



**BOX HILL**  
INSTITUTE

# ANNUAL REPORT 2017

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## OUR VISION

# TO BE COMMUNITY EDUCATORS FOR INDUSTRY, WORK AND LIFE.

## OUR PURPOSE

We are community educators providing tertiary education for employment, workforce development and industry productivity.

We build community capacity and enrich the lives of young people and adults through lifelong learning and personal development.

## OUR VALUES

We value professionalism, loyalty, integrity, courage, teamwork and innovation.

## WHAT WE DO

Box Hill Institute Group (Box Hill Institute and the Centre for Adult Education [CAE]):

- > Provide accredited, non-accredited, secondary and post-secondary vocational and higher education to students and adult learners
- > Enrich the lives of people in our communities through lifelong learning
- > Support micro/small/medium/large businesses through investment in learning
- > Partner with industry to build skills and capacity
- > Partner with schools to support student learning and provide pathways to further education and employment
- > Work with state and federal governments to achieve sustainable education and employment outcomes for our communities

Box Hill Institute Group is proud to serve our communities through the education, training and lifelong learning that we offer. We work with a broad range of stakeholders in our communities to provide meaningful skills, education and employment outcomes.

The Box Hill Institute Group Strategic Plan 2017 – 2020 confirms our focus on our communities and outlines how we will leverage our existing strengths to create a sustainable future for the organisation and our people. Core to our strategy is the responsible management of our business.

Our strategy is based on four key themes to achieve success:

### **Build on our reputation for academic quality**

- > We will ensure learner success and responsiveness to industry needs with the commitment of our staff, excellence of our teaching and reputation for academic quality

### **Harness our resources for success**

- > We will drive productivity and control costs to transform our business

### **Innovate to attract and retain customers and students**

- > We will be recognised by our community as a leading provider of education, training and life-long learning

### **Grow through diversification**

- > We will create opportunities for growth that add value to our community

# ESTABLISHMENT

**Box Hill Institute is one of Australia's leading vocational and higher education providers, offering certificates, diplomas, bachelor degrees and postgraduate qualifications.**

The Institute is one of Victoria's largest training providers with 40,000 enrolments in 2017 across secondary, vocational education and training (VET), and higher education sectors. We take great pride in our ability to successfully deliver a broad range of quality vocational education and training service.

## **Programs**

In 2017, Box Hill Institute delivered around 494 courses, including many delivered internationally and with industry.

## **Services**

Box Hill Institute continues to offer a range of services to industry, including consultancy, project management, skills recognition, and employment services.

## **Locations**

Box Hill Institute is located in Victoria with sites in Box Hill and in Melbourne's central business district, where the Institute is co-located with the Centre for Adult Education (CAE). In 2015, the Institute commenced course delivery at a new campus in John Street, Lilydale and in 2016 opened our Lilydale Lakeside Campus in Jarlo Drive, Lilydale.

The Institute continues to deliver offshore training and education services around the world, at locations including China, Dominican Republic, Kuwait, Vanuatu, Vietnam, Indonesia, Saudi Arabia, and Zambia. We also provide training and education services through a number of large contracts, including Department of Defence, Department of Justice across eight Corrections Victoria facilities, and across many workplace locations.

## History

Box Hill Institute is the descendant of two Box Hill area technical schools. Box Hill Technical School for Girls and Women opened on 4 September 1924 and on 2 February 1943, the Box Hill Technical School for Boys was established. The Girls Technical School was renamed Whitehorse Technical School in 1971.

Around this time, the Boys Technical School separated its tertiary technical offerings from the secondary offerings with the tertiary section becoming Box Hill Technical School. Both schools were declared colleges of Technical and Further Education in late 1981.

Whitehorse Technical School and Box Hill Technical School merged to become Box Hill College of TAFE, which was established by an Order in Council dated 25 January 1984 under the Victorian Post-secondary Education Act 1978 following an amalgamation with the Whitehorse College of TAFE.

The Governor in Council approved orders changing the name of Box Hill College of TAFE to Box Hill Institute of TAFE on the 12 September 1995. Box Hill Institute, as we are now known, was the result of a new Constitution on 10 April 2013. The functions, powers and duties of the Institute are detailed in the Education and Training Reform Act 2006 and the new Constitution of Box Hill Institute (3 May 2016).

