on a gross basis		
Assets	7,966	7,394
Liabilities	953	772
Revenues	7,465	1,538
Surplus / (deficit)	391	(283)
Group's Interest	16.7%	16.7%

At 31 December 2020, TANZ eCampus Limited owed Ara $2,970, Ara owed Tanz eCampus Limited $71,186.

At 31 March 2020, TANZ eCampus Limited did not owe Ara any monies, Ara owed Tanz eCampus Limited $Nil.

Canterbury District Health Board

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

During 2020, Ara's revenue included the following transactions with the CDHB:

	9 months ended 31 Dec 2020 $000	3 months ended 31 Mar 2020 $000
Manawa Lease & Facility Costs	291	79

During 2020, Ara's expenditure included the following transactions with the CDHB:

Manawa lease and facility costs	1,613	500

At 31 December 2020, Ara owed the CDHB $Nil. The CDHB owed Ara $22,914.

At 31 March 2020, Ara owed the CDHB $49,795. The CDHB owed Ara $25,915.

Notes to the Financial Statements

16 Related Party Transactions (continued)

Key Management Related Party Transactions

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

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

9 months ended 31 Dec 2020	Purchases Actual $000	Sales Actual $000	Accounts Payable Actual $000	Accounts Receivable Actual $000
Board Members				
Primary ITO	117	3	–	1
ChristchurchNZ	55	–	–	–
Nurse Maude	8	–	–	–
Southern Institute of Technology Ltd	165	1	–	–
Optimum Services Ltd	23	–	5	–
Canterbury Communications Trust	–	28	–	–
Competenz	–	229	–	100
The Open Polytechnic of New Zealand	–	70	–	8
Brackenridge Estate Limited	–	1	–	–
Te Pūkenga New Zealand Institute of Skills and Technology	–	51	–	32

3 months ended 31 Mar 2020	Purchases Actual $000	Sales Actual $000	Accounts Payable Actual $000	Accounts Receivable Actual $000
Council Members				
ChristchurchNZ	28	–	–	–
Alpine Energy	–	1	–	–

Notes to the Financial Statements

16 Related Party Transactions (continued)

Other Related Parties

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

During 2020, TANZ invoiced $Nil Ara core fees and $Nil eCampus project fees.

At 31 December 2020, neither Ara nor TANZ had monies owing to the other. At 31 March 2020, neither Ara nor TANZ had monies owing to the other.

There were no other related party transactions.

Key Management Personnel Compensation

	FTE		Parent	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Board Members				
Board Member Fees			140	40
Executive Management Team, including the Chief Executive				
Full time equivalent members	5	6		
Salaries and Other Short-term Employee Benefits			1,136	412
Total Executive Management Team Compensation			**1,136**	**412**
Total key management personnel compensation	**5**	**6**	**1,276**	**452**

Key management personnel includes all Board Members, the Chief Executive and Division Directors.

Remuneration

Board fees paid during the period were:

	Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**
T Arseneau (Chairperson)	31	9
J Annear (Former Deputy Chairperson)	-	6
J Cartwright	15	5
N Lamont	15	-
E Hopkins	-	5
J Hunter	-	5
J Boys	-	5
M Taite (Deputy Chairperson)	19	5
M Geddes	15	-
A Leslie	15	-
M Bain	15	-
B Thompson	15	-
Total Board and Councillors' Remuneration	**140**	**40**

No Board Member received compensation or other benefits in relation to cessation.

Notes to the Financial Statements

16 Related Party Transactions (continued)

Employee Remuneration

During the nine month period, the number of employees or former employees of Ara Institute of Canterbury Ltd and its subsidiaries who received total remuneration in excess of $100,000 are:

	Number of employees
290,001–300,000	1
200,001–210,000	1
190,001–200,000	1
180,001–190,000	1
150,001–160,000	1
130,001–140,000	1
120,001–130,000	2
110,001–120,000	9
100,001–110,000	6

Remuneration includes salary, retirement contributions and other sundry benefits received in the person's capacity as an employee.

During the period ended 31 December 2020, 6 employees received compensation and other benefits in relation to cessation totalling $114,737.

Notes to the Financial Statements

16 Related Party Transactions (continued)

Directors' interests

Directors' have disclosed the following general interests for the period ended 31 December 2020 in accordance with Section 140 of the Companies Act 1993.

