

ANNUAL REPORT 2016



Report objectives

This annual report is the principal medium through which Bendigo Kangan Institute communicates its accountability to parliament, government and stakeholders, and provides a summary of the Institute's operations and achievements during the 2016 calendar year.

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

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

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

Our cover reflects our strong health focus in light of our upcoming Health and Community Centre of Excellence training facility. Developed with the support of Victorian Government funding, the centre is projected to open at our Bendigo city campus in 2018.

Contents

Introduction

Our strategic intent: BKI2020... our pathway to the future	2
Board Chair's welcome	3
CEO's report	6
Market-driven strategic plan: 2017-2020	9
Performance statement for 2016	10
Victorian Auditor-General's report – Performance statement	11
Performance statement – key performance indicators	12
Financial summary	13

Our organisation

Our profile	14
Board and governance	15
Organisation chart	17
Workforce data	18

Compliance information

Compliance with Victorian Government risk management framework	20
Freedom of information	20
Protected disclosures	20
Occupational health and safety	21
Compliance with Carers Recognition Act	22
National competition policy	22
Compulsory non-academic fees, subscriptions and charges	23
Building and maintenance	23
Environmental performance and impacts	24
Victorian industry participation disclosure	26
Overseas and domestic travel	26
Overseas operations	26
Major commercial activities	28
Advertising expenditure	28
Consultancies expenditure	29
Information communication technology expenditure	29

Financial report

Victorian Auditor-General's report	31
Declaration by the Board Chair, Chief Executive Officer and Chief Finance and Accounting Officer	32
Financial statements and notes	33

Disclosure index

Disclosure index	94
------------------	----

Introduction

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

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

With the continued support of the Victorian Government and the responsible Minister for Training and Skills, the Hon. Steve Herbert MP (until November 2016) and the Hon. Gayle Tierney MLC (from November 2016), as well as our industry partners and advisory boards, the Institute supports workforce participation and productivity across Australia.

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

Our strategic intent: BKI2020... our pathway to the future

During the merger, it was decided that in order to preserve the accumulated brand equity and heritage, our metropolitan TAFE would retain the Kangan Institute brand while our regional TAFE retained the Bendigo TAFE brand. However, an underpinning operating model for our TAFE, VETASSESS and eWorks strategic business units is being built with standardised, consistent workforce capability, processes and systems according to Lean principles.

Board Chair's welcome



On behalf of the Board of Bendigo Kangan Institute, I am proud to present our 2016 annual report. This report represents a year of consolidating the merger between Bendigo TAFE and Kangan Institute, while investing in key systems to improve the long term productivity and sustainability of the whole business operationally.

In 2016 the Institute continued on the path to financial sustainability by recording a \$3.8m profit, which represents growth on our 2015 profit of \$3.2m. These financial results reflect the dedication and commitment of our people across all three strategic business units who have worked diligently to stabilise and grow the Institute.

The Board's strategy to consolidate the merged business and grow each of our strategic business units was reinforced by refreshed leadership over the course of 2016. We appointed three new Board members, recruited a new CEO and continued the commercialisation of our executive team.

The VET sector continues to thrive in Victoria. There is an increasing focus on alignment to industry needs and courses that are likely to lead to employment under *Skills First*, a significant new funding initiative of the Andrews Labor Government announced in late 2016. In our TAFE, we have developed a program of strategic initiatives to align with *Skills First*, including our specialisations around the Skills Commissioner's industry engagement framework, in particular, the community services and health services, construction, international education, food and fibre, and fashion (textiles, clothing and footwear) industry advisory groups. Already I see enormous potential in these reforms as it will give us a stable platform and dedicated funding to grow and excel.

Our growth aspirations will continue to be spearheaded through market-shaping centres of excellence. In 2016 our Automotive Centre of Excellence upgraded our regional automotive facilities and signed an industry-first partnership to

replicate our centre of excellence model in India. The next few years will see us building on this momentum to enhance our national and international delivery and retain our reputation as a world-class leader in the automotive education sector.

Also on the horizon are our new Health & Community and Food & Fibre Centres of Excellence poised to open at our Bendigo campuses in early 2018. Throughout 2016 we've engaged with industry, education providers and community to ensure that both centres proactively address current and future workforce capability needs.

The development of the new centres is supported by continued investments to ensure that our future classrooms support virtual and physical spaces for personalised learning. These centres, along with future capital works projects, are set to revitalise our campuses and support our organisation's strategic shift to delivering 'made to order' learning experiences anywhere, anytime.

Our people are our most important asset, so we were delighted to be a finalist in the Large Training Provider category of the prestigious Victorian Training Awards and the Bendigo Business Excellence Awards this year. This recognition not only validates our teams' collective achievements, but also serves as powerful motivation to keep up the good work.

During the year, VETASSESS continued to expand its reputation for quality assessment services through enhanced products and partnerships. The business saw a 12% increase in completed skills assessment applications for general professional occupations and generated an 11% growth in the area of skilled trades in 2016.

For eWorks, recent years have seen a real growth in collaboration between our clients through regular meetings of the eWorks' TAFE Advisory Group (TAG) and TAFE Strategic Group (TSG), with many exciting projects underway and in the pipeline.

eWorks took great strides in 2016 to work more closely with our clients and partners to integrate individual business critical systems with the eWorks online learning environment, plus manage digital assets and learning material such as ASQA and copyright compliance requirements. This was achieved by storing, tagging and retrieving content through a workflow managed system that instigated change in practice and built capability in teachers.

OUR PURPOSE

“ WE EMPOWER PEOPLE AND INDUSTRY WITH THE SKILLS TO CREATE A BRIGHT FUTURE ”

- Equipping people with employable skills and pathways to **life-long career success**
- Partnering with industry to build a **productive workforce** to meet today's challenges and create tomorrow's opportunities
- Inspiring each other to deliver outstanding client experiences and a **sustainable future**
- Working with our partners and community to enable **learning for all**.

OUR VISION

“ 100,000 PATHWAYS TO THE FUTURE ”

- In 2020, Bendigo Kangan Institute will...
- Equip 100,000 people to take the **next step in their careers**
- Enable industry to plan for and build the **workforce of the future**.

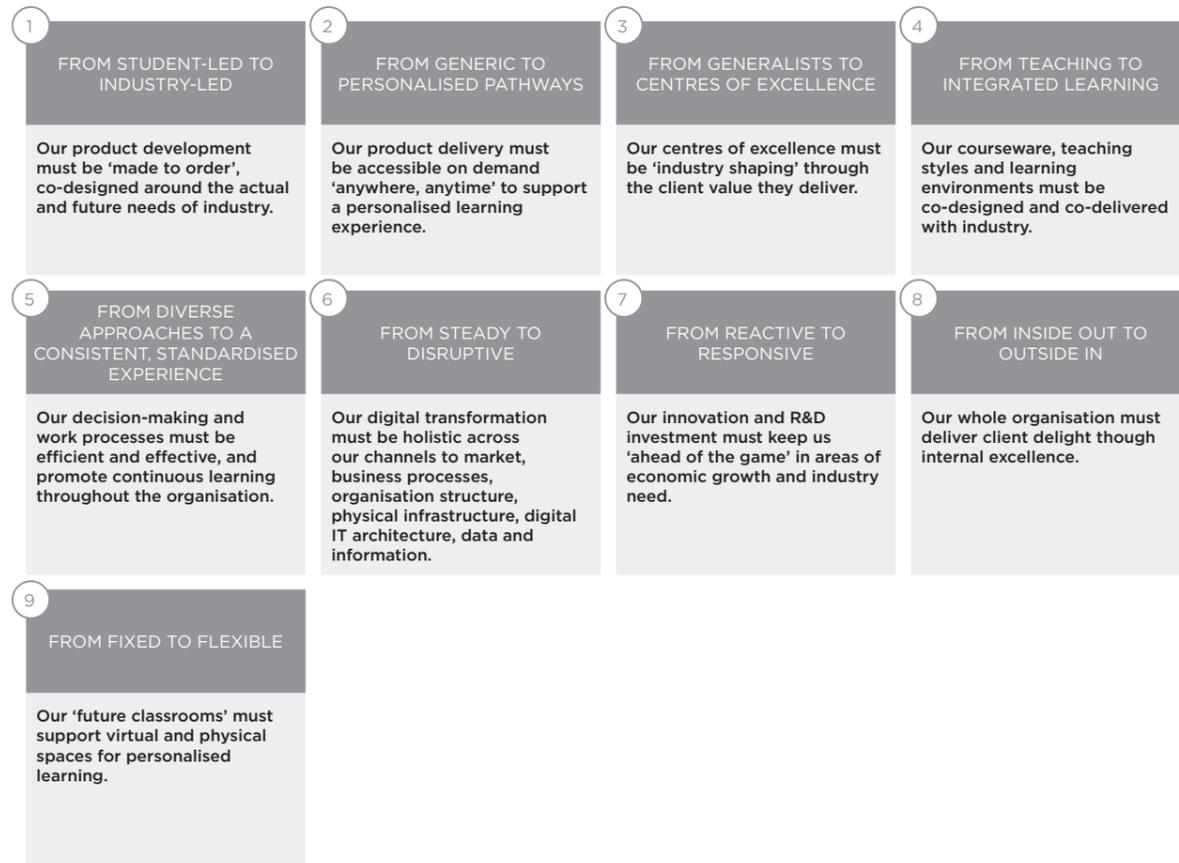
OUR STRATEGY

EXCEEDING CLIENT EXPECTATIONS	1 PARTNER WITH INDUSTRY	2 JOURNEY WITH STUDENTS	3 LEADERSHIP THROUGH SPECIALISATION	4 LEADING-EDGE TEACHING
ENSURING OPERATIONAL EXCELLENCE	5 LEAN OPERATING MODEL		6 DIGITAL TRANSFORMATION	7 ACTIVE PRODUCT PORTFOLIO MANAGEMENT
DEVELOPING GREAT PEOPLE AND PLACES	8 HIGH PERFORMANCE CULTURE		9 TRANSFORM ASSETS AND FACILITIES	

OUR VALUES AND BEHAVIOURS

ACCOUNTABILITY	COLLABORATION	RESPECT	PASSION	CLIENT EXPERIENCE
----------------	---------------	---------	---------	-------------------

Looking forward, the refreshed BKI2020... our pathway to the future plan is the result of our Board and the executive team collaborating during 2016 to prepare an updated strategic plan and Statement of Corporate Intent. Our detailed analysis revealed nine key market insights which we must respond to in order to remain relevant and connected:



As you can see, we've achieved a lot in 2016 but more importantly, we need to heed the dynamic changes in our external environment to set the stage for exciting years ahead.

In closing, I would like to thank everyone involved for delivering a successful 2016 and for your efforts in driving our Institute forward. I would like to acknowledge:

- My fellow Board members for their ongoing commitment, direction and service. In particular, I'd like to acknowledge outgoing Board members Christopher Edwards and Margaret Hatton, and welcome our new Board members Peter Harmsworth AO, Craig Fox and Sally-Anne Ross.
- The Bendigo Kangan Institute executive team, along with our new CEO Trevor Schwenke, for their strong leadership, passion and energy in driving an exciting transformation of our organisation. I'd also like to acknowledge outgoing executive members Kelly Townson, Donna Rogers, Genevieve Kelly and Dr. Stan Capp, and welcome Beverly Smith, Lyn Bayly and Prof. Ian Findlay who take on the roles of Chief Commercial Officer, Executive Director Learner Experience and Executive Director of Studies respectively.
- Our people for their collective commitment to ensuring excellent outcomes for our customers. This has helped us grow into the TAFE we are today and the TAFE we will be in the future.
- The Victorian Government and, in particular, the Hon. Gayle Tierney MLC, Minister for Training and Skills and the former minister, the Hon. Steve Herbert MP, for providing critical support and encouragement to our Institute and the TAFE sector.

Finally, I would like to thank our students and industry partners. You, ultimately, are the reason Bendigo Kangan Institute exists and your commitment and support are crucial to our future success.

The future will continue to be challenging with increasing competition in the sector, changes in our clients' needs, and a dynamic economic and policy environment. But I'm confident that our three objectives of exceeding client expectations, ensuring operational excellence and developing great people and places will facilitate our organisation to meet our vision of 100,000 pathways and financial sustainability.



Michael Brown

*Board Chair
Bendigo Kangan Institute
Date: 27 February 2017*

CEO's report



Over the course of 2015, we laid the early foundations for the merged Institute while 2016 has been the year of consolidation as we stabilise and focus on the growth potential ahead.

In this report, I'm proud to outline our 2016 progress and successes against our strategic objectives. These results validate the good work by our people and are a testament to the strong support from the Victorian Government, as well as our industry and community partners.

Exceeding client expectations: Partner with industry

Our partnerships with industry have always been a key focus, and we constantly strive to design and deliver a learning experience which prepares students to meet what industry needs and expects. We do this through an industry engagement model that provides a consistent approach to apprenticeships, placements, employability skills, employment, upskilling and reskilling.

We took important steps to:

- work with the Victorian Government to launch Skills and Jobs Centres in Bendigo and Broadmeadows, as well as a new youth support service in Broadmeadows
- explore more innovative ways of working with partners to deliver 'made to order' apprenticeship training; our apprenticeship partnership program supporting Nissan and the WPC Group was recognised at the 2016 Australian Training Awards
- expand our industry partnership base and training programs to target skill shortages, such as our new bricklaying and carpentry programs with Metricon
- expand our schools engagement base to cover over 250 schools within our network
- develop stronger relations with international stakeholders via our international department and VETASSESS business unit

In 2017, we plan to progress our engagement models with industry, higher education, other TAFEs and registered training organisations and Learn Locals. This will include:

- strategically aligning with peak bodies, industry associations and the Victorian TAFE network
- developing new and strengthening existing industry advisory groups
- working with industry to co-design our products
- moving from vocational education and training to workforce development solutions

Exceeding client expectations: Journey with students

Our commitment to providing quality, job-ready training to students led to some big wins in 2016, with our students achieving state, national and international recognition for their skills.

- Two students, Brendan Key and Amanda Gharib, were shortlisted as finalists for the Victorian Vocational Student of the Year Award, with the talented Nazdar Polos chosen to design the gown for Secretary Gill Callister at the Victorian Training Awards ceremony.
- Our trades and automotive students also achieved great results. Bin He and Mitchell Pianto received awards at 2016 Building Design Awards Victoria while Madeleine Hatchard was recognised at the Master Painters Australia Awards for Excellence. Bonnie Beard also made history as one of two females appointed to the top motorsport technician positions on Aaren Russell's Holden Commodore at Erebus Motorsport.
- Fashion student Jessica Lawrence clinched the Fashion Awards Australia's High Street Fashion Award for New and Emerging Designers while international graduate Aarti Devi showcased her collection at the Fiji Fashion Week. Our IT students also did a great job at the international CISCO competition, achieving second and third places in Australia.

During the year our students showcased at some major events, like WorldSkills Australia, the Melbourne Spring Fashion Week and the Bendigo Fashion Festival, with various international study tours also undertaken.

It was also a big year for community engagement. Meaningful links between our Institute, students and the local communities were created through activities like mental health awareness breakfasts, the Bendigo Youth Summit, Relay for Life, White Ribbon Day and greater engagement with the Indigenous community.

In 2017 we will develop and implement a client first strategy with personalised learning pathways at its heart. This strategy will incorporate systems, processes and people to provide a consistent experience and journey. We will also establish a community service obligations model which acknowledges the vital role our TAFE plays in our local communities.

Exceeding client expectations: Leadership through specialisation

Expansion and diversification of our centres of excellence continued into 2016. We moved forward with our Health & Community Centre of Excellence and are undertaking significant engagement with industry and key stakeholders in developing our Food & Fibre Centre of Excellence. The year also saw us expanding our Automotive Centre of Excellence practices and expertise regionally and internationally.

These centres of excellence will play a big part in driving our growth strategy in 2017, with further specialisation in fashion, construction and industrial also planned. A refreshed international business growth model and further diversification of our VETASSESS international assessment services are also on the cards for the year ahead. These initiatives will progress in alignment with the support of the Victorian Government through the new TAFE and training system *Skills First*.

Exceeding client expectations: Leading-edge teaching

Our focus on greater innovation, support and diversity in teaching practices has culminated in some outstanding achievements. Our Executive Director of Studies Phill Murphy was a contender for the Victorian Training Awards' Lynne Kosky Lifetime Achievement Award, with automotive teacher Luke Perry also a Victorian Teacher of the Year finalist. Our teacher Thomas Delohery was also shortlisted for the prestigious Black Swan Portraiture Prize.