In November 2012, an amendment to the Education and Training Reform Act was passed to enable the operations of CAE to be governed by the Box Hill Institute Board. In this report, Box Hill Institute Group refers to Box Hill Institute, Centre for Adult Education and controlled entities.

## Relevant Minister

The relevant Minister in 2017 was The Hon Gayle Tierney MP, Minister for Training and Skills.

## Specialist Centres

Box Hill Institute is home to Specialist Centres and Centres for Excellence delivering industry-focused training solutions across the following specialist areas:

- > BioSkills, the Specialist Centre for Biotechnology
- > Biosecurity Training Centre of Excellence
- > Specialist Centre for Cyber Security Training
- > Specialist Centre for Small to Medium Enterprises
- > Specialist Centre for Information and Communications Technology
- > Nursing Skills Centre of Excellence
- > Refrigeration and Climate Control Centre of Excellence

## Workplace training facilities

During 2017, Box Hill Institute continued to operate a large number of authenticated training workplaces including:

- > Aveda Day Spa
- > Flowers on Elgar
- > Fountains Restaurant
- > InnovaBio – a student-run biotechnology enterprise
- > Lilydale Lakeside Children's Centre
- > Lighting and Sound Hire
- > Music Industry Business Office
- > Pets at Lilydale
- > Pets on Elgar
- > Hair and Beauty Salon on Elgar

# CHAIR'S STATEMENT



Despite a challenging vocational education and training (VET) sector, 2017 has been a successful year for our organisation and we have maintained market share in our principal region.

We are proud of our achievements and remain committed to serving our communities through quality, innovative education, training and lifelong learning to meet the needs of students, industry, government, and stakeholders.

The Victorian Government announced its Skills First reforms of the Victorian training and TAFE sector in 2017, placing renewed focus and priority on the VET Sector. Box Hill Institute Group strongly supports and shares the Government's vision for a better managed TAFE sector with the central aim of improved employment outcomes for students.

In 2017, we continued to focus on strengthening our community links while building a strong foundation for a sustainable future. This future will be achieved through the responsible management of our business and delivery of our 2017 - 2020 Strategic Plan. Our Strategic Plan focuses on leveraging our existing strengths to build on our established reputation for academic quality, maintain and grow our market share, and ensure financial sustainability through a diversified delivery framework.

We continued to develop quality education programs both domestically and internationally, growing and expanding our global reach and retaining our market share domestically. Our focus on innovation and growth through diversification has resulted in a number of strategic partnerships including our agreement with Epworth Eastern to develop a new health and education precinct in Box Hill, a two year sponsorship with Reece Plumbing, and agreements with iconic Sing Sing Studios and Schwarzkopf for our Music and Hair, and Beauty Departments respectively.

During 2017, Box Hill Institute Group continued to expand our Lilydale Lakeside Campus as an education precinct. Across our campus, the Yarra Ranges Tech School commenced operations, we opened the Point of View café and the Lilydale Library was relocated to our campus. Community engagement is a key feature of our Lilydale operations and we will continue to work alongside the local community to realise this vision.

Our CAE campus is considered a Melbourne institution and this year celebrated 70 years of operations. The CAE is an important community resource, supplying lifelong learning, access for students of all ages to study VCE, and language courses for tourists and professionals. In 2017, the CAE delivered courses from our Lilydale Lakeside campus, giving the Yarra Ranges community access to flexible, accessible, and up-to-date quality learning previously unavailable in the area.

On a sad note, the Box Hill Institute Group suffered a great loss in October when our staff-elected Board member, Susan Fenton, passed away unexpectedly. Susan was elected to the Board in July 2016 and was a valued member of our organisation. She is missed by all.

We look forward to continuing our work within our community and in collaboration with our partners and stakeholders to provide meaningful skills, education and employment outcomes for students, adult learners, employers, industry, and government.

On behalf of the Board, I thank Norman Gray AM for his leadership of the Box Hill Institute Group over the last year and the dedication and commitment of his management team and employees.

A handwritten signature in dark ink, reading 'Jack Diamond'.