Director	Entity	Relationship
T Arseneau (Chairperson)	ChristchurchNZ	Chair and Director
	Christchurch Symphony Orchestra	Chair and Trustee
	J Ballantyne and Company Ltd	Director
	Elder Family Trust	Trustee
	Open Polytechnic	Director
	Thérèse Arseneau Consulting Ltd	Director and Shareholder
J Cartwright	Brackenridge Estate Limited	Chair
	Health Practitioners Disciplinary Tribunal	Member
	Nurse Maude Association	Deputy Chair and Audit Committee member
	Canterbury Clinical Network	Independent Advisor
	Cartwright-Newton Family Trust	Trustee
	JC Ltd	Director
N Lamont	Quality New Zealand Limited	Chair, Director and shareholder
	Conquest Training Limited	Director and shareholder
	Alliance Services Limited	Chair and Director
	Arinui Limited	Director
	Hortus Limited	Director
	JFC Limited	Director
	Kidson Trust Advisory	Board member
	Dublin Street Charitable Trust	CEO
M Taite (Deputy Chairperson)	Tuahiwi Education Ltd	Director and Shareholder
	Tuahiwi School Board of Trustees	Member
	Taite Family Trust	Trustee
	Rangiora High School	Advisor to the Board of Trustees
M Geddes	Te Pūkenga	Board Member
	Southern Institute of Technology	Director
	Otago Polytechnic	Director
	Service IQ	Director
A Leslie	Primary ITO	Employee
	Authentic Education Ltd	Director
	Greenhill Farm Trust	Trustee
M Bain	TSB Bank	Deputy Chair
	Northland Polytechnic Ltd	Deputy Chair
	CTAS	Chair
	Kerikeri Retirement Village Trust	Chair
	Southern Institute of Technology	Director
	Optimum Services Ltd	Director
	Oryx Technology Ltd	Director
	ESA Ltd	Director
B Thompson	Metalcraft Engineering Company Limited	Director
	Avid Group Limited	Director and shareholder
	Cassem Holdings Limited	Director
	Competenz Trust	Director
	B&S Thompson Family Trust	Trustee
	NZMEA	Director
	Mancan	Director
	Canterbury Manufacturing Trust	Trustee

Notes to the Financial Statements

17 Financial Instrument Rules

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

Price risk

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

Currency risk

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

Interest rate risk

The interest rates on Ara's investments are disclosed in note 6 and on Ara's lease liabilities in note 11. Ara has undertaken a sensitivity analysis of its exposure to interest rate risk on both investments and borrowings. If weighted average interest rates on bank deposits throughout 2020 had fluctuated by plus or minus 2% the effect would have been to increase/decrease the net surplus by $1,193,596 as a result of higher/lower interest income on bank deposits.

Fair value interest rate risk

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

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Ara to cash flow interest rate risk. Ara has a Debt Management policy designed to ensure debt levels are sustainable and servicing costs are minimised.

Credit risk

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

Liquidity risk

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

Concentration of risk

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

Notes to the Financial Statements

18 Financial Instrument Categories

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

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

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Financial assets mandatorily measured at fair value through surplus or deficit				
Managed Investment Portfolio	-	-	6,509	5,390
Total	**-**	**-**	**6,509**	**5,390**
Financial assets measured as Loans and Receivables				
Cash & cash equivalents	7,635	10,629	9,192	12,498
Receivables	2,998	50,624	3,162	50,779
Bank Deposits Maturing within 12 months	62,200	78,000	65,736	78,137
Total Financial assets as Loans and Receivables	**72,833**	**139,253**	**78,090**	**141,414**
Financial liabilities measured at amortised cost				
Payables	5,736	4,331	5,902	4,377
Secured loans	-	-	11,618	560
Finance Leases	25,569	25,894	25,569	25,894
Total Financial Liabilities at amortised cost	**31,305**	**30,225**	**43,089**	**30,831**

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

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

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

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

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

		Valuation Technique		
	Total	**Quoted Market**	**Observable Inputs Price**	**Significant Non-Observable Inputs Price**
	$000	**$000**	**$000**	**$000**
31 December 2020 –Group Financial Assets				
Managed Investment Portfolio	6,509	6,509	-	-
31 March 2020 –Group Financial Assets				
Managed Investment Portfolio	5,390	5,390	-	-

There were no transfers between the different levels of the fair value hierarchy.

Notes to the Financial Statements

19 Capital Management

Ara's capital is its equity which comprise general funds, restricted reserves and revaluation reserves. Equity is represented by net assets. Ara manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. Ara's equity is largely managed as a by-product of managing income, expenses, assets, and liabilities.

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

20 Assets Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset is measured at the lower of its carrying amount and fair value less costs to sell. Write-downs of the asset are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have previously been recognised. A non-current asset is not depreciated or amortised while classified as held for sale.