During the year we cemented our strategy for a new teaching and learning excellence framework, one that focuses on industry focused learning, industry experienced educators, as well as connected and contemporary learning resources to produce engaged, equipped, employable graduates. This framework will be implemented in 2017 through

various initiatives, from an improved digital learning strategy right through to enhanced capability development for our educators.

Ensuring operational excellence: Lean operating model

I'm proud to share that we're at the tail end of a two-year, ambitious program of work to create a single TAFE empowering people and industry with skills for a bright future.

Our integration journey achieved several milestones in 2016, such as combining our TOID and CRICOS registration, embracing a new academic governance framework and stabilising our new integrated student management system.

Our refreshed strategy will see us building an underpinning operating model for our TAFE, VETASSESS and eWorks strategic business units with standardised, consistent workforce capability, processes and systems aligned with Lean principles.

Ensuring operational excellence: Digital transformation

During 2016 we undertook numerous initiatives to enhance our digital capabilities across our operations and learning portfolios. This includes introducing new video conferencing hardware across the Institute, e-learning software upgrades and staff training.

Our collective efforts have resulted in a 36% increase in the total number of active online courses across the Institute. We also saw significant improvements in our environmental impacts as outlined on page 24.

eWorks also achieved some incredible milestones in e-learning, including:

- greater collaboration with Victorian TAFEs, with eWorks' hosted content accessed by over 60,238 active users
- creation of a TAFE Strategic Group to explore TAFE business priorities, form collaborative working groups and boost overall e-learning uptake, engagement and competency
- enhanced use of educational technology in training delivery to meet the needs of today's students and leverage the benefits of online delivery
- provision of an outsourcing option to assist training providers to convert and develop their courses into a digital format

We still have more to do to fully enhance our learners'

digital experience. A priority for 2017 is to develop a digital transformation strategy to provide our clients with a self-service, personalised experience from enquiry to completion.

Ensuring operational excellence: Active product portfolio management

We've continued - and will continue - to embed product portfolio management capability to continuously improve the quality and relevance of our courseware. Our innovation panel reviewed 84 ideas this year, which has led to improved processes and new courses like animal studies, retail bakery, and regional tourism, events and retail. We also advanced our product management system project which will create a consolidated repository for the Institute's entire range of product information and digitally manage the complete lifecycle of our products. The new system will be rolled out in three phases from 2017 and expected to boost responsiveness and relevance for the industries, communities and individuals we serve.

Developing great people and places: High performance culture

Amidst challenges and significant change programs, our people have maintained their commitment to ensuring excellent outcomes for our clients and have worked together to solve issues and create new opportunities.

Significant effort has been made to initiate momentum in best practice people management. We rolled out new Performance and Career Enhancement (PACE) individual plans and a professional development program for all staff. We also stepped up engagement through Institute values and behaviours workshops and our first rewards and recognition event. In 2016, our People Matter Survey saw increased participation and increased engagement levels.

Building an engaged, supported and high performance workforce will be a major priority for our TAFE in 2017 and will be addressed in our organisational capability plan.

Developing great people and places: Transform assets and facilities

During the year we opened new facilities for retail bakery, gelato and animal studies in Broadmeadows, along with upgraded automotive facilities at the Bendigo Charleston Road campus. As outlined in our Board Chair's message, we also made significant progress on the development of an Institute-wide

asset management plan, with research and consultation undertaken to determine best utilisation and management of our assets and facilities. This will continue to broaden next year.

In 2017 we are poised for significant capital works projects to commence, including our new centres of excellence in Bendigo.

Looking to the future

The above highlights are merely a snapshot of the achievements of our Board, management and people at Bendigo Kangan Institute. I began my tenure as CEO in the second quarter of 2016 and very quickly got a sense of the tremendous work that is being done around improving our learners' experience and future-proofing the organisation to meet the needs of students, industry and the community.

On behalf of the Institute, I wish to thank the Victorian Government and our Board for their clear leadership and dedicated support to the Institute. Without their guidance, our 2016 achievements would not have been possible.

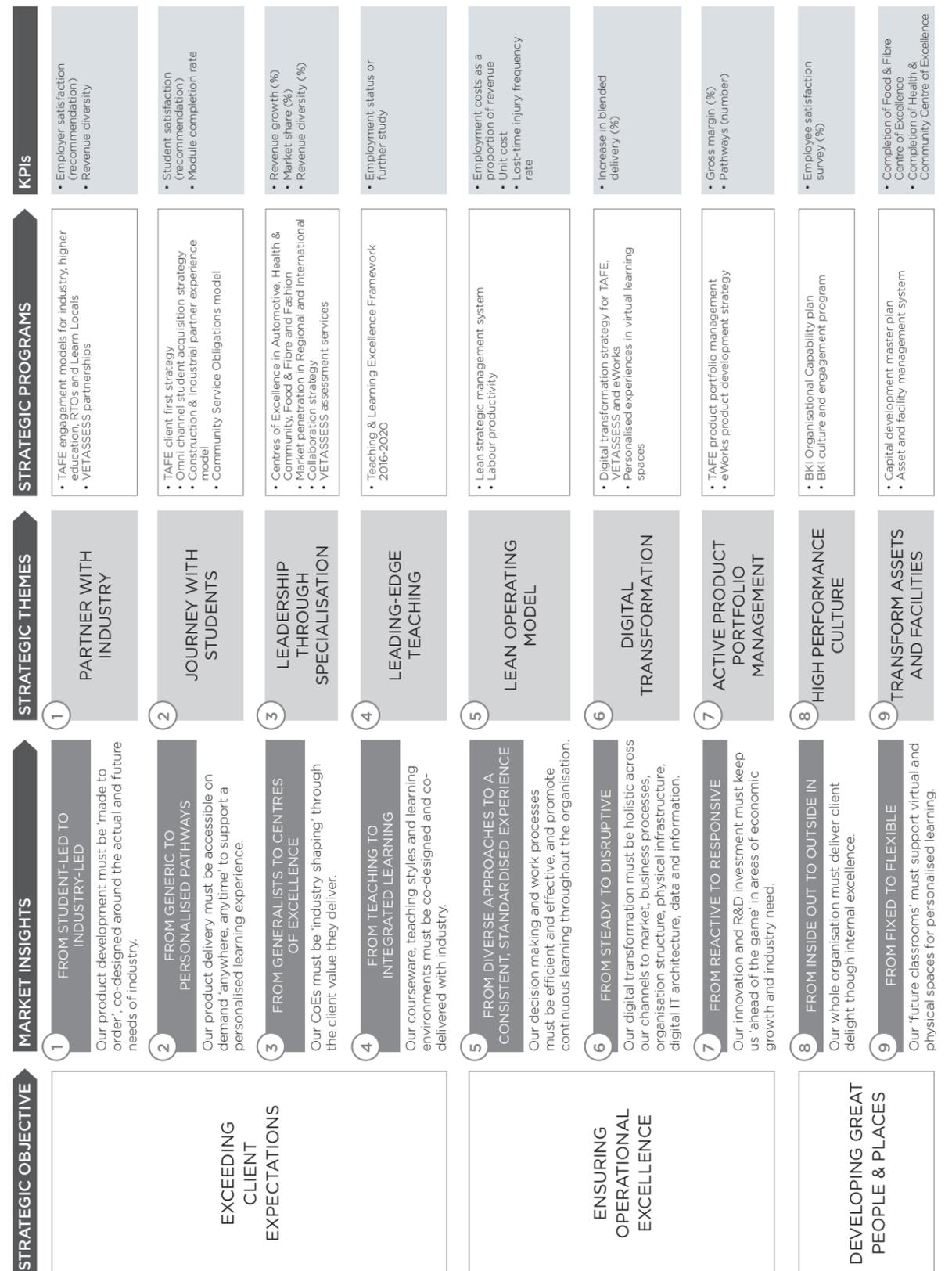
Our successes are also testament to the hard work of our people. Our people form the core of our organisation and since joining the Institute I've been inspired over and over by our teams' commitment to overcoming challenges and creating new opportunities.

Our Institute operates in a dynamic marketplace and we must continue to align our strategies, programs and key performance indicators (see page 12) to the workforce capabilities of industry and the employment goals of our students to ensure that we remain relevant and connected for the years ahead. I'm positive that 2017 will be an exciting year for positive change and growth.



Trevor Schwenke
Chief Executive Officer
Bendigo Kangan Institute
Date: 27 February 2017

Market-driven strategic plan: 2017 - 2020








PERFORMANCE STATEMENT FOR 2016

In our opinion, the accompanying statement of performance of Bendigo Kangan Institute in respect to the 2016 financial year is presented fairly in accordance with the key performance measures developed in the annual statement of corporate intent.

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

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



Michael Brown
Board Chair
Date: 27 February 2017
Place: Bendigo



Bruce Whittaker
Chief Finance &
Accounting Officer
Date: 27 February 2017
Place: Bendigo



Trevor Schwenke
Chief Executive Officer
Date: 27 February 2017
Place: Bendigo

Bendigo Kangan Institute
PO Box 170, Bendigo VIC 3552 | Private Bag 299, Somerton VIC 3062
ABN 74 802 942 886 | Trading as Bendigo TAFE and Kangan Institute | RTO No. 3077 | CRICOS Provider No. 01218G



Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Website www.audit.vic.gov.au

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board of the Bendigo Kangan Institute

Opinion	<p>I have audited the accompanying performance statement for 2016 of the Bendigo Kangan Institute (the Institute) which comprises the:</p> <ul style="list-style-type: none"> • Performance statement – key performance indicators • Financial summary and • Management certification. <p>In my opinion, the performance statement of the Bendigo Kangan Institute in respect of the year ended 31 December 2016 presents fairly, in all material respects.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the Auditor's Responsibilities for the Audit of the Statement of Performance section of my report.</p> <p>The Auditor-General's independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the Institute in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the performance statement in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the statement of performance	<p>The Board of the Institute is responsible for the preparation and fair presentation of the performance statement and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance statement that is free from material misstatement, whether due to fraud or error.</p>

Auditing in the Public Interest

Independent Auditor's Report (continued)

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

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

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

- identify and assess the risks of material misstatement of the performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether the performance statement represents the underlying events and results in a manner that achieves fair presentation.

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

MELBOURNE
6 March 2017



Simone Bohan
as delegate for the Auditor-General of Victoria

2
Auditing in the Public Interest

Performance statement - key performance indicators						
Indicator	Description and methodology	Metric	2016 target	2016 actual	Explanation of variances	Prior year result
Training revenue diversity	Breakdown of training revenue is split by government funded and fee for service: <ul style="list-style-type: none"> Victorian training guarantee (VTG) Fee for service (FFS) > Student fees and charges 	Percentage	49.9%	50.3%	Decreases in overall training revenues versus target, and increase in diversification towards FFS	49.5%
			34.8%	41%		37.2%
			15.4%	8.7%		13.3%
Employment costs as a proportion of training revenue	Employment and third party training delivery costs as a proportion of training revenue (VTG and FFS)	Percentage	83.1%	81.2%	More efficient use of teaching resources	82.2%
Training revenue per teaching FTE	Training revenue (excluding revenue delivered by third parties) per teaching FTE	Dollars	\$242,826	\$238,521	Decreases in training revenues versus target	\$241,853
Operating margin percentage	Operating margin: EBIT (excl capital contributions) / total revenue (excl capital contributions)	Percentage	0.3%	(17.6%)	Decreases in training revenues versus target	1.5%

Notes:

- All account groupings (e.g. employment costs, training revenue etc.) included in the table above are prescribed by the official Department of Education and Training (DET) financial account structure, and are in line with the quarterly financial data submission template provided by DET for completion by TAFEs.
- Calculations are based on 901 FTE.

Financial summary	Year ending				
	2016	2015	2014	2013	2012
In light of continued market challenges, the Institute has continued its strong focus on financial sustainability and worked hard to stabilise and establish a platform for future growth. This is reflected in our results, with the Institute delivering a net profit of \$3.8m in 2016. This represents a second consecutive year of positive results (a profit of \$3.2m was achieved in 2015).					
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Total income from transactions	140,883	147,472	87,228	40,153	48,654
Total expenses from transactions	137,272	143,687	90,236	41,183	48,451
Total economic flows	229	(588)	(8,698)	425	54
Net results	3,840	3,197	(11,706)	(605)	257
Asset revaluations	11,897	-	-	-	-
Comprehensive result	15,737	3,197	(11,706)	(605)	257
Total assets	361,570	350,584	344,281	104,416	97,833
Total liabilities	32,678	37,429	34,323	8,402	8,988
Net assets	328,892	313,155	309,958	96,014	88,845

Our organisation

Our profile

Bendigo Kangan Institute comprises the following three strategic business units:

- Bendigo TAFE and Kangan Institute: prominent providers of vocational education from metropolitan and regional Victoria respectively
- VETASSESS: a national and international provider of assessment services
- eWorks: an e-learning hosting, content and consultancy specialist

Bendigo TAFE and Kangan Institute

In order to preserve the accumulated brand equity and heritage, our regional and metropolitan TAFEs have retained the Bendigo TAFE and Kangan Institute brands respectively. We are, however, embedding a standardised, consistent operating model across our workforce, process and systems such as the student management system.

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

Bendigo TAFE

Bendigo TAFE has undergone numerous identity changes in its 156 years of history, opening in 1854 as the Sandhurst Mechanics Institute and later, in 1873, incorporating the School of Mines. In 1987 it was established, more or less in its modern form, when the TAFE components of seven secondary schools within the region were transferred to the Loddon Campaspe College of TAFE. The Institute was renamed in 1990 as the Bendigo Regional Institute of TAFE (BRIT) and began trading as Bendigo TAFE in 2009.

Bendigo TAFE services central and northern Victoria through campuses in Bendigo, Echuca and Castlemaine, with dedicated facilities like the Lotus Hair and Beauty Salon and Charleston Road trade campus providing specialist training for our learners. Our vocational courses and training services are provided to individuals and businesses, with students and apprentices ranging from school leavers to mature age. Our ties with local bodies like the Bendigo Business Council ensure that our products and services remain relevant and responsive to the needs of local industry and communities.

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

Kangan Institute

Named in honour of the founder of Australia's TAFE system Myer Kangan OBE AO, Kangan Institute has a rich history that stretches back to 1925 and involves the merger of four major institutes – John Batman, Broadmeadows College and the Richmond automotive campus of Barton Institute of TAFE and more recently, Bendigo TAFE.

With training delivered out of metropolitan campuses in Broadmeadows, Docklands, Essendon, Moonee Ponds and Richmond, Kangan Institute offers students a well-rounded campus experience as well as access to specialist training facilities and capabilities. This includes the award winning Automotive Centre of Excellence in Docklands, the Indigenous Education Centre in Broadmeadows and the Centre for Fashion and Creative Industries set in Melbourne's fashion and retail heart, Richmond.

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

Courses cover automotive and trades, business, commerce and IT, food and fibre, hair and beauty, health and community services, fashion, retail and creative industries, culinary and hospitality, travel and tourism, Indigenous and foundation courses.

VETASSESS

Established in 1997, VETASSESS is a leading Australian assessment provider. As an assessment-only registered training organisation, VETASSESS has built a reputation for providing superior assessment solutions and systems to clients nationally and internationally. This includes the design and development of web-based solutions for a range of testing and assessment programs.

Assessment services through VETASSESS are delivered through offices around the world in Melbourne, Perth, New Delhi and Manila.

Strategic areas of focus include:

- Products – providing high quality and independent assessment services that meet customer needs
- Partnerships – working with partner organisations to provide high quality assessment services
- Being a high performing organisation – fostering professional and committed staff supported by effective systems

eWorks

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

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

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

Board and governance

Bendigo Kangan Institute is governed by a Board established under the Education Training and Reform Act 2006. It reports to the Parliament through the Minister for Training and Skills.

The Board is responsible for the corporate governance of the Institute, approving its strategic plan, managing its affairs and overseeing its operations in accordance with the Institute's Constitution and standing orders. The Constitution of the Bendigo Kangan Institute Order 2014 took effect on 1 July 2014 and was updated from 1 July 2016 to reflect the changes in method of appointing directors and providing for the election of an employee elected director.