	Parent		Group	
	9 months ended 31 Dec 2020 $000	**3 months ended 31 Mar 2020 $000**	**9 months ended 31 Dec 2020 $000**	**3 months ended 31 Mar 2020 $000**
Property Held for Sale	48	-	48	-
Total Assets Held for Sale Consist of:	**48**	**-**	**48**	**-**
Buildings - Institute	48	-	48	-
Total assets held for sale	**48**	**-**	**48**	**-**
Less liabilities held for sale				
Total net assets held for sale	**48**	**-**	**48**	**-**

Notes to the Financial Statements

21 Variances to Budget

Statement of Comprehensive Revenue and Expenses

Student Tuition Fees were below budget by $8m. This is due to the treatment of fees free funding, which would normally pay for enrolments, and are budgeted as such. As a result of the funding guarantee and splitting the 2020 year into a January–March period and April–December period for reporting purposes, all fees free funding was recognised as Government Grants and in the first quarter of the year.

Employee Benefit Expenses were $0.8m above budget due to a net accumulation of annual leave during 2020.

Amortisation was above budget by $0.6m due to Te Pūkenga's useful lives policy requiring Ara to accelerate the amortisation of assets with high useful lives

Other expenses were $3.7m below budget due to the COVID-19 lockdown period and general conservatism in spending practice in response to the decline in international student fee income.

Overall, the Net Deficit was $6m below budget for the period.

Statement of Financial Position

Overall, Cash and Cash equivalents and Other Financial Assets were $8.1m above budget due to a better than forecasted cash flow.

The Asset Revaluation Reserve was $4.2m above budget as the budget was set prior to the 2020 year end where a revaluation was required to be undertaken in one of Ara's subsidiaries, Ōtautahi Education Development Trust (OEDT). This revaluation increased the Reserve.

Statement of Cash Flows

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

Payment to Suppliers was $4.5m below budget due to the variance in Other expenses noted in the Statement of Comprehensive Revenue and Expenses

Proceeds from sale and maturity of investments and purchase of investments – net movement was $11.7m below budget.

Statement of Changes in Equity

The Asset Revaluation Reserve was $4.2m above budget as noted above.

Notes to the Financial Statements

22 The effects of COVID-19 on the Institute

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3, thereafter until 13 May.

During this period, Ara closed all delivery sites and brought forward the mid-semester break to align with the new timing of the school holidays in New Zealand. Most staff moved to a 'work from home' model and teaching was changed to on-line delivery after the mid semester break.

After 13 May, Alert Level 2 came into effect and Ara decided on a staged approach to returning colleagues and learners to campus. Most staff and students continued to work and study at home if they were not required to be on site for on-campus learning. Alert Level 1 was announced on 8 June which allowed Ara to transition back to full access at all sites.

The effect on our operations is reflected in these financial statements based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect Ara going forward.

The main impact on the Institute's financial statements due to COVID-19 is explained below:

Government funding

Due to COVID-19 TEC has informed ITPs that it will not recover 2020 funding because of either non-achievement of Education Performance Indicators, under-achievement of Education Performance Indicators or under-delivery during the 2020 year. TEC also guaranteed Fees Free Funding for the year. A consequence of this is that Ara recorded the majority of Government funding to be received in 2020 into the prior account period (January 2020 to March 2020) and therefore Government Funding is minimal in this report.

Student Tuition Fees

Due to border controls, some downward impact on international student revenue occurred. The impact on expected enrolments was approximately 15%. This impact was comparatively low as most expected students were already in the country when border controls were initiated.

Other Revenue

Due to the lockdown period, campus-based revenues such as car parking, room hireage, and student accommodation were impacted. There was also some residual effect on such incomes post-lockdown due the generally lower levels of economic activity. The estimated impact during the accounting period was approximately $1.7m.

Operating Expenses

Ara did not experience a materially significant increased cost of working during Alert Levels 4 and 3 and areas of cost driven by the on-site presence of staff and students were lower during the lockdown period.

While having no effect on these financial statements, Ara has also considered the future effect of COVID-19 on the following areas:

Valuation of Investment Properties

The fair valuation of investment property for OEDT as at 31 December 2020 was performed by an independent registered valuer, Telfer Young, on 28 January 2021. Telfer Young are experienced valuers with extensive market knowledge in the types and location of investment property owned by the Group. The valuation report states the economic impact of COVID-19 has yet to be fully realised but to date activity is not reflecting a reduction in demand or decreasing asset pricing. Ara does not expect significant loss on the fair value of the OEDT's investment property due to strong tenant covenant, land value only (no depreciating improvements) and high-profile central location. The value of the investment property increased by $135,000 since the last valuation.

The fair valuation of investment property for Ara Foundation as at 31 December 2020 was performed by an independent registered valuer, Colliers International Valuation (ChCh) Limited, on 4 January 2021. Colliers International Valuation (Chch) Limited are experienced valuers with extensive market knowledge in the types and location of investment property owned by the Group. As a result of COVID-19, it is noted that the valuation includes a degree of valuation uncertainty due to the unprecedented set of circumstances on which to base a judgement. An estimated level of value impact in light of COVID-19 has been applied by the valuer. The value of the investment property increased by $40,000 since the last valuation.

Valuation of Land and Buildings

Land and Buildings were last revalued as at 31 December 2018 based on a market valuation for Land, with Buildings on an optimised depreciated replacement cost basis. An analysis of the indicative percentage movement of Land and Buildings for the period 1 January 2020 to 31 March 2020 was undertaken for Ara's March Final Report, and a further analysis of movement in the period 1 April 2020 to 31 December 2020 was also completed. Both were prepared by an independent registered valuer, Quotable Value Limited, and completed on 22 May 2020 and 22 January 2021 respectively. They completed their assessment by looking at national indices for Ara buildings and the general movements in land and property values.

The indicative weighted average movement for the period 1 January 2020 to 31 March 2020 was +0.42% to +3.59% with advice from the valuer that in the light of COVID-19, the lower end of the range should be regarded as more appropriate.

For 1 April 2020 to 31 December 2020 this measure was -1.14% to +2.66%. The valuer established Land value movements for the period using the most recent sales data available at the time of preparation (21 January 2021). The Building component of the portfolio was valued using the depreciated replacement cost. The valuer also considered the impact of COVID-19 but stated the economy and property market have still been performing positively. As a result, they do not consider there to be any impact caused by COVID-19 on the weighted average movement. Additionally, there was adequate evidence available when performing their January 2021 assessment which significantly reduces the valuation uncertainty.

Given that the level of both movements amounts to effectively no movement in values, Ara regards the current value of Land and Buildings as having no material difference from their fair value.

Notes to the Financial Statements

22 The effects of COVID-19 on the Institute (continued)

Impairment of tangible and intangible assets

Ara does not expect any impairment to the value of its fixed or intangible assets arising from this event. Ara's assets are utilised to meet its educational objectives, and the ability of those assets to meet those objectives is not regarded as having been reduced.

Other

Trade and Other Receivables: Ara assesses its Receivables on an ongoing basis to determine any possible impairment, and a provision for impairment is allowed for in the current balance. As a result of this event, Ara does not expect that Receivables as at the end of the accounting period are impaired beyond the provision already made.

Investments: All Parent entity investments are in Bank Deposits held with NZ Trading banks. One subsidiary holds a managed fund, which at balance date was valued at $6.385 million consisting of 60% of growth assets and 40% of defensive assets (note 6). The subsidiary has adopted a conservative approach to preserving the capital base of the portfolio. The subsidiary has considered whether the COVID-19 pandemic will require changes to the nature and types of investments held in the future. The subsidiary does not deem any changes to the types of investments held necessary. The subsidiary will continue to invest in accordance with its Statement of Investment Policy and Objectives.

23 Subsequent Events

There were no significant events after balance date. The effects of COVID-19 have been discussed in note 22.

Statement of Resources

as at 31 December 2020

Workforce
(Full-time Equivalent Staff)

	Allied	Management	Teaching	Total
Academic, Innovation and Research				
Female	70.8		238.2	309.1
Male	61.4	0.3	210.9	272.5
	132.2	**0.3**	**449.1**	**581.6**
Customer Experience and Engagement				
Female	157.8	1.0		158.8
Male	45.9			45.9
	203.7	**1.0**		**204.7**
Corporate Services				
Female	44.8			44.8
Male	69.1	1.0		70.1
	113.9	**1.0**		**114.9**
People and Culture				
Female	18.6	1.0		19.6
Male	6.1			6.1
	24.7	**1.0**		**25.7**
Executive				
Female	3.0			3.0
Male		2.0		2.0
	3.0	**2.0**		**5.0**
Total Gender				
Female	295.1	2.0	238.2	535.3
Male	182.4	3.3	210.9	396.6
Other/Gender Diverse	2.1			2.1
	479.5	**5.3**	**449.1**	**933.9**

Note: This data is rounded to one decimal place.