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

In 2016 Bendigo Kangan Institute's Board members were:

- Michael Brown (Chair/President)
- Margaret O'Rourke (Deputy President)
- Michael McCartney
- John Hartigan
- Christopher Edwards (until June 2016)
- Margaret Hatton (until June 2016)
- Peter Harmsworth AO (from July 2016)
- Craig Fox (from July 2016)
- Sally-Anne Ross (from December 2016)

Board and standing committees

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

- Audit and risk committee
- Finance and resource management committee
- Performance and remuneration committee

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

Audit and risk committee

The audit and risk committee was established by the Board in compliance with standing directions of the Minister for Finance under the Financial Management Act 1994.

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

The committee provides independent assurance and advice to the Board including:

- risk management
- internal controls
- financial statements
- legislative and policy compliance
- contracted internal audit
- external audit
- governance arrangements

Finance and resource management committee

The main responsibilities of the finance and resource management committee include:

- ensuring that the Institute's financial systems are appropriately managed and the strategic and operational aspects of financial planning, management, record keeping and financial reporting enhance the consistency, accuracy and reliability of the Institute
- ensuring compliance with the responsibilities and related reporting requirements arising from the performance agreement
- monitoring Institute investments to ensure maximum financial benefit to the Institute
- ensuring that additional campuses and new building funding submissions are in line with the Institute strategic plan
- ensuring that the Institute's campus facilities are developed and maintained to an appropriate standard, including the construction stages of all new buildings

- ensuring that the Institute's infrastructure is adequate to support growth and development and providing timely advice on the financial impact of recommendations from other Board committees
- ensuring that legal contracts, insurances and other contractual arrangements are consistent with legal requirements and relevant government policies
- facilitating corporate sponsorships and actively seeking such sponsorships
- examining major contracts and recommending to the Board where delegations and legislations are appropriate
- examining trends in Institute entrepreneurial activity to ensure efficiency in the utilisation of resources and consistency with the strategic plan
- critically examining the Institute's community service obligations, particularly in the light of Institute financial targets

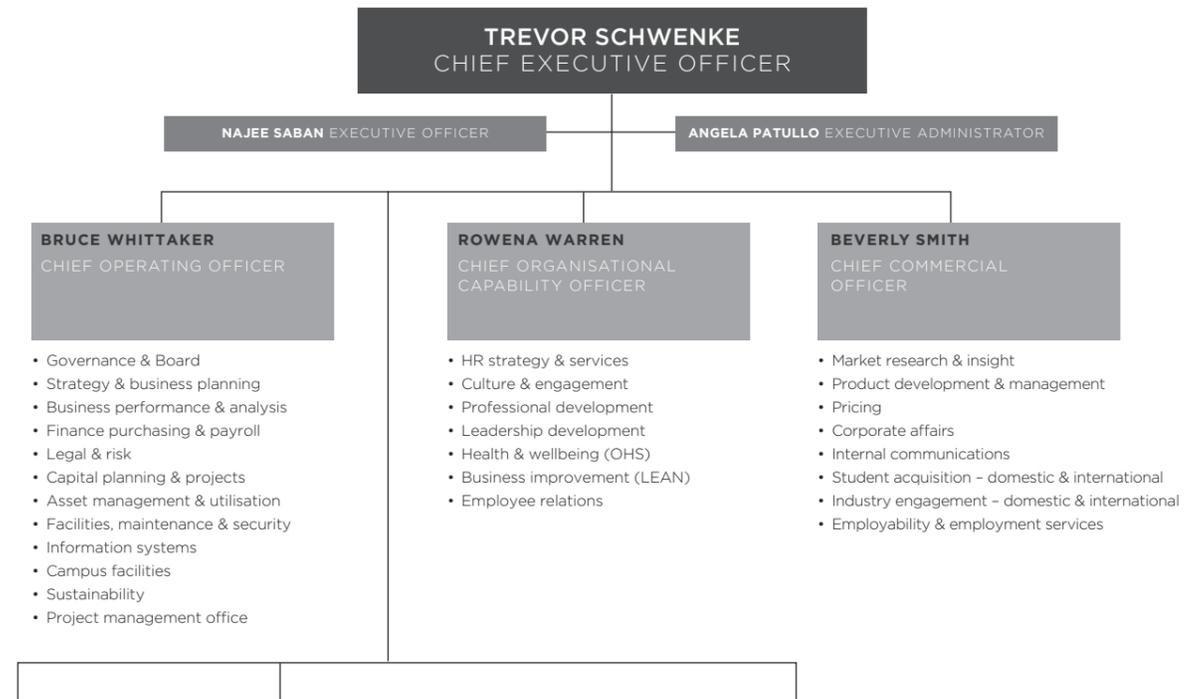
Performance and remuneration committee

The performance and remuneration committee was established by the Board in December 2016. Its main responsibilities include:

- assessing the performance of the CEO against established key performance indicators as agreed by the Board and providing assessments to the Board for their information
- reviewing the remuneration of executives and making recommendations on approvals of the remuneration to the Board
- reviewing succession planning arrangements for the executives and making recommendations on approvals to the Board

BOARD OF DIRECTORS

<p>MICHAEL BROWN (PRESIDENT) MICHAEL MCCARTNEY CHRISTOPHER EDWARDS (TO JUNE 2016) PETER HARMSWORTH AO (FROM JULY 2016) SALLY-ANNE ROSS (FROM DECEMBER 2016)</p>	<p>MARGARET O'ROURKE (DEPUTY PRESIDENT) JOHN HARTIGAN MARGARET HATTON (TO JUNE 2016) CRAIG FOX (FROM JULY 2016)</p>
--	--



<p>SHARON ROBERTSON EXECUTIVE DIRECTOR VETASSESS</p> <ul style="list-style-type: none"> • Independent assessment services » Skills assessments for migration » Competency assessments against VET national training package qualifications » Literacy, language & numeracy assessments • Market research & insights • Industry engagement – domestic & international 	<p>DEBBIE SCULLY ACTING EXECUTIVE DIRECTOR EWORKS</p> <ul style="list-style-type: none"> • Development of course content • Hosting e-learning • Specialist consulting 	<p>LYN BAYLY EXECUTIVE DIRECTOR LEARNER EXPERIENCE</p> <ul style="list-style-type: none"> • Academic registrar • Student management systems • Call centre • Admissions • Student activities • Library • Disability services • Student counselling • Transitions • Knowledge management 	<p>PROF. IAN FINDLAY EXECUTIVE DIRECTOR OF STUDIES</p> <ul style="list-style-type: none"> • Learning areas: <ul style="list-style-type: none"> » Health & Community Centre of Excellence » Food & Fibre Centre of Excellence » Professional & Creative » Foundations & Pathways » Corrections Education » Indigenous Education Centre • Higher education strategy 	<p>PHILLIP MURPHY EXECUTIVE DIRECTOR OF STUDIES</p> <ul style="list-style-type: none"> • Learning areas: <ul style="list-style-type: none"> » Automotive Centre of Excellence » Construction & Industrial
---	---	---	---	--

BENDIGO KANGAN INSTITUTE

STRATEGIC BUSINESS UNITS:
VETASSESS, EWORKS AND TAFES

Workforce data

Bendigo Kangan Institute is committed to equal opportunity (including equal employment opportunity) as well as inclusive and fair processes in all human resource management procedures.

All policies, procedures and associated documentation are readily accessible for staff via the staff portals.

Organisational values and staff code of conduct

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

The foundation values and behaviours:

- Accountability
- Collaboration
- Respect
- Passion
- Client experience

provide both a guide for employee behaviour and the framework for fostering a workplace culture that promotes employee engagement and high performance.

The Institute and its staff comply with the Victorian public sector employment and conduct principles, with staff code of conduct promoted at induction and reiterated via compulsory compliance training.

This code is readily accessible to all staff through respective staff portals at all regional and metropolitan campuses.

Selection on merit

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

Issue resolution

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

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

Professional learning and development

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

A number of programs were developed and deployed in 2016, including a new Performance and Career Enhancement (PACE) and professional development process for staff, as well as workshops to redefine the organisational values and behaviours.

Our next steps are to embed the new values and behaviours into the infrastructure of the organisation and equip leaders and people with the systems, tools and skills to live the values every day. The first system to have these refreshed values and behaviours embedded is our performance management module, PACE, in our new digital Human Resources Information System.

Workforce data for 2016

In 2016 the Institute saw a small increase in staff headcount numbers for ongoing staff, with the full-time staff equivalent (FTE) remaining comparable to 2015 figures. Overall FTE, however, decreased from 2015 due to a drop in fixed term and casual staff numbers. There was a general reduction in our PACCT staff FTE which was offset by corresponding increases for ongoing teaching staff.

The following table details our workforce data for 2016, with all employees classified in line with the directions from the Department of Education and Training.

Workforce data for 2016						
	Ongoing employees			FTE	Fixed term and casual	Total
	Number (headcount)	Full-time (Headcount)	Part time (headcount)		FTE	FTE
December 2016	496	365	131	453	449	901
December 2015	466	349	117	428	582	1,010

	December 2016				December 2015			
	Ongoing		Fixed term and casual	Total	Ongoing		Fixed term and casual	Total
	Number (head-count)	FTE	FTE	FTE	Number (head-count)	FTE	FTE	FTE
Gender								
Male	226	214	185	400	224	212	245	457
Female	270	238	263	502	242	216	337	553
Age								
Under 25	9	8	12	20	2	2	26	28
25-34	50	47	95	142	41	36	125	162
35-44	74	66	99	165	74	68	124	192
45-54	176	165	127	292	160	149	169	318
55-64	157	144	87	230	166	152	112	264
Over 64	30	24	29	52	23	20	25	46
Classification								
Executives	9	8	0	8	9	9	0	9
Directors	0	0	7	7	6	6	0	6
Managers	9	9	59	68	9	9	53	62
Other	0	0	26	26	0	0	19	19
PACCT 1-8 staff	232	212	169	381	226	209	257	466
Senior educator 1-3	37	36	25	61	33	32	23	55
Teacher 1-7 and casual	209	187	163	350	183	163	230	394

Notes:

- All figures reflect employment levels for 2016. This is in accordance to the general reporting requirements detailed in FRD22G and FRD29A.
- FTE refers to the full time staff equivalent. FTE has been calculated according to the approach agreed to by all TAFEs on 17 October 2016.
- Ongoing employees are defined as those engaged in an open-ended employment contract and executives engaged on a standard executive contract.
- Staff on leave without pay, absent on secondment, external contractors/consultants and temporary staff employed by employment agencies have been excluded from the above table.

Compliance information

Compliance with Victorian Government risk management framework

We certify that Bendigo Kangan Institute has a risk management framework which is consistent with the Victorian Government Risk Management Framework. This framework, along with our internal control system, enables the Board, executives, management and employees to understand, recognise, report and manage significant risk exposures.

The audit and risk committee has verified this assurance and the risk framework of Bendigo Kangan Institute has been reviewed.

The committee met seven times in 2016.



Michael Brown
Board Chair
Bendigo Kangan Institute



Trevor Schwenke
Chief Executive Officer
Bendigo Kangan Institute

Freedom of information

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

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

In 2016, the Institute received no applications for information under the FOI Act.

Information available on request

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

- statement regarding directors' conflicts of interest
- statements from executive officers regarding conflicts of interest
- publications and where they can be obtained
- changes in prices, fees, charges, rates and levies
- details of major external reviews
- major research and development activities
- overseas visits undertaken
- major promotional and marketing activities
- measures undertaken to improve the occupational health and safety of employees
- industrial relations issues and details of time lost through industrial accidents and disputes
- major committees sponsored by the Institute
- details of all consultancies and contractors

All enquiries should be directed to:

Freedom of Information Officer

Bendigo Kangan Institute
PO Box 170
Bendigo VIC 3552

Protected disclosures

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

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

This procedure notes that protection and support will be made available for people who have made a disclosure.

There was one protected disclosure matter raised with the Institute in 2016.

Occupational health and safety

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

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

This is accomplished by:

- complying with applicable health and safety legislation, compliance codes and Australian standards
- eliminating risks to health and safety; or where elimination is not possible, reduce the risk so far as reasonably practicable
- setting measurable targets and objectives to monitor and improve health and safety performance
- providing appropriate information and training for managers, supervisors and employees to enable them to perform their OHS roles and responsibilities
- allocating adequate resources to effectively implement the health and safety management system
- reporting, recording and investigating accidents and incidents, and acting to prevent reoccurrence
- ensuring a systematic approach to managing health and safety supported by our OHS model
- implementing effective arrangements for the consultation of health and safety matters
- holding all levels of management accountable for the health and safety of employees, students, visitors and industry partners under their management control

This policy is reviewed at least annually, or as required, to comply with relevant legislation and Australian standards.

Highlights

In 2016, the OHS team oversaw the Institute's Workcover claims and significant work was undertaken to manage individual claims and successfully return injured staff to work.

The OHS team also worked with an external auditor to audit the Institute's OHS management system against the Australian Standard AS4801 - Occupational Health and Safety Management Systems (OHSMS). These audits are seen as providing a base year of OHS data following the Institute's merger, staff movements and the introduction of a new OHS team to the organisation.

OHS training was also a priority for the Institute in 2016, with senior management undertaking

mandatory training focusing on legislation, scope of responsibilities, what constitutes as reasonably practicable OHS matters, problem resolution and support to help them comply with their duties.

Our OHS consultants also attended a lead auditor training program to enable them to undertake the lead role for audits against safety management systems.

Performance

The following data is based on our OHS performance in 2016, with comparisons made against 2015 data in line with new Institute-wide safety metrics. Comparative data from 2014 is unavailable due to variances in safety metrics prior to the Institute merger.

Reported hazards and incidents

There were 121 reports recorded in 2016, equivalent to 13.4 incidents per 100 FTE staff (this calculation is based on 901 FTE).

This included:

- 36 staff (equivalent to four incidents per 100 FTE staff) - 29 of these were for injuries sustained in the workplace, three were for personal illnesses and four were for incidents not resulting in an injury.
- 55 students - 29 of these were for injuries sustained during study, 24 were for personal illnesses and two were for incidents not resulting in an injury.
- 18 hazards (equivalent to two incidents per 100 FTE staff) - these reports involved our Institute's plant, equipment and facilities.
- Five notifiable injuries reported to WorkSafe (Vic) - these incidents involved three staff (equivalent to 0.6 incidents per 100 FTE staff) and two students.

Compared to 2015, the total number of reported hazards and incidents in 2016 increased by 10 incidents (equivalent to an increase of 2.4 incidents per 100 FTE staff). This is largely attributable to changes in incident reporting methodology in 2016.

Lost time standard claims

In 2016 the Institute's lost time injury frequency rate (LTIFR) per million hours worked was 4.95. This met our target of under 10 LTIFR per million hours worked. During the year, five new lost time standard claims (equivalent to 0.6 claims per 100 FTE staff) were received and all were accepted by the insurance scheme. This is a reduction compared to 16 lost time standard claims in 2015 (equivalent to 1.58 claims per 100 FTE staff).

The incurred cost for all 2016 claims was \$516,808. The average cost per claim, including payments to date and an estimate of outstanding claim costs (as advised by WorkSafe), was \$103,362.

Worker compensation premiums have increased from 2015 due to an increase in the cost of claims and an overall improvement in the industry performance rating. This has increased the performance gap between our Institute and others in the industry.

Compliance with Carers Recognition Act 2012

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

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

Relevant measures undertaken across the Institute during the year include:

- staff and student induction sessions highlighting the Act and its principles
- information about the Act made available to students presenting or declaring a protected characteristic in line with the Act
- provision of special consideration to students presenting or declaring a protected characteristic in line with the Act, including note taking, participating assistance, tutoring for students with disabilities, time consideration, extended due dates, variable end dates for study and managed absenteeism
- application of the Act addressed via professional network discussions
- application of related Institute policies that embed the principles of the Act including the leave procedure, children and dependents on campus policy, assessment appeals procedure, privacy policy, staff code of conduct, student welfare conduct and supporting students with a disability policy
- adaptation of education services, delivery modes and models to accommodate characteristics and cultural identities pursuant to the Act
- distribution of posters relating to the Act in staff and student common areas
- promotion and support of the role of the carer through interactions with students and staff, with referrals to appropriate external agencies for support

- negotiation with local health care providers to establish a connection to the community's careers wellbeing program embedded in student engagement and retention programs
- establishment of communication and links to external carer organisations, i.e. Bendigo Health, Dianella Health Services, Bendigo Community Health, Jesuit Social Services, Headspace, Children of Parents with a Mental Illness, Siblings Australia, Careers Victoria, the Department of Health and Human Services' Carers Card Program and Beyond Blue.

In 2017 the Carers Recognition Act will be incorporated into the new orientation process for all students.

National competition policy

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

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

The policy addresses the particular requirements of:

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

Compulsory non-academic fees, subscriptions and charges

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

The 2016 student services fee was a flat fee based on enrolment type and delivery location. In 2016 student services fees generated \$788,985 in revenue.

Building and maintenance

Bendigo Kangan Institute ensures that all works requiring building approval are approved and certified by an independent and qualified building surveyor. The Institute requires all building practitioners engaged to carry out major works show current registration and insurance before commencing works. All buildings are maintained to a level of prescribed performance as specified in the essential safety measures maintenance manual.

Mandatory periodical checks and tests are undertaken with records of these inspections kept under the requirements and provisions of the Building Act 1993, Building Regulations 2006, Building Code of Australia, Australian standards and other codes, the Minister's guidelines and any subsequent amendments of these.

Environmental performance and impacts

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

Energy use

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

In 2016 we undertook several initiatives to reduce impacts. We replaced fluorescent tubes and high bay lighting with LED lighting to reduce the amount of light fixtures and energy consumption per unit. We also undertook a gradual replacement of all boilers with more economical modular boiler systems. In 2017 we aim to reduce energy use by 2%. Our future initiatives will include continuing to roll out LED lighting installation across workshops and external areas to reduce overall energy consumption across at least five areas.

	Electricity					Gas		
	kWh	Megajoules	Co2 tonne	Megajoules per FTE	Megajoules per m2 Megajoules	Megajoules	Megajoules per FTE	Megajoules per m2
Bendigo City	1,327,534	4,779,122	831	5,302	298.2	1,747,616	1,939	109.1
Broadmeadows	2,113,577	7,608,877	1,413	8,442	315.5	4,489,593	4,981	186
BTEC	117,144	421,718	28.8	468	262.3	143,194	159	89
Castlemaine	50,253	180,911	N/A	201	453.5	N/A	N/A	N/A
Charleston Road	878,097	3,161,149	479.2	3,507	268.4	1,764,135	1,957	149.8
Docklands	1,730,613	6,230,207	1,167.3	6,912	415	4,780,571	5,304	318
Echuca	116,855	420,680	154	467	174.6	284,786	316	118.2
Essendon	268,142	965,313	185.3	1,071	361.4	260,675	289	97.6
Maryborough	9,872	35,538	N/A	39	119.7	28,364	31	95.5
Richmond	757,767	2,727,961	527.7	3,027	775.7	1,640,829	1,820	466.5

Notes:

- Total energy usage:
 - December calculations for electricity use at Broadmeadows, BTEC, Charleston Road, Docklands, Essendon and Richmond campuses are calculated using a yearly monthly average due to invoices not being available as yet.
 - Gas use is based on a yearly monthly average due to variances in invoice periods depending on sites. No invoices are available for the Castlemaine site.
- Total greenhouse gas emissions associated with energy use:
 - Calculations of our greenhouse gas emissions associated with electricity are only available for the following months due to changes in suppliers and information provided:
 - > Bendigo City, Broadmeadows, BTEC, Charleston Rd, Docklands and Richmond campuses - January to June Co2 information provided on invoices.
 - > Essendon - January to July Co2 invoices provided on their invoices.
 - > No information was supplied for Castlemaine and Maryborough sites.
 - No Co2 information was provided on gas invoices.
- Calculations are based on a total of 901 FTE.
- The percentage of electricity purchased as Green Power is not metered at our sites. Moonee Ponds and VETASSESS sites are not included in the report as they are leased spaces. The Maryborough site is sub-leased to Federation University.

Waste production

This table reflects our Institute's waste production for 2016. October to December saw a decrease in waste units due to student term breaks. Our Institute aims to reduce waste production by 2% in 2017, with plans to extend our metropolitan campuses' three-tier office waste system to our regional sites to improve on our recycling rate.

	Total units (kg)	Total units (kg) per FTE	Recycling rate %
Bendigo City	32,603	36.2	34.71
Broadmeadows	72,916	80.9	15.63
Castlemaine	1,140	1.3	N/A
Charleston Road	35,798	39.7	14.43
Docklands	20,228	22.4	N/A
Essendon	9,311	10.3	N/A
Richmond	23,194	25.7	19.35

Notes:

- Calculations are based on a total of 901 FTE.
- The following data is not available:
 - > Waste production data for BTEC, Echuca and Maryborough sites due to different waste contractors.
 - > Data for greenhouse gas emissions associated with waste disposal.
 - > Recycling rates for Castlemaine, Docklands and Essendon campuses.

Water consumption

The table below charts our water consumption across our campuses and sites. In 2017 we aim to reduce water consumption by 2% and will be conducting a review of all plumbing purchases to ensure that water saving products are utilised where possible.

	Kilolitres	per FTE
Bendigo City	9,069	10.1
Broadmeadows	18,502	20.5
BTEC	193	0.2
Castlemaine	59	0.1
Charleston Road	2,906	3.2
Docklands	1,636	1.8
Echuca	1,099	1.2
Essendon	658	0.7
Maryborough	42	0.1
Richmond	6,629	7.4

Notes:

- Calculations are based on a total of 901 FTE.
- Moonee Ponds and VETASSESS sites are not included in the report as they are leased spaces. The Maryborough site is sub-leased to Federation University.

Transportation

The table below charts our transportation use across the Institute, including associated greenhouse gas emissions. During the year staff were encouraged to use video conferencing for meetings to reduce vehicle usage. This is in line with across the board upgrades to our video conferencing software and hardware during 2015 and 2016. Encouraging Institute-wide use of video conferencing as an alternative to driving to meetings will continue to be the focus for 2017, with aims to reduce transportation-related Co2 emissions by 2%.

Vehicle type	Distance travelled (km)	Co2 (tonnes)
Car	203,415	397.44
LC	19,857	53.29
HC	18,246	6.5
Air	729,885	136.99

Note:

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

Paper use

In 2016 our total units of A4 equivalent copy paper used was 4,231 reams, which is equivalent to 4.7 reams per FTE. Of the total units used, recycled content made up 4,157 reams, which is equivalent to 98% of the total.

Bendigo Kangan Institute actively encourages the reduction of copy paper consumption. In 2016, we reduced our consumption from 20,291 reams in 2015 to 4,231 reams, which is a significant improvement. This was largely due to new measures introduced across our campuses, such as FollowMe printing which is an application requiring all users to manually release jobs at the copier. This eliminates waste caused by jobs being sent to the copier and not collected. The majority of multi-function devices also default to black only and two-sided printing for multiple part print jobs.

Procurement

Bendigo Kangan Institute aims to ensure that it procures goods and services that are environmentally and socially responsible.

During the year the following environmental credentials are taken into consideration in the tender evaluation process:

- the company's environmental practices
- evidence of relevant accreditation, certification and policy
- description of environmental initiatives in place
- capabilities and processes involved in the manufacture and/or provision of environmentally friendly products
- range of products that are made in whole or in part of recycled material
- percentage of recycled contents within the products

In 2016 we entered into three Whole of Victorian Government (WoVG) state purchasing contracts.

Other activities for the year included completing an internal audit of our Institute expenditure on office products, with changes and improvements to be implemented in 2017.

Working alongside our products supplier OfficeMax, we also began supporting a range of office products produced by Indigenous business Tjindgarmi. These products support a clear social outcome, with a portion of all Tjindgarmi sales going to the Teter Mek foundation to promote and preserve Indigenous Australian culture.

The Institute has also replaced a range of non-Green cleaning products with environmentally friendly alternatives, a move that additionally provides staff and students with an improved working environment and supports our occupational health and safety obligations.

Victorian Industry Participation Policy disclosure

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

There were no disclosures in 2016.

Overseas and domestic travel

All overseas and domestic travel by employees of Bendigo Kangan Institute during the reporting year were compliant with the Victorian Public Sector Travel Principles issued on December 2006 by the Department of Premier and Cabinet.

Overseas operations

This section outlines Bendigo Kangan Institute's 2016 overseas activities and performance undertaken by our international services department and VETASSESS, which functions as a separate commercial arm.

Our international services department's 2016 overseas operations included the design and delivery of Australian qualifications and non-accredited courses in China, India, Papua New Guinea, Taiwan and Saudi Arabia.

Developing and expanding our international partnerships were also a focus for 2016. During the year our staff visited 12 countries to support our international student recruitment activities, develop articulation agreements with new and existing partner institutions and attend graduations at partner institutes.

VETASSESS' overseas activities primarily involve the provision of skilled migration assessments for the Australian Government's Department of Immigration and Border Protection (DIBP) and Department of Education and Training (DET). VETASSESS is:

- a gazetted assessing authority appointed by the DIBP for skilled migration assessments for general professional occupations, and
- a provider of trade skills assessments for the overseas skills assessment program and 457 visa program through a service deed of agreement with the DET.

Nature of strategic and operational risks

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

Strategies established to manage risks

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

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

- rigorous due diligence of all new business opportunities
- upfront payment clauses and partnering with reputable institutes
- overseeing and auditing offshore activities while regularly gaining local intelligence

Strategies employed by VETASSESS include:

- collating regular reports regarding VETASSESS' international activities, which are inclusive of targets and actual results
- coordinating a bi-annual pipeline and travel report that identifies international assessment activity, associated promotional events, as well as the return on investment generated

Performance measures and targets

The Institute's performance management process is supported through an innovation process that requires all opportunities to be assessed for viability as well as strategic, market and customer relevance before an activity is commenced.

Once approved, the projects are included in the annual budget cycle, with monthly tracking to targets and a quarterly business performance review undertaken. Any significant variances are highlighted and discussed through the Institute's performance management structure.

Achieving expected outcomes

In 2016 our international services' offshore business generated approximately \$1.2m in revenue. The set revenue targets were exceeded and strong foundations have been established to deliver sustainable and financially viable business offshore that is designed to further generate revenue for the following years.

During the year we gained significant momentum through new programs launched in key overseas markets such as China, India and Saudi Arabia.

This includes the pilot automotive focused occupational health and safety program in China, the first International Training and Assessment Course (ITAC) program funded by the Victorian Government in India as well as delivery of ITAC in Saudi Arabia for the first time.

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

In 2016 the total revenue generated by VETASSESS' international activity was approximately \$17.7m, which is about \$970,000 above the 2016 target and a 5% growth compared to 2015. This calculation includes both onshore and offshore revenue as separate records are not available.

In the provision of assessments for general professional occupations, VETASSESS completed a total of 16,040 skills assessments covering 343 occupations. This was a 12% increase in completed skills assessment applications compared to 2015.

In the area of skilled trades, VETASSESS conducted 2,470 assessments in 2016, an 11% increase compared to the 2015 result. The assessments were conducted for applicants from 14 countries and covered 29 trade occupations.

Other key offshore achievements for 2016 include the establishment of a VETASSESS New Delhi office and closer collaboration with key stakeholders in India and China, which are the largest markets for skilled migration. Stakeholders include registered migration agents, government education authorities and in-country Australian embassy migration officials. Liaison with these stakeholders has contributed to higher quality applications from customers and the maintenance of high standards of integrity in assessment processes.

Major commercial activities

There were no major commercial activities for the 2016 reporting period.

Advertising expenditure

This section details the Institute's government advertising expenditure in 2016 for campaigns with a media spend of \$100,000 or greater. Calculations exclude GST.

Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure	Creative and campaign development expenditure	Research and evaluation expenditure	Print and collateral expenditure	Other campaign expenditure
Semester 1 Jan-Feb advertising campaign	This campaign aimed to meet our student enrolment and student retention goals for semester 1, 2016. The campaign also aimed to boost awareness of the Kangan Institute and Bendigo TAFE brands. A mix of above the line and direct channels were included to offer the highest return on investments based on the result of past campaigns.	January-March 2016	\$534,106	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
Mid-year and open day advertising campaign	This campaign aimed to drive enrolments for all courses with a mid-year intake, as well as to raise awareness of Bendigo Kangan Institute.	May-August 2016	\$221,895	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
End of year advertising campaign	To drive awareness and enrolments for Semester 1 2017 intake.	September-December 2016	\$208,500	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
Total spend			\$964,501				

Consultancies expenditure

Bendigo Kangan Institute engages consultants for services for which the Institute does not have the required specialist skills. The total consultancy costs incurred during 2016 was \$10,698,356 (excl. GST).

There were 19 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2016 in relation to these consultancies was \$91,962 (excl. GST).

There were 18 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016 in relation to these consultancies is \$10,606,394 (excl. GST).

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

Information communication technology expenditure

Enhancing our digital platforms is a key focus for Bendigo Kangan Institute. In 2016, we invested a total of \$10m on information communication technology (ICT). The breakdown of our expenditure is outlined in the following table.

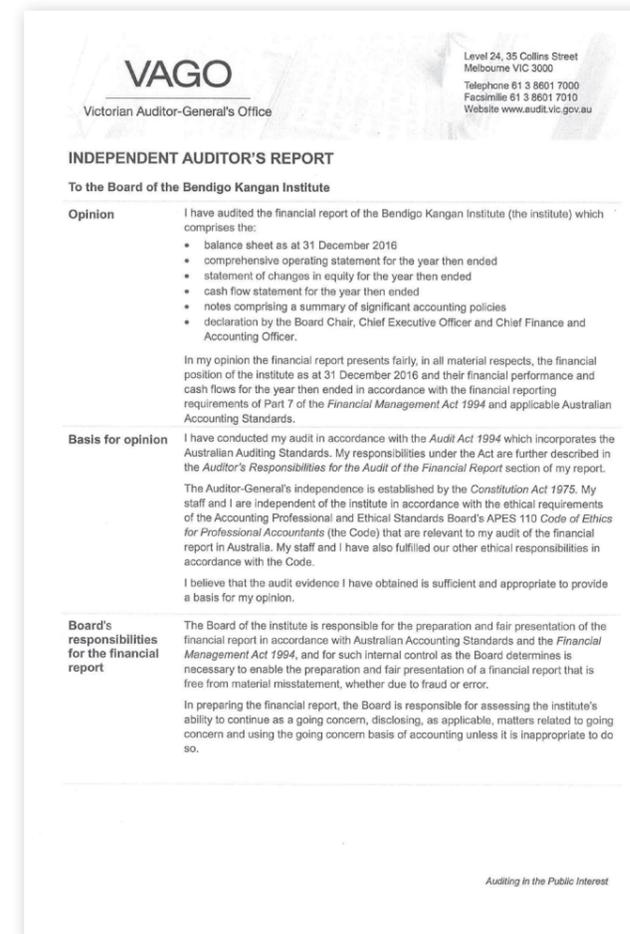
Business and usual ICT expenditure (\$)	Non-business as usual ICT expenditure (\$)	Operational expenditure (\$)	Capital expenditure (\$)
\$5.8m	\$4.2m	\$2.3m	\$1.9m

Financial reports

TABLE OF CONTENTS

Financial statements and accompanying notes for the year ended 31 December 2016

Auditor's report	31	12 Provisions	63
Declaration by the Board Chair, Chief Executive Officer and Chief Finance and Accounting Officer	32	13 Borrowings	65
Comprehensive operating statement	33	14 Other liabilities	66
Balance sheet	34	15 Reserves	66
Statement of changes in equity	35	16 Cash flow information	67
Cash flow statement	36	17 Commitments for expenditure	69
Notes to the financial statements		18 Contingent assets and contingent liabilities	70
<i>Note Accompanying note</i>		19 Leases	71
1 Statement of significant accounting policies	37	20 Superannuation	73
2 Income from transactions	51	21 Trust account balances	75
3 Expenses from transactions	52	22 Financial instruments	76
4 Other economic flows included in net result	54	23 Responsible persons and executive officers	89
5 Receivables	55	24 Related parties	91
6 Investments and other financial assets	56	25 Ex-gratia expenses	92
7 Inventories	56	26 Controlled entities	92
8 Property, plant and equipment	57	27 Remuneration of auditors	92
9 Intangible assets	61	28 Subsequent events	93
10 Other non-financial assets	62	29 Economic dependency	93
11 Payables	62	30 Institute details	93



Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE
6 March 2017


Simone Bohan
as delegate for the Auditor-General of Victoria

BENDIGO KANGAN INSTITUTE COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Continuing operations			
Income from transactions			
Government contributions - operating	2(a)(i)	58,387	75,907
Government contributions - capital	2(a)(ii)	22,640	5,863
Sale of goods and services	2(b)	57,060	60,929
Interest	2(c)	2,023	2,223
Other income	2(d)	773	2,550
Total income from transactions		140,883	147,472
Expenses from transactions			
Employee expenses	3(a)	84,595	89,844
Depreciation and amortisation	3(b)	9,054	9,717
Grants and other transfers	3(c)	583	620
Supplies and services	3(d)	31,596	32,299
Other operating expenses	3(e)	11,444	11,207
Total expenses from transactions		137,272	143,687
Net result from transactions (net operating balance)		3,611	3,785
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4(a)	556	(13)
Net gain/(loss) on financial instruments	4(b)	(223)	(656)
Other gains/(losses) from other economic flows	4(c)	(104)	81
Total other economic flows included in net result		229	(588)
Net result from continuing operations		3,840	3,197
Total other economic flows - Other comprehensive income		11,897	-
Comprehensive result		15,737	3,197

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



FINANCIAL REPORT FOR YEAR ENDED 31 DECEMBER 2016

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

We certify that the attached financial statements for Bendigo Kangan Institute have been prepared in accordance with Standing Direction 5.2 of the Financial Management Act 1994, applicable Financial Reporting Directions issued under that legislation, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial report, presents fairly the financial transactions during the year ended 31 December 2016 and financial position of the Institute as at 31 December 2016.