Library Collection	**2020**	**2019**	**2018**
Printed books	34,020	35,335	42,498
Electronic books	58,396	56,420	42,312
Print serial titles	165	257	235
Electronic serial titles	74,995	73,986	28,951

Artworks Collection	**2020**	**2019**	**2018**
Number of artworks	503	454	398

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Ara Institute of Canterbury Limited and Group's financial statements and statement of service performance for the period ended 31 December 2020

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

Opinion

We have audited:

- the financial statements of the Company and Group on pages 2 to 47, that comprise the statement of financial position as at 31 December 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company and Group on pages iv to x.

In our opinion:

- the financial statements of the Company and Group on pages 2 to 47:
    - present fairly, in all material respects:
        - the financial position as at 31 December 2020; and
        - the financial performance and cash flows for the period then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the statement of service performance on pages iv to x:
    - presents fairly, in all material respects, the Company and Group's service performance achievements as compared with the forecast outcomes included in the investment plan for the year ended 31 December 2020; and
    - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 March 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Emphasis of matters

Without modifying our opinion, we draw your attention to:

Te Pūkenga subsidiaries to exist until 31 December 2022

The Basis of preparation Note 1.2 on page 10 outlines that all Te Pūkenga subsidiaries will continue in existence until 31 December 2022. There have been no changes to the financial statements as the rights, assets, and liabilities of the Company will be transferred to Te Pūkenga.

Impact of Covid-19

Note 22 on pages 46 and 47 outlines the impact of Covid-19 on the Company and Group.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Company and Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Company and Group for preparing a statement of service performance that is fairly presented and that complies with generally accepted accounting practice in New Zealand.

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

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

The Board of Directors' responsibilities arise from the Education and Training Act 2020 and the Crown Entities Act 2004.

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

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

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

For the budget information reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the Company and Group's budget approved by the Board, and the Investment Plan.

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of service performance of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages i to iii, 1, 48, and 54 to 57 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

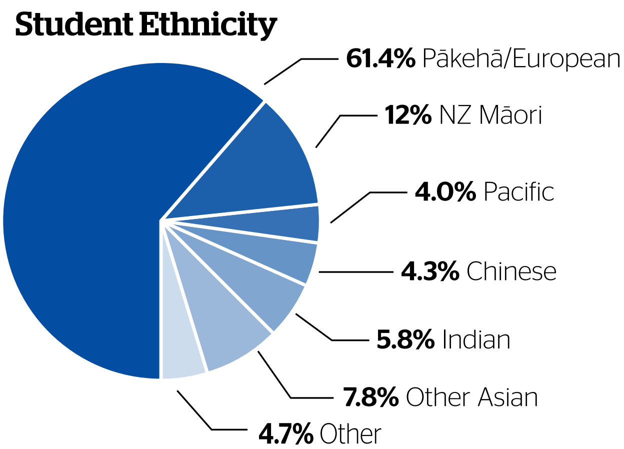
Independence

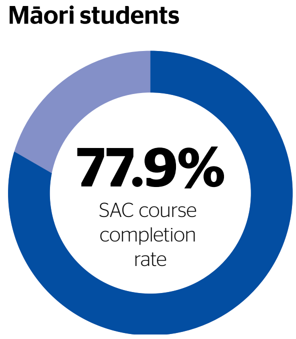
We are independent of the Company and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New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

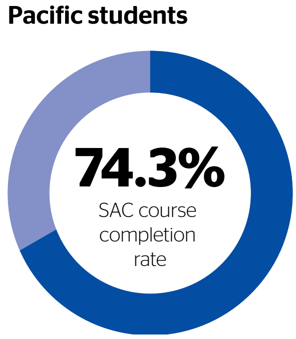
Other than the audit, we have no relationship with, or interests in, the Company or any if its subsidiaries.

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

Equal Education Opportunities







Learning Services

Throughout 2020, Learning Services sought to continually improve and adapt service delivery and processes to meet the needs of Ara students across levels, campuses, in blended and distance learning and particularly those at risk of not succeeding. Learning Services was well prepared to respond quickly to the challenges of COVID-19. A *MyAra* resource page was developed to support the transition to online learning, and significant support for at-risk learners continued via Zoom and email. Group engagements focused on class teaching (144 hours) and workshops (45 hours across all campuses). The daily Quick Questions, including those run in the Māori and Pacific study spaces, supported 143 students (227 engagements) around a range of academic skills. The Maths Question and Answer sessions supported another 136 students (323 engagements) with queries around specific maths topics. The class teaching remained focused on supporting the development of academic literacies in students at Foundation level and in their first year of study.

Ara's focus on early identification of students at risk and developing a consistent referral process resulted in 978 learners having 2815 one-on-one interactions with Learning Services in 2020. Of this total, 178 learners identified as Māori (98% increase over 2019).