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

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

Michael Brown
Board Chair
Date: 27 February 2017
Place: Bendigo

Bruce Whittaker
Chief Finance &
Accounting Officer
Date: 27 February 2017
Place: Bendigo

Trevor Schwenke
Chief Executive Officer
Date: 27 February 2017
Place: Bendigo

Bendigo Kangan Institute

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

ABN 74 802 942 886 | Trading as Bendigo TAFE and Kangan Institute | RTO No. 3077 | CRICOS Provider Nov 012186

BENDIGO KANGAN INSTITUTE BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Financial assets			
Cash and deposits	16(a)	67,455	48,741
Receivables	5	12,598	11,211
Investments and other financial assets	6	10,000	26,092
Total financial assets		90,053	86,044
Non-financial assets			
Inventories	7	432	490
Property, plant and equipment	8	265,204	258,624
Intangible assets	9	4,427	4,350
Other non-financial assets	10	1,454	1,076
Total non-financial assets		271,517	264,540
Total assets		361,570	350,584
Liabilities			
Payables	11	14,175	18,481
Provisions	12	15,369	15,674
Borrowings	13	-	36
Other liabilities	14	3,134	3,238
Total liabilities		32,678	37,429
Net assets		328,892	313,155
Equity			
Accumulated surplus/(deficit)		24,131	20,291
Physical asset revaluation surplus	15(a)	57,999	46,102
Contributed capital		246,762	246,762
Net worth		328,892	313,155
Commitments for expenditure	17		
Contingent assets and contingent liabilities	18		

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

BENDIGO KANGAN INSTITUTE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Physical asset revaluation surplus \$'000	Accumulated surplus \$'000	Contributions by owner \$'000	Total \$'000
At 1 January 2015	46,102	17,094	246,762	309,958
Net result for the year	-	3,197	-	3,197
Year ended 31 December 2015	46,102	20,291	246,762	313,155
Net result for the year	-	3,840	-	3,840
Asset revaluation	11,897	-	-	11,897
Year ended 31 December 2016	57,999	24,131	246,762	328,892

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

BENDIGO KANGAN INSTITUTE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts			
Government contributions - operating		59,049	75,907
Government contributions - capital		22,640	5,863
User fees and charges received		56,574	64,591
Goods and services tax recovered from the ATO		937	3,514
Interest received		2,023	2,223
Other receipts		2,193	5,038
Total receipts		143,416	157,136
Payments			
Payments to suppliers and employees		(134,439)	(134,665)
Goods and services tax paid to the ATO		(2,031)	(5,668)
Total payments		(136,470)	(140,333)
Net cash flows from/(used in) operating activities	16(d)	6,946	16,803
Cash flows from investing activities			
Payments for investments		(5,000)	-
Proceeds from sale of investments		21,092	10,398
Purchases of non-financial assets		(4,813)	(2,261)
Proceeds from sales of non-financial assets		630	23
Net cash provided by/(used in) investing activities		11,909	8,160
Cash flows from financing activities			
Cash received from activity transferred in		-	-
Energy performance contract repayment		(105)	(141)
Repayment of finance leases		(36)	(25)
Net cash provided by/(used in) financing activities		(141)	(166)
Net increase/(decrease) in cash and cash equivalents		18,714	24,797
Cash and cash equivalents at the beginning of the financial year		48,741	23,944
Cash and cash equivalents at the end of the financial year	16(a)	67,455	48,741

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1

The annual financial statements represent the audited general purpose financial statements for Bendigo Kangan Institute.

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

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

1.01 Statement of compliance

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

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

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

The financial statements were authorised for issue by the Board members on 27 February 2017.

1.02 Basis of accounting preparation and measurement

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

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

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

Critical accounting judgement and key sources of estimation uncertainty

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

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment;
- superannuation expense; and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The following are the critical judgement apart from those involved estimations that the Institute has made in the process of applying the accounting policies and that have the most significant effect of the amounts recognised in the consolidated financial statements.

Discount rates applied to material balances –

Discounted future cash flows are estimated based on market exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Fair value measurements and valuation process –

Assets and liabilities are measured at fair value using market-observable data where available and engaging a professional valuer in its absence. The Institute liaises with the professional valuer for the appropriate inputs and valuation techniques.

Useful lives of buildings, plant and equipment – The Institute with the aid of a valuer estimates the remaining useful life based on the assumption that assets are held until the end of the useful lives.

Fair value measurement

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

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

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

The Institute's assets are subject to a revaluation model, as directed by the State's financial reporting directions. The Institute records non-current tangible assets at fair value (depreciated replacement cost), with revaluations completed every five years as required by FRD 103F Non-Financial Physical Assets. The most recent valuation was completed on 31 December 2012.

During the interim years, an annual fair value assessment is undertaken to ensure that the carrying value of the assets is not materially different from the fair value as at balance sheet date. The Institute uses indices provided by the VGV to complete these assessments.

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

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

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

1.03 Reporting entity

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

Its principal address is:

Bendigo Kangan Institute
62-104 Charleston Road
Bendigo VIC 3550

The financial statements include all the controlled activities of the entity.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.04 Basis of consolidation

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

1.05 Scope and presentation of financial statements

Comprehensive operating statement

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

The net result is equivalent to profit or loss derived in accordance with AASs.

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

- gains and losses from disposals of non-financial assets;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurement arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

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

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

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

Cash flow statement

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

Statement of changes in equity

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

1.06 Events after reporting date

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.07 Goods and Services Tax (GST)

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

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are presented as operating cash flow.

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

1.08 Income from transactions

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

Government contributions

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

Sale of goods and services

(i) Student fees and charges

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

(ii) Fee for Service

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

(iii) Revenue from sale of goods

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

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

Interest

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

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

Other income

(i) Rental income

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.09 Expenses from transactions

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

Employee benefits

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

Retirement benefit obligations

(i) Defined contribution plan

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

(ii) Defined benefit plans

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

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

Depreciation and amortisation

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

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

Class of asset	Method	Rate(s)
Buildings	Straight line	2% - 2.5%
Plant and equipment	Straight line	10% - 33.33%
Computing equipment	Straight line	33.33%
Leasehold Improvement	Straight line	2.5% - 20%
Other plant and equipment	Straight line	3% - 50%
Motor vehicles	Straight line	10% - 20%
Library collections	Straight line	20%

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

Amortisation

Intangible assets with finite lives are amortised on a straight line basis over the assets useful lives. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

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

	Method	Rate(s)
Capitalised software development cost (years)	Straight line	10%

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Interest expense

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

Interest expense includes interest on advances, loans, overdrafts, bonds and bills, deposit, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Grants and other transfers

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

1.10 Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

Disposal of non-financial assets

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

Impairment of non-financial assets

Assets are assessed annually for indications of impairment, except for:

- Inventories
- Financial assets

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement, except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash flows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

Net gain/(loss) on financial instruments

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

Revaluations of financial instruments at fair value

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

Other gains/(losses) from other economic flows

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

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.11 Financial instruments

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

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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

1.12 Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.

Receivables

Receivables consist of:

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

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

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

Investments and other financial assets

Investments are classified in the following categories:

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Institute retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Institute has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset, or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Impairment of financial assets

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

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

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

1.13 Leases

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

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

Finance leases

Institute as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the Institute will obtain ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability, and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Operating leases

Institute as lessor

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

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

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Institute as lessee

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

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. During 2006, Kangan Institute took possession of land at the Docklands campus on a 92 year lease as a peppercorn rental of \$1 per year.

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

1.14 Non-financial assets

Inventories

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

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

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

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

Property, plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition.

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

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

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

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

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

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

Library collections

Library collections are measured at cost less accumulated depreciation. All library acquisitions are brought to account and depreciated over a five year period. If there is any indication of impairment, the assets are tested as to whether their carrying value exceeds its recoverable amount. If impairment exists, the expense is charged to the comprehensive operating statement.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Leasehold improvements

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

Revaluations of non-financial physical assets

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

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

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

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

Intangible assets

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

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

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

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

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

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

Prepayments

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.15 Liabilities

Payables

Payables consist of:

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

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

Provisions

Provisions are recognised when the Institute has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee benefits

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

(i) Wages and salaries, and annual leave

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

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

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

(ii) Long service leave

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

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

The components of the current LSL liability are measured at:

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

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest for which it is then recognised as an other economic flow.

(iii) Termination benefits

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Employee benefits on-costs

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

1.16 Commitments

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

1.17 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 18) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of the GST receivable or payable respectively.

1.18 Equity

Contributed capital

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

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

1.19 Materiality

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

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

1.20 Rounding of amounts

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

1.21 Comparative information

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.22 New and revised AASBs in issue but not yet effective

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

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

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	The amendments extend the scope of <i>AASB 124 Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the standard by not-for-profit public sector entities.	1 Jul 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP) and the related party transactions.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of NonCash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1.22 New and revised AASBs in issue but not yet effective (continued)

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

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
 - AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
 - AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2015)
 - AASB 2014 8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2015) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]
 - AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
 - AASB 2015 3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
 - AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]¹
 - AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
 - AASB 2016 -2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
 - AASB 2016 -3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
 - AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]
- Note:
1. This standard or amendment may not be relevant to Victorian not-for-profit entities when operative.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – Income from transactions

	2016	2015
2	\$'000	\$'000
Income from transactions		
(a) Grants and other transfers (other than contributions by owners)		
(i) Government contributions - operating		
State government - contestable	46,765	55,272
Other contributions by the State government	11,622	20,635
Total government contributions - operating	58,387	75,907
(ii) Government contributions - capital		
State capital	22,640	5,863
Total government contributions - capital	22,640	5,863
Total government contributions	81,027	81,770
(b) Sales of goods and services		
Student fees and charges	9,512	15,422
Rendering of services		
Fee for service - government	10,750	10,680
Fee for service - international operations - onshore	4,283	4,046
Fee for service - international operations - offshore	5,457	4,881
Fee for service - other	25,186	23,671
Total rendering of services	45,677	43,278
Other non-course fees and charges		
Sale of goods	1,871	2,229
Total other fees and charges	1,871	2,229
Total revenue from sale of goods and services	57,060	60,929
(c) Interest income		
Interest from financial assets not at fair value through P/L		
Interest on bank deposits	2,023	2,223
Total interest from financial assets not at fair value through P/L	2,023	2,223
Net interest income	2,023	2,223

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 - Income from transactions (continued)		
	2016	2015
	\$'000	\$'000
(d) Other income		
Rental income:		
Hire of facilities and equipment	602	671
Total rental income	602	671
Donations, bequests and contributions	339	404
Other revenue	(193)	802
Salary recoveries	26	673
Total other income	773	2,550

NOTE 3 - Expenses from transactions		
	2016	2015
	\$'000	\$'000
3 Expenses from transactions		
(a) Employee expenses		
Salaries, wages, overtime and allowances	67,542	69,982
Superannuation	6,706	5,478
Payroll tax	3,667	3,234
Worker's compensation	440	1,602
Long service leave	808	1,493
Annual leave	4,665	5,705
Termination benefits	558	1,872
Other	210	478
Total employee expenses	84,595	89,844
(b) Depreciation and amortisation		
Depreciation of non-current assets		
Buildings	6,595	6,536
Plant and equipment	1,564	1,892
Motor vehicles	315	337
Library collections	109	145
Leasehold improvements	25	41
Total depreciation	8,607	8,951
Amortisation of non-current physical and intangible assets		
Software	447	766
Total amortisation	447	766
Total depreciation and amortisation	9,054	9,717

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3 - Expenses from transactions (continued)		
	2016	2015
	\$'000	\$'000
(c) Grants and other transfers (other than contributions by owners)		
Grants and subsidies - apprentices and trainees	21	166
Commission	555	441
Donations to outside organisations	8	13
Total grants and other transfers	583	620
(d) Supplies and services		
Purchase of supplies and consumables	4,329	4,747
Communication expenses	3,046	2,694
Contract and other services	21,730	22,832
Cost of goods sold/distributed (ancillary trading)	805	855
Building repairs and maintenance	1,154	611
Fees and charges	533	560
Total supplies and services	31,596	32,299
(e) Other operating expenses		
General expenses		
Marketing and promotional expenses	2,968	2,312
Occupancy expenses	3,561	4,352
Audit fees and services	98	127
Staff development	466	236
Travel and motor vehicle expenses	1,539	1,162
Motor vehicle taxes	82	54
Other expenses	421	600
Total other expenses	9,135	8,843
Operating lease rental expenses:		
Lease payments	615	875
Total operating lease rental expenses	615	875
Subtotal	9,750	9,718
Bad debts from transactions	11	23
Equipment below capitalisation threshold	986	663
Other equipment repairs and maintenance	698	803
Total other operating expenses	11,444	11,207

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 4 - Other economic flows included in net result		
	2016	2015
	\$'000	\$'000
4 Other economic flows included in net result		
(a) Net gain/(loss) on non-financial assets (including PPE and intangible assets)		
Net gain/(loss) on disposal of property, plant and equipment	556	(13)
Total net gain/(loss) on non-financial assets	556	(13)
(b) Net gain/(loss) on financial instruments		
Impairment of loans and receivables	(223)	(656)
Total net gain/(loss) on financial instruments	(223)	(656)
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	(93)	198
Net gain/(loss) arising from revaluation of annual leave liability	(11)	(117)
Total other gains/(losses) from other economic flows	(104)	81

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 5 - Receivables		
	2016	2015
	\$'000	\$'000
5 Receivables		
Current receivables		
Contractual		
Sale of goods and services ¹	5,195	5,020
Provision for doubtful contractual receivables (See also Note 5(a) below)	(1,308)	(1,085)
Revenue receivable	8,406	7,157
Other	305	119
Total contractual	12,598	11,211
Total current receivables	12,598	11,211
Total receivables	12,598	11,211
1. The average credit period for sales of goods and services and for other receivables is 30 days. No interest is charged on overdue trade and other receivables. A provision has been made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired and by reference to past default experience.		

	2016	2015
	\$'000	\$'000
(a) Movement in the provision for doubtful contractual receivables		
Balance at beginning of the year	(1,085)	(667)
Trade receivables accounts cleared to provision	-	238
Increase in provision recognised in the net result	(223)	(656)
Balance at end of the year	(1,308)	(1,085)
(b) Ageing analysis of contractual receivables		
Please refer to note 22(ii) for the ageing analysis of contractual receivables.		
(c) Nature and extent of risk arising from contractual receivables		
Please refer to note 22(ii) for the nature and extent of credit risk arising from contractual receivables.		

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 6 – Investments and other financial assets

	2016	2015
	\$'000	\$'000
6 Investments and other financial assets		
Current investments and other financial assets		
Term deposits¹:		
Australian dollar term deposits > three months	5,000	21,092
Total current investments and other financial assets	5,000	21,092
Non-current investments and other financial assets		
Term deposits:		
Australian dollar term deposits	5,000	5,000
Total term deposits	5,000	5,000
Total non-current investments and other financial assets	5,000	5,000
Total investments and other financial assets	10,000	26,092

Notes:

1. Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

(a) Ageing analysis of investments and other financial assets
Please refer to note 22(ii) for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from investments and other financial assets
Please refer to note 22(ii) for the nature and extent of risks arising from investments and other financial assets.