Disability Services

In 2020, 1,734 enrolled students self-identified as having a disability (1,768 in 2019) and 272 students registered with Disability Services (a 31% increase on 2019). Of the students registered with Disability Services in 2020, 46% had a Specific Learning Disability, 15% had complex medical conditions, 15% had mental health difficulties and 8% of students had an autistic spectrum condition. The remaining students were made up of those with sensory and physical impairments. Overall, 61% of students seen by Disability Services fall into the Youth category, 15% were Māori, up from 14% last year. In terms of Pacific students, in 2019 Disability Services saw one student, in 2020 the service saw five, equalling 1.8% of the total registered students. Disability Services continues to work hard to increase the number of students accessing our services by contacting these students early and encouraging them to meet with us. This work will be further developed in 2021.

Disability Services provided notetaking support for 85 students compared to 54 in 2019, provided exam support to 117 students and NZSL interpreting support for eight deaf students, as in 2019.

In 2020, a new mentoring service was created for students with complex mental health needs, those on the autistic spectrum, with ADHD and traumatic brain injury. The service provides students with skills in organisation and time management, anxiety management, managing coursework deadlines and negotiating the social environment of polytechnic. The service was launched at the start of semester two, four mentors were recruited to fulfil this role and 36 students received support.

Gender

	2019	2020
Male students	46.4%	45.5%
Female students	53.5%	54.3%

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

Ara offers this service to relevant students on all campuses.

Childcare

Ara endeavours to offer early learning education options through direct service provision and relationships with other operators. Ara operates an Early Learning Centre at the City Campus; there is also a privately-run Bilingual Centre (Te Waka Huruhurumanu ki Ōtautahi) on the City campus; In Timaru the North Haven Childcare and Education Centre operate directly opposite the campus. Ara assists Māori and Pacific students with childcare subsidies.

Eliminating Harassment

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

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

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

Secondary–Tertiary Pathways

In 2020, Ara enrolled 458 students in Trades Academy provision, where students spend part of their week at Ara and part at their secondary school. This included students from Timaru, Oamaru, and the wider Christchurch area, and in a number of subject areas including retail, cookery, hospitality, hair and beauty, construction, engineering, digital technologies and sustainability and outdoor education.

Targeted Funding

In 2020, Ara delivered Targeted Funding to 75 students covering Intensive Literacy and Numeracy for adults. An additional 37 students received literacy and numeracy education through the Refugee English Fund.

Adult and Community Education

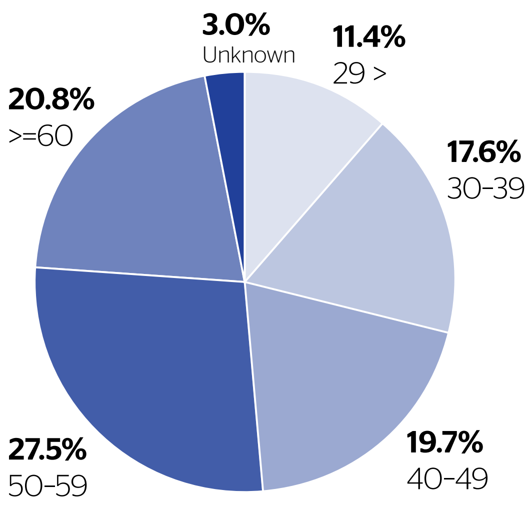
In 2020, 1,175 students enrolled in Adult and Community Education (ACE) courses at Ara. This included courses in English language, computing, te reo Māori and life skills for women through the Next Step Centre. ACE courses were delivered at seven different Ara sites (Christchurch City campus, Bishopdale, New Brighton, Hornby, Rangiora, Timaru and Oamaru).

Māori and Pacific

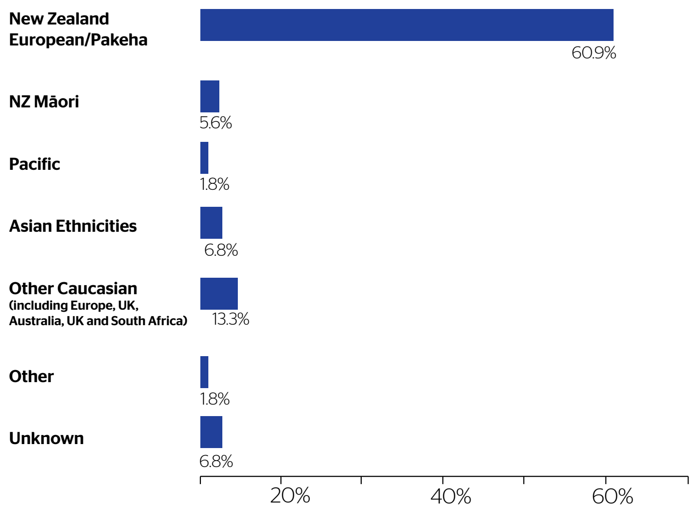
Increasing the participation and achievement of Māori and Pacific students remained a key focus for Ara during 2020. During the year, the Institute held a number of events to welcome, support and celebrate Māori and Pacific students and their achievements. It also continued to maintain staff committed to the recruitment and pastoral support of Māori and Pacific students to support their journey. For further details on 2020 participation and achievement of Māori students, please refer to the Statement of Service Performance.

Equal Employment Opportunities

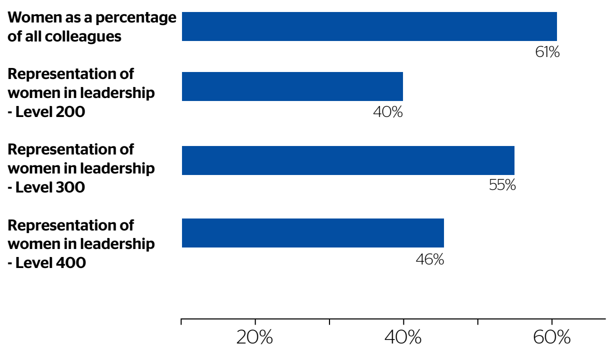
Age Profile



Ethnicity Profile



Women (Gender) at Ara Profile



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

Colleague Diversity and Inclusion

Diversity and Inclusion is one of the seven key elements of the People and Culture Strategic Framework and is incorporated into the Ara-wide Strategic Focus Areas and Priorities. In 2020 Te Kahui Manukura endorsed the establishment of the Diversity and Inclusion Working Group (DIWG) and approved their Terms of Reference. The group's inaugural meeting was in July and they have been forming as a team around their purpose and are currently undertaking discovery work around colleagues' experience of Diversity and Inclusion at Ara to inform a strategic framework and tactical plan which will be focused on lifting our approach.

Diversity Works NZ was engaged in the last quarter of 2020 to undertake a diagnostic of Ara's existing practice around Diversity and Inclusion, in an employment context. The report has been provided to the DIWG who will incorporate this into the 'current state' thinking to inform the priorities in the tactical plan. It is anticipated that this plan will be formed in the first half of 2021.

Colleague Ethnic Demographics

The demographic representation, as we currently report it, remains generally similar year-on-year. Of note there is a decrease in NZ Māori colleague representation which will need to be monitored to see if this is a trend. The "Unknown" category has again shifted up to 6.8% (it was 1% in 2019 and 13% the year prior).

An overhaul of our HRIS systems structure for capturing colleague diversity information and being more inclusive is currently underway and will give us a more comprehensive picture of the demographics of our people. There is also an opportunity to lift how we report from an Ara (inward focused) year on year approach to a year-on-year trend and outward comparison: i.e. to Statistics NZ demographic data for the Canterbury region.

Colleague Age Demographics

Colleague demographics show a reducing trend of our aged workforce: 40+ is now at 68%, trending down from 72.2% last year and 73.6% the year prior. The under 29 age group demographic at Ara has increased by 1.2% since last year.

Internally focused work on efficiencies of systems continue in the employee experience space. Once this work realises a smoother operation, the work can then focus on what Ara can do to market an employee proposition that has more appeal to a wider age demographic and is more inclusive of the younger market.

Colleague Gender Demographics

The work underway on our HRIS system also includes expanding the inclusivity of identification in regard to gender identification. Hence, the data represented here is restricted, but we have some statistics on those who identify themselves as women. The profile remains healthy overall with a 61% representation of women in Ara's workforce and good representation in upper leadership positions: the 2020 initiated subsidiary Board for Ara has a woman Chair, 50% of Tier 2 executive colleagues are women and 55% of women hold level 300 roles. There has been a 10% increase since last year in middle leadership roles at Ara, which has shifted to 46%.

Colleague Wellbeing

The lifting of Ara's approach to colleague Wellbeing since October 2018 realised tangible benefits as our 2020 work became consumed with attention on the COVID-19 global pandemic, along with the transformation Te Pūkenga activities and uncertainty increasingly impacting on our day to day. We were able to tap into the Wellbeing Framework (He Ara Hauora – Pathways to Wellbeing) and the language that we've adopted in the two years prior. Additionally, safety and wellbeing are woven into the Ara Strategic Focus Areas and Priorities: "Ensure all are safe, feel good and are functioning well".