NOTE 7 – Inventories

	2016	2015
	\$'000	\$'000
7 Inventories		
Current		
Inventories held-for-sale:		
at cost	247	263
Inventories held-for-distribution¹:		
at cost	185	227
Total current inventories	432	490

Note:

1. Inventories held-for-distribution and inventory held for sale are valued at cost based on the average weighted cost at the reporting period.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 8 – Property, plant and equipment

8 Property, plant and equipment

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

	Land at fair value ¹	Buildings	Assets under construction	Plant and equipment	Motor vehicles	Leasehold improvements	Library	Total
(a)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2015								
Cost	59,502	209,731	635	32,104	2,759	506	1,919	307,156
Accumulated depreciation	-	(12,812)	-	(23,882)	(1,674)	(213)	(1,453)	(40,034)
Net book amount	59,502	196,919	635	8,222	1,085	29	466	267,122
Year ended 31 December 2015								
Opening net book amount	59,502	196,919	635	8,222	1,085	293	466	267,122
Additions	-	-	314	194	-	-	4	512
Disposals	-	-	-	(15)	(11)	-	-	(26)
Transfer into/(out of) assets under construction	-	-	(687)	687	-	-	-	-
Depreciation ¹	-	(6,552)	-	(1,866)	(337)	(41)	(155)	(8,951)
Transfer between asset categories	-	-	(33)	-	-	-	-	(33)
Closing net book amount	59,502	190,367	229	7,222	737	252	315	258,624
At 31 December 2015								
Cost	59,502	209,726	229	32,635	2,739	506	1,913	307,250
Accumulated depreciation	-	(19,359)	-	(25,413)	(2,002)	(254)	(1,598)	(48,626)
Net book amount	59,502	190,367	229	7,222	73	252	315	258,624
Year ended 31 December 2015								
Opening net book amount	59,502	190,367	229	7,222	737	252	315	258,624
Additions	-	-	2,685	114	37	-	69	2,904
Disposals	-	-	-	-	(14)	-	-	(14)
Transfer into/(out of) assets under construction	-	627	(1,524)	897	-	-	-	(0)
Write back of impairment provision	-	-	-	400	-	-	-	400
Depreciation ¹	-	(6,595)	-	(1,564)	(314)	(25)	(109)	(8,607)
Revaluation of Land	11,897	-	-	-	-	-	-	11,897
Closing net book amount	71,399	184,399	1,390	7,068	446	227	275	265,203
At 31 December 2016								
Cost	59,502	210,327	1,390	33,655	2,658	506	1,983	310,022
Valuation	11,897	-	-	-	-	-	-	11,897
Accumulated depreciation	-	(25,929)	-	(26,587)	(2,212)	(279)	(1,708)	(56,714)
Net book value at the end of the financial year	71,399	184,399	1,390	7,068	446	227	275	265,205

Notes:

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

Restricted assets

The Institute holds \$2.6m (2015: \$2.6m) worth of properties listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 8 - Property, plant and equipment (continued)

(b) Fair value measurement hierarchy for assets as at 31 December 2016

	Carrying amount as at 31 Dec 2016	Fair value hierarchy			Carrying amount as at 31 Dec 2015	Fair value hierarchy		
		Level 1 Quoted prices	Level 2 Observable price inputs	Level 3 Un-observable inputs		Level 1 Quoted prices	Level 2 Observable price inputs	Level 3 Un-observable inputs
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land at fair value:								
Non-specialised land	1,365	-	1,365	-	1,250	-	1,250	-
Specialised land	70,035	-	-	70,035	58,252	-	-	58,252
Total of land at fair value	71,399	-	1,365	70,035	59,502	-	1,250	58,252
Buildings at fair value:								
Specialised buildings	181,861	-	-	181,861	187,738	-	-	187,738
Heritage assets	2,538	-	-	2,538	2,629	-	-	2,629
Total of buildings at fair value	184,399	-	-	184,399	190,367	-	-	190,367
Plant, equipment and vehicles at fair value:								
Vehicles ¹	446	-	-	446	737	-	-	737
Plant and equipment	7,295	-	-	7,295	7,474	-	-	7,474
Total of plant, equipment and vehicles at fair value	7,741	-	-	7,741	8,211	-	-	8,211
Cultural assets at fair value:								
Library	275	-	275	-	276	-	276	-
Total of cultural assets at fair value	275	-	275	-	276	-	276	-

Notes:

There were no transfers between levels during the year.

(c) Valuations of property, plant and equipment

Fair value assessments have been performed at 31 December 2016 for all classes of assets. Excluding specialised land and non-specialised land, this assessment demonstrated that fair value was materially similar to carrying value, and therefore a full revaluation was not required this year. The next scheduled full revaluation will be conducted in 2017.

Specialised land and non-specialised land were revalued in 2016 using the Valuer-General Victoria Indices. The revaluation increase of \$11.9m was approved by the Department of Education and Training.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 8 - Property, plant and equipment (continued)

Non-specialised land

Non-specialised land is valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land, an independent valuation is performed by independent valuers on a cyclical basis to determine the fair value using the market approach. A management valuation was performed at 31 December 2016.

To the extent that non-specialised land does not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

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

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

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

Heritage assets

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

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

Vehicles

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

Plant and equipment

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

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

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 8 - Property, plant and equipment (continued)

(d) Reconciliation of Level 3 fair value as at 31 December 2016	Specialised land	Specialised buildings	Heritage assets	Plant and equipment	Motor vehicles
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	58,252	187,738	2,629	7,474	737
Purchases (sales)	-	-	-	114	23
Transfers in (out) of Level 3	-	627	-	897	-
Depreciations	-	(6,504)	(91)	(1,589)	(314)
Write back of impairment provision	-	-	-	400	-
Revaluation	11,782	-	-	-	-
Closing balance	70,034	181,861	2,538	7,295	446

Reconciliation of Level 3 fair value as at 31 December 2015	Specialised land	Specialised buildings	Heritage assets	Plant and equipment	Motor vehicles
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	58,252	194,051	2,868	8,515	1,085
Purchases (sales)	-	-	-	179	(11)
Transfers in (out) of Level 3	-	-	-	687	-
Depreciations	-	(6,313)	(239)	(1,907)	(337)
Closing balance	58,252	187,738	2,629	7,474	737

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

	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Heritage assets	Reproduction cost	Cost per unit
Plant and equipment	Depreciated replacement cost	Useful life plant and equipment
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 9 - Intangible assets

9 Intangible assets	Software	Software (developed - in use)	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2015			
Gross carrying amount			
Opening balance	8,887	2,196	11,083
Additions	-	2,182	2,182
Closing balance	8,887	4,378	13,265
Accumulated depreciation, amortisation and impairment			
Opening balance	8,149	-	8,149
Depreciation of intangible produced assets	738	28	766
Closing balance	8,887	28	8,915
Net book value at end of financial year	-	4,350	4,350
Note:			
Software			
Software of \$8.9m (fully depreciated) represents the ertswhile Student Management System that is no longer in use.			
	Software	Software (developed - in use)	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2016			
Gross carrying amount			
Opening balance	-	4,378	4,378
Additions	-	523	523
Additions from internal developments	-	-	-
Closing balance	-	4,901	4,901
Accumulated depreciation, amortisation and impairment			
Opening balance	-	28	28
Depreciation of intangible produced assets	-	447	447
Closing balance	-	474	474
Net book value at end of financial year	-	4,427	4,427

Note:

Significant intangible assets

Software development costs of \$1.3m in 2016 on Stage 2 of the Student Management System (Banner) have been deferred as at 31 December 2016. Stage 2 is scheduled to go live in 2017. Stage 1 went live in December 2015. Related costs are amortised over an estimated economic life of 10 years at a rate of 10% per annum.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 10 - Other non-financial assets		
	2016	2015
10 Other non-financial assets	\$'000	\$'000
Current other non-financial assets		
Prepayments	1,454	1,076
Total current other non-financial assets	1,454	1,076
Total other non-financial assets	1,454	1,076

NOTE 11 - Payables		
	2016	2015
11 Payables	\$'000	\$'000
Current		
Contractual^{2,3}		
Supplies and services ¹	4,140	9,752
Revenue in advance	9,329	7,577
Other payables ¹	139	116
	13,609	17,445
Statutory³		
GST payable	176	251
FBT payable	24	30
Other taxes payable	366	755
Total current payables	14,175	18,481
Total payables	14,175	18,481

Notes:

- The average credit period is 30 days. No interest is charged on contractual payables.
- Maturity analysis of contractual payables. Refer to Note 22(iii) for the maturity analysis of contractual payables.
- Nature and extent of risk arising from contractual payables. Refer to Note 22(iii) for the nature and extent of risks arising from contractual payables.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 12 - Provisions		
	2016	2015
12 Provisions	\$'000	\$'000
Current provisions		
Employee benefits (Note 12(a))¹		
Annual leave (Note 12(a)):		
Unconditional and expected to wholly settle within 12 months ²	3,588	3,422
Unconditional and expected to wholly settle after 12 months ²	388	341
Long service leave (Note 12(a)):		
Unconditional and expected to wholly settle within 12 months ²	2,016	1,521
Unconditional and expected to wholly settle after 12 months ²	5,336	6,207
Other provisions	-	125
Provisions for on costs (Note 12(a) and Note 12(b)):		
Unconditional and expected to wholly settle within 12 months ²	489	835
Unconditional and expected to wholly settle after 12 months ²	870	1,072
Make good provision (Note 12 (b)) ³	-	198
Victorian Training Guarantee Contract	838	-
Total current provisions	13,526	13,721
Non-current provisions		
Employee benefits (Note 12(a)) ¹	1,366	1,608
On costs (Note 12(a) and Note 12(b))	218	262
Make good provision (Note 12(b)) ³	259	83
Total non-current provisions	1,843	1,953
Total provisions	15,369	15,674

Notes:

- Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.
- Amounts are measured at present values (calculated using discount rates published by the Department of Treasury and Finance).
- In accordance with various lease agreements over premises, the Institute must remove any leasehold improvements from these premises and restore them to their original condition at the end of the lease term.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 12 - Provisions (continued)			
	2016	2015	
(a) Employee benefits and on costs ¹	\$'000	\$'000	
Current employee benefits			
Annual leave	3,977	3,422	
Long service leave	7,353	7,728	
Non-current employee benefits			
Annual leave	-	-	
Long service leave	-	341	
Total employee benefits	1,366	1,608	
	12,696	13,099	
On costs			
Current on costs	1,359	1,907	
Non current on costs	218	262	
Total on costs	1,577	2,169	
Total employee benefits and on costs	14,272	15,268	
Note:			
1. Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are recognised as a separate provision.			

(b) Movement in provisions	2016 \$'000			
	Other	Make-good	On costs	Total
Opening balance	-	281	2,169	2,450
Additional provisions recognised	838	(22)	(592)	(615)
Closing balance	838	259	1,577	1,835
Current	838	-	1,359	1,359
Non-current	-	259	218	477
	838	259	1,577	1,836

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 13 - Borrowings			
	2016	2015	
13 Borrowings	\$'000	\$'000	
Current			
Finance lease liabilities ¹	-	36	
Total current borrowings	-	36	
Total borrowings	-	36	
Note:			
1. Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.			

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 14 - Other liabilities		
	2016	2015
	\$'000	\$'000
14 Other liabilities		
Current^{1,2}		
Advances other		
Float for ACE stage 2 ³	2,500	2,500
Energy performance contract repayment ⁴	146	145
Total current other liabilities	2,646	2,645
Non-current^{1,2}		
Energy performance contract repayment ⁴	488	593
Total non-current other liabilities	488	593
Total other liabilities	3,134	3,238
Notes:		
1. Maturity analysis of contractual payables. Please refer to Note 22(iii) for the maturity analysis of contractual payables.		
2. Nature and extent of risk arising from contractual payables. Please refer to Note 22(iii) for the nature and extent of risks arising from contractual payables.		
3. Non-interest bearing and unsecured advance for ACE stage 2.		
4. The energy performance contract has notional interest applied, is unsecured and is repayable over an eight year period commencing June 2014.		

NOTE 15 - Reserves		
	2016	2015
	\$'000	\$'000
15 Reserves		
(a) Physical asset revaluation surplus¹:		
Asset revaluation surplus - land	17,247	17,247
Asset revaluation surplus - buildings	28,855	28,855
Opening balance at 1 January	46,102	46,102
Land revaluation increments/(decrements)	11,897	(0)
Total physical asset surplus at 31 December	57,999	46,102
Net changes in reserves	11,897	(0)
Note:		
1. The physical assets revaluation surplus arises on the revaluation of infrastructure, land and buildings.		

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 16 - Cash flow information		
	2016	2015
	\$'000	\$'000
16 Cash flow information		
(a) Reconciliation of cash and cash equivalents		
Total cash and deposits disclosed in the balance sheet	67,455	48,741
Balance as per cash flow statement	67,455	48,741
	2016	2015
	\$'000	\$'000
(b) Non-cash financing and investing activities		
Indemnity/guarantee facility		
Amount used ¹	377	450
Indemnity/guarantee facility available	450	450
<i>(These acquisitions are not reflected in the cash flow statement)</i>		
Balance as per cash flow statement	450	450
Note:		
1. Comprises bank guarantees for the purposes of securing supply of rental premises from third parties on normal terms and conditions. Refer to Note 18.		

	2016	2015
	\$'000	\$'000
(c) Financing facilities		
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount used	-	-
Amount unused	1	1
Unsecured loan facilities		
Amount used ²	-	36
Amount unused	500	500
	501	537
Note:		
2. Refer to Note 19(iii) for details.		

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 16 - Cash flow information (continued)		
	2016	2015
	\$'000	\$'000
(d) Reconciliation of net result for the period		
Net result for the year	3,840	3,197
Non cash movements:		
(Gain)/loss on sale or disposal of non-current assets	(556)	13
Depreciation and amortisation of non-current assets	9,054	9,717
Movements in assets and liabilities		
Decrease/(increase) in trade receivables	(175)	541
Decrease/(increase) in inventories	60	167
Decrease/(increase) in other debtors	(2,948)	(183)
Increase/(decrease) in payables	(2,570)	3,357
Increase/(decrease) in provisions	(305)	180
Increase/(decrease) in current liabilities	(105)	(186)
Net cash flows from/(used in) operating activities	6,946	16,803

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 17 - Commitments for expenditure		
	2016	2015
	\$'000	\$'000
17 Commitments for expenditure		
(a) Capital expenditure commitments payable		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Property, plant and equipment		
Payable:		
Within one year	-	1,510
Later than one year but not later than five years	-	-
Total property, plant and equipment	-	1,510
GST reclaimable on the above	-	(137)
Net commitments property, plant and equipment	-	1,373
(b) Non-cancellable operating lease commitments payable¹		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,840	2,411
Later than one year but not later than five years	2,467	3,349
Total minimum lease payments in relation to non-cancellable operating leases	4,306	5,760
GST reclaimable on the above	(391)	(524)
Net commitments non-cancellable operating leases	3,915	5,236
(c) Other expenditure commitments		
Commitments for maintenance and other expenditure are payable as follows:		
Within one year	3,374	2,965
Later than one year but not later than five years	2,415	5,495
Total other expenditure commitments	5,790	8,460
GST reclaimable on the above	(526)	(769)
Net commitments other expenditure commitments	5,263	7,691
Total commitments for expenditure (Including GST)	10,096	15,730
GST reclaimable on the above	(918)	(1,430)
Net total commitments for expenditure	9,178	14,300

Note:

1. Operating leases are effectively non-cancellable and include leases for office accommodation, computer equipment and motor vehicles.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 18 - Contingent assets and contingent liabilities		
	2016	2015
	\$'000	\$'000
18 Contingent assets and contingent liabilities		
Details and estimates of maximum amounts of contingent assets and contingent liabilities are as follows:		
Contingent assets		
TSAF funding arrangements ¹	15,340	31,600
Other ²	-	10,000
Total estimated contingent assets	15,340	41,600
Contingent liabilities		
Bank guarantees ³	(377)	(437)
Total estimated contingent liabilities	(377)	(437)
Total estimated contingent assets and (liabilities)	14,963	41,163
Notes:		
1. The Institute has entered into funding agreements with the Department of Education and Training for the Food & Fibre Centre of Excellence and the Health & Community Centre of Excellence. The release of these funds is contingent on the Institute demonstrating that they have achieved agreed milestones. The Institute will benefit from the inflow of \$15.3m in operating contributions in subsequent financial years, subject to the achievement of agreed milestones.		
2. In 2015 there was a \$10 million contingent asset from the planned sale of the Moreland campus. The property title has been taken back by the Department of Education and Training.		
3. The amount disclosed comprises bank guarantees for the purposes of securing supply of rental premises from third parties on normal terms and conditions.		

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 19 - Leases		
(i) Operating leases - Institute as lessee		
Refer to Note 17 (Commitments for expenditure).		
(ii) Operating leases - Institute as lessor		
The Institute leases out certain land, buildings and equipment, which are excess to current requirements, at current market rates.		
	2016	2015
	\$'000	\$'000
Leasing arrangements		
As at the reporting date the Institute leased out the following assets:		
Vahlands Bistro, Bendigo	15	14
Charleston Road Café, Bendigo	-	6
136 McCrae Street, Bendigo	-	22
130 McCrae Street, Bendigo	25	48
Specimen Cottage, Bendigo	-	7
Hargreaves Street, Bendigo	13	-
Cnr Hargreaves & Mundy Street, Bendigo	121	92
Echuca West Road, Echuca	3	-
Butcher Street, Echuca	-	4
4 Neil Street, Maryborough	-	3
Castlemaine Community House, Castlemaine	-	12
Moreland City Council premises	5	-
69 - 71 Cremorne St, Richmond	96	194
Dimboola Road, Broadmeadows	357	-
Pearcedale Parade (Adjacent Building T) , Broadmeadows	52	-
Gross amount of leased assets	688	402
	2016	2015
	\$'000	\$'000
Non-cancellable operating lease receivables		
Payments due		
Within one year	195	208
Later than one year but not later than five years	189	194
Later than five years	304	-
Total non-cancellable operating lease receivables	688	402
GST payable on the above	(63)	(37)
Net operating leases receivables	626	365

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 19 - Leases (continued)

(iii) Finance leases - Institute as lessee

Leasing arrangements

The Institute had a finance lease arrangement with National Australia Bank for one motor vehicle.

	Minimum future lease payments ¹		Present value of minimum future lease payments	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Finance lease liabilities payable				
Within one year	-	39	-	36
Later than one year but not later than five years	-	-	-	-
Minimum future lease payments	-	39	-	36
Less future finance charges	-	(3)	-	(3)
Present value of minimum lease payments	-	36	-	33
Included in the financial statements as:				
Current borrowings lease liabilities (Note 13)			-	33
Non-current borrowings lease liabilities			-	-
Total included in financial statements			-	33

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 20 - Superannuation

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

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

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of the Institute.

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

	2016	2015
20	\$'000	\$'000
Superannuation		
Paid contribution for the year		
Defined benefit plans:		
State Superannuation Fund - revised and new	240	292
Other	-	-
Total defined benefit plans	240	292
Defined contribution plans:		
VicSuper	2,815	3,859
Hesta	115	177
Australian Superannuation	349	483
Uni Super	104	88
MLC Masterkey	20	29
Hostplus	117	146
AMP Life Ltd	73	72
Health Super Fund	62	59
Vision Super Pty Ltd	40	59
MTAA Superannuation	83	68
Retail Employees Superannuation Trust (REST)	127	132
Colonial First State	79	79
Cbus	73	69
Catholic Super	69	51
ESSSuper Accumulation Plan	98	93
ASGARD	23	30
BT Business Super	51	26
Care Super	36	36
Superwrap	55	30
Telstra Super	22	35
Other	473	796
Total defined contribution plans	4,886	6,417
Total paid contribution for the year	5,126	6,709

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 20 - Superannuation (continued)

	2016	2015
	\$'000	\$'000
Contribution outstanding at year end		
Defined contribution plans:		
VicSuper & other schemes	-	-
Total defined contribution plans	-	-
Total	-	-

1. The Institute does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The bases for contributions are determined by the various schemes.

2. The above amounts were measured as at 31 December of each year, or in the case of employer contributions they relate to the years ended 31 December.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 21 - Trust account balances

No trust accounts have been opened or closed during 2016.

21 Trust account balances	Opening balance as at 1 Jan 2016	Total receipts	Total payments	Closing balance as at 31 Dec 2016
2016	\$'000	\$'000	\$'000	\$'000
Trust account balances relating to trust accounts controlled and/or administered by the Institute:				
Cash and cash equivalents and investments				
Administered trusts				
Bank - Jan Lorimer Trust	17	-	-	17
NAB - Connor Trust Term Deposit	52	1	-	53
NAB - Scholarship Fund Term Deposit	39	1	-	40
NAB - Funds Held in Trust	17	-	-	17
Total administered trusts	124	2	-	126
Total cash and cash equivalents and investments	124	2	-	126

2015	Opening balance as at 1 Jan 2015	Total receipts	Total payments	Closing balance as at 31 Dec 2015
2015	\$'000	\$'000	\$'000	\$'000
Trust account balances relating to trust accounts controlled and/or administered by the Institute:				
Cash and cash equivalents and investments				
Administered trusts				
Bank - Jan Lorimer trust	16	-	1	17
NAB - Connor trust term deposit	51	1	-	52
NAB - Scholarship fund term deposit	39	1	1	39
NAB - Funds held in trust	16	30	29	17
Total administered trusts	122	33	30	125
Total cash and cash equivalents and investments	122	33	30	125

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments

(i) Financial risk management objectives and policies

The Institute's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables). The Institute does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

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

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

Risk management is carried out by the finance team of the Institute under policies approved by the Board. The finance team identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

	Note	2016 \$'000	2015 \$'000
Carrying amount of financial instruments by category			
(a) Loans and receivables			
Cash and deposits	16(a)	67,455	48,741
Receivables¹:			
Trade receivables	5	3,887	3,935
Revenue receivables	5	8,406	7,157
Other receivables	5	305	119
Investment and other financial assets:			
Term deposits	6	10,000	26,092
Total loans and receivables		90,053	86,044
Total financial assets		90,053	86,044

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

	Note	2016 \$'000	2015 \$'000
(b) Financial liabilities at amortised cost:			
Payables¹:			
Supplies and services	11	4,140	9,752
Other payables	11	9,469	7,693
Other loans	13, 14	3,134	3,275
Total financial liabilities at amortised cost		16,743	20,720
Total financial liabilities		16,743	20,720

Note:

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

The net holding gains or losses of the Institute's contractual financial assets and financial liabilities by category are disclosed below.

The net holding gains or losses are determined as follows:

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

(ii) Credit risk

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

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

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Institute's strict credit policies may only purchase in cash or using recognised credit cards. The Institute does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Institute.

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

The Institute minimises credit risk in relation to student loans receivable in the following ways:

- A schedule of repayments is agreed with the student at the time of making an application for a part payment plan ("PPP").
- Provided the student meets the PPP eligibility criteria, the PPP is assessed and approved.
- The student's enrolment is completed in Student Management System ("SMS") and their record is flagged to prevent further enrolments or release of results until the debt is paid in full.
- The part payment arrangement is processed in SMS and a repayment schedule is printed and sent to the student.
- Payments are deducted from the student's nominated bank account at regular intervals until the debt is finalised.
- Debts are reviewed on a monthly basis and the provision for doubtful debts is monitored by the Financial Controller.
- All PPPs are managed in accordance with the debt collection policy.

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

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

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

There are no material financial assets which are individually determined to be impaired. Currently the Institute does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 - Financial instruments (continued)

Credit quality of contractual financial assets that are neither past due nor impaired ¹	Financial institutions (AAA rating) \$'000	Government agencies (AAA rating) \$'000	Other counter-party \$'000	Total \$'000
2016				
Cash and deposits	67,455	-	-	67,455
Receivables	-	-	12,598	12,598
Investments and other financial assets	-	10,000	-	10,000
Total contractual financial assets 2016	67,455	10,000	12,598	90,053
2015				
Cash and deposits	310	-	48,431	48,741
Receivables	-	-	11,211	11,211
Investments and other financial assets	13,000	13,000	92	26,092
Total contractual financial assets 2015	13,310	13,000	59,734	86,044

Note:

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 - Financial instruments (continued)

Ageing analysis of financial assets

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

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

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired				Impaired financial assets \$'000
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	
2016 financial assets							
Receivables¹:							
Trade receivables	5,195	1,397	2,372	310	22	-	1,094
Revenue receivables	8,406	8,406	-	-	-	-	-
Other receivables	305	100	-	-	-	-	205
Investment and other financial assets:							
Term deposits	10,000	10,000	-	-	-	-	-
Total 2016 financial assets	23,906	19,903	2,372	310	22	-	1,299
2015 financial assets							
Receivables¹:							
Trade receivables	5,020	1,952	1,657	-	109	215	1,085
Revenue receivables	7,157	7,157	-	-	-	-	-
Other receivables	119	119	-	-	-	-	-
Investment and other financial assets:							
Term deposits	26,092	26,092	-	-	-	-	-
Total 2015 financial assets	38,387	35,320	1,657	-	109	215	1,085

Note:

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Institute would be unable to meet its financial obligations as and when they fall due. The Institute operates under payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Institute's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 18.

The responsibility for liquidity risk management rests with the Institute's governing body, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity requirements. The Institute manages liquidity risk by maintaining adequate reserves and uncommitted funds that can be drawn at short notice and careful maturity planning of its financial obligations by matching the maturity profiles of financial assets and liabilities and continuously monitoring forecast and actual cash flows.

The Institute's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from at call cash reserves maintained by the Institute.

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

Maturity analysis of financial liabilities

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements, and \$0.377m (2015: \$0.437m) in relation to bank guarantees granted for the purposes of securing supply of product and services from third parties on normal terms and conditions (refer to Note 18), represents the Institute's maximum exposure to liquidity risk.

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

	Carrying amount \$'000	Nominal amount \$'000	Maturity dates				
			Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	5+ years \$'000
2016 financial liabilities							
Payables¹:							
Supplies and services	4,140	4,140	4,140	-	-	-	-
Revenue in advance	9,329	9,329	2,140	376	6,813	-	-
Other payables	139	139	139	-	-	-	-
Borrowings							
Lease liabilities	-	-	-	-	-	-	-
Other loans	3,134	3,134	-	-	2,646	488	-
Total 2016 financial liabilities	16,743	16,743	6,419	376	9,459	488	-
2015 financial liabilities							
Payables¹:							
Supplies and services	9,752	9,752	9,752	-	-	-	-
Revenue in advance	7,577	7,577	1,096	2,668	3,813	-	-
Other payables	116	116	39	77	-	-	-
Borrowings							
Finance lease liabilities	36	36	-	3	33	-	-
Other loans	3,238	3,238	-	-	2,645	593	-
Total 2015 financial liabilities	20,719	20,719	10,887	2,748	6,491	593	-

Note:

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

(iv) Market risk

The Institute in its daily operations is exposed to a number of market risks. Market risks relate to the risk that market rates and prices will change and that this will have an adverse affect on the operating result and/or net worth of the Institute. e.g. an adverse movement in interest rates or foreign currency exchange rates.

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

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

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

Foreign currency risk

The Institute is exposed to foreign currency risk mainly through the delivery of services in currencies other than the Australian Dollar.

This risk is managed by natural hedging where possible.

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

Interest rate risk

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

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

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

The Institute manages cash flow interest rate risk through a mixture of short term and longer term investments, and undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management monitors movement in interest rates on monthly basis.

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

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

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

Financial instrument composition and interest rate exposure	Weighted average effective rate	Total carrying amount per balance sheet	Interest rate exposure		
			Floating interest rate	Fixed interest rate	Non-interest bearing
2016	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and deposits	1.40%	67,455	35,642	31,658	155
Receivables¹:					
Trade receivables	-	3,887	-	-	3,887
Revenue receivables	-	8,406	-	-	8,406
Other receivables	-	305	-	-	305
Investment and other financial assets:					
Term deposits	3.40%	10,000	-	10,000	-
Total financial assets	0	90,053	35,642	41,658	12,753
Financial liabilities					
Payables¹:					
Supplies and services	-	4,140	-	-	4,140
Revenue in advance	-	9,329	-	-	9,329
Other payables	-	139	-	-	139
	-	-	-	-	-
Borrowings:					
Lease liabilities	-	-	-	-	-
Other loans	-	3,134	-	-	3,134
Total financial liabilities	-	16,743	-	-	16,743

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 - Financial instruments (continued)

	Weighted average effective rate	Total carrying amount per balance sheet	Interest rate exposure		
			Floating interest rate	Fixed interest rate	Non-interest bearing
2015	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and deposits	1.96%	48,741	45,667	2,854	220
Receivables¹:					
Trade receivables		3,935	-	-	3,935
Revenue receivables		7,157	-	-	7,157
Other receivables		119	-	-	119
Investment and other financial assets:					
Term deposits	4.26%	26,092	-	26,092	-
Total financial assets		86,044	45,667	28,946	11,431
Financial liabilities					
Payables¹:					
Supplies and services		9,752	-	-	9,752
Revenue in advance		7,577	-	-	7,577
Other payables		116	-	-	116
Borrowings:					
Lease liabilities	9.91%	36	-	36	-
Total financial liabilities		17,481	-	36	17,445

Note:

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 - Financial instruments (continued)

(v) Sensitivity analysis and assumptions

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

- a movement of 50 basis points up and down (2015: 50 basis points up and down) in market interest rates (AUD);
- a movement of 15 per cent up and down (2015: 15 per cent) for the top ASX 200 index.

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

	Carrying amount	Interest rate risk			
		- 50 basis points		+ 50 basis points	
31 December 2016	\$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Contractual financial assets					
Cash and deposits	67,455	(337)	(337)	337	337
Receivables ¹	12,598	-	-	-	-
Investments	10,000	(50)	(50)	50	50
Total increase/(decrease) in financial assets	90,053	(387)	(387)	387	387
Contractual financial liabilities					
Payables ¹	13,609	-	-	-	-
Borrowings	-	-	-	-	-
Other financial liabilities	3,134	-	-	-	-
Total increase/(decrease) in financial liabilities	16,743	-	-	-	-
Total increase/(decrease)	106,796	(387)	(387)	387	387

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

	Carrying amount	Interest rate risk			
		- 50 basis points		+ 50 basis points	
31 December 2015	\$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Contractual financial assets					
Cash and deposits	48,741	(244)	(244)	244	244
Receivables ¹	11,211	-	-	-	-
Investments	26,092	(130)	(130)	130	130
Total increase/(decrease) in financial assets	86,044	(374)	(374)	374	374
Contractual financial liabilities					
Payables ¹	17,445	-	-	-	-
Borrowings	36	-	-	-	-
Other financial liabilities	3,238	-	-	-	-
Total increase/(decrease) in financial liabilities	20,719	-	-	-	-
Total increase/(decrease)	106,763	(374)	(374)	374	374

Note:

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

Funding risk

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

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

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

(vi) Fair value estimation

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

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

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

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

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

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Note 22 – Financial instruments (continued)

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

	2016		2015	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Financial assets				
Cash and deposits	67,455	67,455	48,741	48,741
Receivables¹:				
Trade receivables	5,195	3,887	5,020	3,935
Revenue receivables	8,406	8,406	7,157	7,157
Other receivables	305	305	119	119
Investment and other financial assets:				
Term deposits	10,000	10,000	26,092	26,092
Total financial assets	91,361	90,053	87,129	86,044
Financial liabilities				
Payables¹:				
Supplies and services	4,140	4,140	9,752	9,752
Revenue in advance	9,329	9,329	7,577	7,577
Other payables	139	139	116	116
Borrowings				
Finance lease liabilities	-	-	36	36
Other loans	3,134	3,134	-	-
Total financial liabilities	16,743	16,743	17,481	17,481

Note:

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

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 23 – Responsible persons and executive officers

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

(i) Minister

The relevant Minister was the Hon. Steve Herbert, MP, Minister for Training and Skills, from 1 January 2016 until 9 November 2016, and the Hon. Gayle Tierney, MP, Minister for Training and Skills, from 9 November 2016 onwards.