1 Wellbeing Approach to COVID-19

The communications that went to colleagues and learners from the COVID-19 Incident Management Team over 2020 were underpinned by the themes of safety and wellbeing. As Ara went into the first COVID-19 Lockdown, leaders were invited to workshops that provided them with tips for leading their teams in uncertainty and in a crisis. During the lockdown, an individual wellbeing check-in question guide was designed and leaders were invited to take each of their colleagues through this, who were in turn extremely appreciative of the 'people centric' approach. The organisations response to the crisis with a stronger focus on wellbeing was acknowledged later in the year by the Wellbeing Action Group.

2 Wellbeing Structure

The Ara Transformation programme fixed term role of a Health and Wellbeing Manager concluded in September. A new structure for Safety and Wellbeing has now been introduced that consists of a Safety and Wellbeing Manager and a Safety and Wellbeing Business Partner. A Student Advisor, Wellbeing role was introduced in 2020 and it connects in with the Safety and Wellbeing Manager ensuring strategic alignment of colleague and learner approaches.

The Wellbeing Action Group (WAG), team-based wellbeing champions, continued to operate in 2020. The group is responsible for planning and implementing several wellbeing initiatives throughout the year, a week-long series of events for Mental Health week in September being an example of that. Members of the WAG also act as the wellbeing eyes and ears of the organisation, and a contact point for the dissemination of wellbeing information to the workforce. Activities in 2020 saw them increase their profile and visibility of activity across the organisation.

3 Wellbeing Workshops

In 2019 around 450 colleagues attended wellbeing workshops that were delivered by the New Zealand Institute of Wellbeing and Resilience. The aim in 2020 was to continue to offer these workshops but delivered via internally accredited Ara resourcing. With COVID-19 shifting the attention to 'crisis support', this work was not realised in 2020. It will be picked up in 2021.

4 Colleague Wellbeing Survey

In August, alongside the annual Gallup Engagement survey, all colleagues were again invited to participate in Ara's Wellbeing Survey. The survey is designed to measure aspects of the three key focus areas of the Wellbeing Framework – Self/Individual, Team (psychological safety) and Organisation.

Being the second time this survey has been conducted, year on year comparisons showed the following:

1 Individual colleague wellbeing was consistent with the Canterbury Wellbeing Index and Ara had a slight increase from the year prior, which was impressive given the significant disruptive events that occurred in 2020. Of note, teaching colleagues had a higher percentage in the lower individual wellbeing index (12.43%) than non-teaching colleagues (7.19%).

2 Team wellbeing (psychological safety) had positively shifted slightly but the AIR Division requires additional focus and four departments were identified as needing support.

3 Organisational wellbeing had also shown a slight improvement.

Other wellbeing approaches that have continued:

5 Health and Wellness

The COVID-19 Incident Management Team expanded the accessibility of colleague flu inoculations in response to the global pandemic. Other health checks (such as discounted mole mapping) have continued to be popular and beneficial to colleagues. Access to physical wellbeing activities (including circuits, futsal, badminton, boxing, yoga, tai chi and Zumba) and discounted gym membership are well received. .

6 Smokefree at Ara

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

7 Free Counselling Service for Colleagues

Ara continued to offer free and confidential counselling for colleagues via its external Employee Assistance Programme provider – OCP. During 2020, 92 people (colleagues and their immediate family members) accessed counselling sessions through OCP (down from 108 during 2019). Increased communication around the availability of this wellbeing service, particularly at high stress times (eg COVID-19 Lockdown saw an upsurge in usage in April 2020) and a higher utilisation by family members over the last two years has seen the increased use remain constant.

Future Focus

Ara continues to be committed to a diverse, inclusive and resilient workforce and those elements were key enablers of the institute's Strategic Focus Area of "high performing customer focused teams". Strong foundations of activity from 2019 put us in a good position to navigate the significant challenges in 2020. Despite the distraction that those challenges caused, there has been good progress on future focus activities in 2020. Work will continue in the following areas:

- The Diversity and Inclusion Working Group will create a strategic framework and tactical plan to lift our approach to diversity and inclusion
- Finalise people and culture Framework for Māori Achievement implementation plans (Recruitment, Capability, Wellbeing) and put into action
- Continue to define and roll out the Ara Wellbeing strategy, weaving in our approach to Safety and embedding it further into the institutes practice
- Finalise the enhancement of Ara's HRIS system to better determine the makeup of the workforce and be more inclusive in our options
- Set goals on how Ara will increase its diversity profile over time to reflect New Zealand and Canterbury of the future.

Institute of Canterbury

Ara rau, taumata rau

Ara is proud to be a Smokefree institute

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04803 - Mar 2021