Remuneration of the Minister for Training and Skills is disclosed in the financial report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members interests which is completed by each member of the Parliament.

(ii) Chief executive officer (accountable officer)

Trevor Schwenke was appointed as Chief Executive Officer (CEO) of the Institute effective 29 March 2016 with the appointment being ratified by the Hon. Steve Herbert, MP, Minister for Training and Skills, in March 2016. The position of CEO was previously held by Amanda Brook (appointed April 2015 & resigned March 2016) and Grant Sutherland (appointed July 2014 & resigned April 2015).

Remuneration received or receivable by the chief executive officer in connection with the management of the Institute during the reporting period was in the range:

Trevor Schwenke (2016: \$250,000 - \$259,999) (2015: \$nil) - also included in Note 23 (iii) and (iv)

Amanda Brook (2016: \$140,000 - \$149,999) (2015: \$400,000 - \$409,999) - also included in Note 23(v)

Grant Sutherland (2016: nil) (2015: \$130,000 - \$139,999)

(iii) Members of the board

Members of the Board of Bendigo Kangan Institute:

Board Chair - Michael Brown

Deputy Board Chair - Margaret O'Rourke

Director - Michael McCartney

Director - John Hartigan

Director - Margaret Hatton (Resigned July 2016)

Director - Christopher Edwards (Resigned July 2016)

Director - Trevor Schwenke (Appointed March 2016)

Director - Craig Fox (Appointed July 2016)

Director - Peter Harmsworth AO (Appointed July 2016)

Director - Sally-Anne Ross (Appointed December 2016)

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

	2016 No.	2015 No.
Income range		
The number of Board members whose total remuneration from the Institute was within the specified income bands are as follows:		
Less than \$10,000	1	3
\$10,000-\$19,999	4	-
\$20,000-\$29,999	3	5
\$40,000-\$49,999	1	1
\$250,000 - \$259,999	1	-
Total numbers	10	9
Total remuneration (\$'000)	454	170

Related party transactions

Related party transactions including sale of goods and services and loans requiring disclosure under the Directions of the Minister for Finance have been considered. There is one related party transaction to disclose, that being the purchase of a car for \$40,692 from a key management individual.

	2016 \$'000	2015 \$'000
Related party transactions		
Purchase or sale of goods and services	41	-
Total amount	41	-

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 23 – Responsible persons and executive officers (continued)

(iv) Executive officers

Remuneration of executive officers

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

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

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

	Total remuneration		Base remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
Income range				
The number of executive officers whose total remuneration from the Institute exceeded \$100,000, separately identifying base remuneration and total remuneration, disclosed within the income band of \$10,000 in a table format:				
\$50,000 - \$59,999	-	-	-	2
\$60,000 - \$69,999	-	-	-	-
\$80,000 - \$89,999	-	-	1	1
\$90,000 - \$99,999	-	-	2	-
\$100,000 - \$109,999	2	1	-	2
\$110,000 - \$119,999	-	-	-	-
\$120,000 - \$129,999	-	-	-	-
\$130,000 - \$139,999	-	1	1	-
\$140,000 - \$149,999	1	-	3	-
\$150,000 - \$159,999	1	1	-	-
\$160,000 - \$169,999	3	3	-	3
\$170,000 - \$179,999	-	1	-	1
\$190,000 - \$199,999	-	2	1	1
\$200,000 - \$209,999	-	2	2	2
\$210,000 - \$219,999	1	-	-	-
\$220,000 - \$229,999	1	2	1	2
\$230,000 - \$239,999	1	-	1	-
\$240,000 - \$249,999	-	1	-	1
\$250,000 - \$259,999	2	-	-	-
\$310,000 - \$319,999	-	1	-	-
Total number of executive officers	12	15	12	15
Total annualised employee equivalent (AEE)	8.40	14.70	8.40	14.70
Total amount of remuneration (\$'000)	2,182	2,870	1,922	2,372

Other transactions

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

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 23 – Responsible persons and executive officers (continued)

(v) Payments to other personnel

The number of contractors charged with significant management responsibilities, to whom the total expenses paid by the Institute exceeded \$100,000 per person is disclosed. These contractors are responsible for planning, directing or controlling, directly or indirectly, the Institute's activities.

Expense band	Total expenses (exclusive of GST)	
	2016 No. of contractors	2015 No. of contractors
\$100,000 - \$109,999	-	1
\$140,000 - \$149,999	1	-
\$290,000 - \$299,999	1	-
\$320,000 - \$329,999	-	1
\$570,000 - \$579,999	-	1
Total expenses paid to other personnel (\$'000)	438	1,007

NOTE 24 – Related parties

Key management personnel

Related parties disclosures are set out in Note 23 (Responsible persons and executive officers).

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

Other related party transaction: \$2 payable/equity with John Batman Consultancy and Training Pty Ltd.

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 25 – Ex-gratia expenses

	2016	2015
25 Ex-gratia expenses	\$'000	\$'000
Ex-gratia payments on termination of employment ¹	17	58
Total ex-gratia expenses	17	58

Note:

1. Included in Note 3(a) under Salaries, wages, overtime and allowances.

NOTE 26 – Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1.04:

26 Controlled entities	Country of incorporation	Class of shares	Equity holding	
			2016	2015
			%	%
John Batman Consultancy & Training Pty Ltd	Australia	Ordinary	100	100

Note

Voluntary Deregistration

In January 2017 ASIC approved the voluntary deregistration of John Batman Consultancy & Training Pty Ltd.

NOTE 27 – Remuneration of auditors

	2016	2015
27 Remuneration of auditors	\$'000	\$'000
Remuneration of Victorian Auditor General's Office for:		
Audit of the financial statements	59	57
Total remuneration of Victoria Auditor General's Office	59	57
Remuneration of other auditors		
Other assurance services	39	46
Total remuneration of other auditors	39	46
Total remuneration of auditors	98	103

BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 28 – Subsequent events

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

NOTE 29 – Economic dependency

	2016	2015
29 Economic dependency	\$'000	\$'000
An economic dependency exists with the Department of Education and Training (DET). As a Technical and Further Education organisation the Institute provides training on behalf of the DET. The reliance on DET is 30% (2015: 36%) of the revenue of the Institute.	41,830	52,951
	41,830	52,951

NOTE 30 – Institute details

The registered office of the Institute is:
62-104 Charleston Road, Bendigo, VIC 3550

The principal place of business is:
62-104 Charleston Road, Bendigo, VIC 3550

Disclosure index

Item no.	Source	Summary of reporting requirement	Page no.
REPORT OF OPERATIONS			
Charter and purpose			
1	FRD 22G	Manner of establishment and the relevant Minister	2, 15
2	FRD 22G	Purpose, functions, powers and duties linked to a summary of activities, programs and achievements	2-13
3	FRD 22G	Nature and range of services provided including communities served	14-15
Management and structure			
4	FRD 22G	Organisational structure and chart, including responsibilities	17
5	FRD 22G	Names of Board members	15
Financial and other information			
6	FRD 03A	Accounting for dividends	N/A
7	FRD 07B	Early adoption of authoritative accounting pronouncements	49-50
8	FRD 10A	Disclosure index	94-96
9	FRD 17B	Long service leave and annual leave for employees	47 and 52
10	FRD 20A	Accounting for State motor vehicle lease arrangements prior to 1 Feb 2004	N/A
11	FRD 22G	Operational and budgetary objectives, performance against objectives and achievements	2-13
12	FRD 22G	Occupational health and safety statement including performance indicators, performance against those indicators	21
13	FRD 22G	Workforce data for current and previous reporting period including a statement on employment and conduct principles and that employees have been correctly classified in the workforce data collections	18-19
14	FRD 22G	Summary of the financial results for the year including previous four year comparisons	13
15	FRD 22G	Significant changes in financial position	3-13
16	FRD 22G	Key initiatives and projects, including significant changes in key initiatives and projects from previous years and expectations for the future	6-9
17	FRD 22G	Post-balance sheet date events likely to significantly affect subsequent reporting periods	93

Item no.	Source	Summary of reporting requirement	Page no.
18	FRD 22G	Summary of application and operation of the Freedom of Information Act 1982	20
19	FRD 22G	Discussion and analysis of operating results and financial results	3-13
20	FRD 22G	Significant factors affecting performance	3-13
21	FRD 22G	Where a TAFE has a workforce inclusion policy, a measurable target and report on the progress towards the target should be included	N/A
22	FRD 22G	Schedule of any government advertising campaign in excess of \$100,000 or greater (exclusive of GST)	28
23	FRD 22G	Statement of compliance with building and maintenance provisions of the Building Act 1993	23
24	FRD 22G	Statement, where applicable, on the implementation and compliance with the National Competition Policy	22
25	FRD 22G	Summary of application and operation of the Protected Disclosure Act 2012	20
26	FRD 22G and FRD 24C	Summary of environmental performance including a report on office based environmental impacts	24-25
27	FRD 22G	Consultants: Report of operations must include a statement disclosing each of the following <ol style="list-style-type: none"> Total number of consultancies of \$10,000 or more (excluding GST) Location (eg website) of where details of these consultancies over \$10,000 have been made publicly available Total number of consultancies individually valued at less than \$10,000 and the total expenditure for the reporting period AND for each consultancy more than \$10,000, a schedule is to be published on the TAFE institute website listing: <ul style="list-style-type: none"> Consultant engaged Brief summary of project Total project fees approved (excluding GST) Expenditure for reporting period (excluding GST) Any future expenditure committed to the consultant for the project 	29
28	FRD 22G	Statement, to the extent applicable, on the application and operation of the Carers Recognition Act 2012 (Carers Act), and the actions that were taken during the year to comply with the Carers Act	22

Item no.	Source	Summary of reporting requirement	Page no.
29	FRD 22G	List of other information available on request from the Accountable Officer, and which must be retained by the Accountable Officer (refer to list at (a) - (l) in the FRD)	20
30	FRD 22G	An entity shall disclose the following in the report of operations: <ol style="list-style-type: none"> Total entity ICT Business As Usual (BAU) expenditure for the full 12 month reporting period Total entity ICT Non-Business As Usual expenditure for the full 12 month reporting period; and provide a breakdown for: (i) Operational expenditure (OPEX) (ii) Capital expenditure (CAPEX) 	29
31	FRD 22G	Victorian Industry Participation Policy disclosures	26
32	FRD 26A	Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004	N/A
33	FRD 29A	Workforce data disclosures on the public service employee workforce	18-19
34	SD 3.7.1	The Responsible Body must ensure that the Agency applies the Victorian Government Risk Management Framework	20
35	FRD 22G	An entity's report of operations shall contain general and financial information, including other relevant information, outlining and explaining an entity's operations and activities for the reporting period	2-29
36	SD 5.2.1(a)	The accountable officer must implement and maintain a process to ensure the agency's annual report is prepared in accordance with the FMA, these directions, the instructions, applicable Australian Accounting Standards and financial reporting directions	Inner front cover
37	SD 5.2.3	The Report of Operations must be signed and dated by a member of the responsible body	3-8
38	CG 10 (clause 27)	Major commercial activities	28
39	CG 12 (clause 33)	Controlled entities	92

Item no.	Source	Summary of reporting requirement	Page no.
FINANCIAL REPORT			
Financial statements required under part 7 of the financial management act 1994			
40	SD 5.2.2(b)	The financial statements have been prepared in accordance with applicable requirements in the FMA, the Directions, the Financial Reporting Directions and Australian Accounting Standards	32
Other requirements under standing direction 4.2 / financial management act 1994 (FMA)			
41	SD 5.2.2(a) and FMA s 49	An agency's financial statements must include a signed and dated declaration by: <ul style="list-style-type: none"> the accountable officer subject to Direction 5.2.2(c), the CFO for agencies with a statutory board or equivalent governing body established by or under statute, a member of the responsible body 	32
42	FRD 30C	Rounding of amounts	48
43	SD 3.2.1.1(c)	The responsible body must establish an audit committee to review annual financial statements and make a recommendation to the responsible body as to whether to authorise the statements before they are released to parliament by the responsible minister	16
Other requirements as per financial reporting directions in notes to the financial statements			
44	FRD 11A	Disclosure of ex-gratia payments	92
45	FRD 21B	Disclosures of responsible persons, executive officer and other personnel (contractors with significant management responsibilities) in the financial report	89-91
46	FRD 102	Inventories	56
47	FRD 103F	Non-financial physical assets	45-46 and 57-60
48	FRD 104	Foreign currency	76-88
49	FRD 105B	Borrowing costs	65
50	FRD 106	Impairment of assets	42 and 44
51	FRD 107B	Investment properties	N/A
52	FRD 109	Intangible assets	46 and 61
53	FRD 110	Cash flow statements	36 and 67-68

Disclosure index

Item no.	Source	Summary of reporting requirement	Page no.
54	FRD 112D	Defined benefit superannuation obligations	73-74
55	FRD 113A	Investment in subsidiaries, jointly controlled entities and associates	92
56	FRD 114B	Financial instruments - general government entities and public non-financial corporations	76-88
57	FRD 119A	Transfers through contributed capital	34
58	FRD 120J	Accounting and reporting pronouncements applicable to the reporting period	37
Compliance with other legislation, subordinate instruments and policies			
59	Legislation	The TAFE institute annual report must contain a statement that it complies with all relevant legislation, and subordinate instruments, (and which should be listed in the report) including, but not limited to, the following: <ul style="list-style-type: none"> • Education and Training Reform Act 2006 (ETRA) • TAFE institute constitution • Directions of the Minister for Training and Skills (or predecessors) • TAFE institute Commercial Guidelines • TAFE institute Strategic Planning Guidelines • Public Administration Act 2004 • Financial Management Act 1994 • Freedom of Information Act 1982 • Building Act 1983 • Protected Disclosure Act 2012 • Victorian Industry Participation Policy Act 2003 	Inner front cover
60	ETRA s3.2.8	Statement about compulsory non-academic fees, subscriptions and charges payable in 2016	23
61	Policy	Statement that the TAFE institute complies with the Victorian Public Sector Travel Principles	26

Item no.	Source	Summary of reporting requirement	Page no.
62	Key Performance Indicators	Institutes to report against: <ul style="list-style-type: none"> • KPIs set out in the annual statement of corporate intent • Employment costs as a proportion of training revenue • Training revenue per teaching FTE • Operating margin percentage • Training revenue diversity 	12
Overseas operations of Victorian TAFE institutes			
63	PAEC and VAGO (June 2003 Special Review item 3.110)	<ul style="list-style-type: none"> • Financial and other information on initiatives taken or strategies relating to the institute's overseas operations • Nature of strategic and operational risks for overseas operations • Strategies established to manage such risks of overseas operations • Performance measures and targets formulated for overseas operations • The extent to which expected outcomes for overseas operations have been achieved 	26-27

CAMPUS LOCATIONS

Broadmeadows

Pearcedale Parade
BROADMEADOWS VIC 3047

Docklands

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

Essendon

38 Buckley Street
ESSENDON VIC 3040

Moonee Ponds

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

Richmond

85 Cremorne Street
RICHMOND VIC 3121

Bendigo City

23 Mundy Street
BENDIGO VIC 3550

Bendigo Charleston Road

Charleston Road
BENDIGO VIC 3550

Bendigo Technical Education College (BTEC)

21 St Andrews Avenue
BENDIGO VIC 3550

Castlemaine

65-67 Templeton Street
CASTLEMAINE VIC 3450

Echuca

Corner Hare and Darling Streets
ECHUCA VIC 3564

VETASSESS

Level 5, 478 Albert Street
EAST MELBOURNE VIC 3002
Phone: +61 3 9655 4801
Visit: vetassess.com.au

eWorks

85 Cremorne Street
RICHMOND VIC 3121
Phone: +61 3 9661 8700
Visit: eworks.edu.au

Your feedback

If you would like to provide feedback about this annual report, please email enquiries@kangan.edu.au or info@bendigotafe.edu.au.

Additional copies

This annual report can be downloaded at kangan.edu.au and bendigotafe.edu.au. For hard copies of this annual report, please email enquiries@kangan.edu.au or info@bendigotafe.edu.au.



CONTACT US

136 McCrae Street, Bendigo VIC 3552

PO Box 170, Bendigo VIC 3552

Call 13 TAFE (8233)

ABN 74 802 942 886

T/A Bendigo TAFE and T/A Kangan Institute

RTO identifier 3077

CRICOS provider no. 01218G

T/A VETASSESS

RTO identifier 21097

T/A eWorks