**Jack Diamond**  
Board Chair

29 March 2018

**Growth and change is the best way to describe 2017 for Box Hill Institute Group. It's a situation we expect to continue as external realities such as technology and future skill gaps materialise.**



During the year, we also welcomed the Government's focus on TAFE as a trusted provider under the auspices of Skills First and look forward to playing a key role in growing the Victorian vocational education and training (VET) sector.

For the second year running we won the Large Business Award at the Whitehorse Excellence in Business Awards and two staff members won significant industry awards – Susan Morris (Building and Engineering Studies) won the VET Teacher/Trainer of the Year at the Victorian Training Awards, while Jennifer Oliver (Executive Director Academic Affairs (VET & Higher Ed)) was awarded the Dr Werner Kubsch Award for outstanding achievement in international education by the Community Colleges for International Development (CCID) at a ceremony in Houston, Texas.

Our flexible and innovative approaches to the design and delivery of international education programs helped us to expand our offshore delivery network and attract applications from students seeking to study at our Victorian campuses. Within the international market, we secured agreements to establish three new, large, delivery campuses in China and one in Vietnam.

Our campus modernisation program remains a key focus for providing industry-standard facilities for our students. We are particularly excited about the coming health and education precinct and music and fashion hub at our Nelson campus. New facilities for our fashion programs opened this year and as we move into 2018, we will progressively open our new music facility. This facility will include the best recording studios in the southern hemisphere, supported by a strong industry partnership with the iconic Sing Sing Studios.

In 2017, local school groups started attending classes at the Yarra Ranges Tech School hosted at our Lilydale Lakeside campus, the first in the country and a model highly regarded by Australia's Chief Scientist, Dr Alan Finkel.

We continue to enhance our reputation for innovation and new education solutions, playing a driving role in the creation of a national solution for the critical

shortage of cyber security technicians. A national TAFE agreement, signed by VET and TAFE providers from across Australia, is the first of its kind, delivering an established, work-integrated delivery model developed in close partnership with industry. The combination of resources and synchronisation of delivery Australia-wide will provide work ready graduates with technical skills in a critical industry area.

Box Hill Institute Group integration across our campuses enabled us to provide a diverse offering of courses and programs in locations and with facilities best suited to our students. In 2017, we started a number of new courses at the Lilydale Lakeside campus, including short courses run by the CAE. Lilydale Lakeside is fast becoming a key community hub for local groups, educators and businesses and it has been rewarding to watch the campus establish a community presence.

The CAE celebrated its 70th anniversary in 2017 with a well-received and well-attended function in Melbourne's Federation Square. The CAE is a key platform in our delivery to learners of all ages, helping our students achieve their learning and employment outcomes.

I would like to express my gratitude to the Box Hill Institute Group Board for their confidence in my management team, and to the staff who make the CAE and Box Hill Institute such great places to learn. I would also like to acknowledge the Minister for Training and Skills for the Victorian Government's continued commitment to a productive and valuable vocational education and training sector.

A stylized, handwritten signature in dark ink, likely belonging to Mr Norman Gray AM.

**Mr Norman Gray AM**  
Chief Executive Officer

29 March 2018

# KEY INITIATIVES AND PROJECTS 2017

## Lilydale

In 2017, Box Hill Institute continued to develop and grow our Lilydale Lakeside campus following its reopening in 2016. Lilydale Lakeside is an important part of our future. The beauty of the campus is complemented by the integrated services provided, which includes VET training facilities, CAE short courses, Lilydale Lakeside Children's Centre, and Point of View café amongst others. It is an important and iconic hub for the area. We will continue to work closely with the community to provide quality education and training services and grow the campus to serve the community.

During 2017, it was exciting to celebrate the renaming of our Lilydale Lakeside's LA Auditorium to Aunty Dot Peters, one of the Yarra Ranges most respected indigenous elders, to honour her contribution to the community. A number of resources and facilities were opened for the local community, including the relocation of the Lilydale Library to the campus and the Point of View café opening. Lilydale Lakeside has quickly become a key community hub for local groups, educators and businesses.

Box Hill Institute achieved strong growth in enrolment numbers at our Lilydale Lakeside campus with over 1,500 enrolments during the second year of operations.

Contributing to this growth was a number of new courses on offer including animal studies; beauty; horticulture; IT; health; event management; business; trades; and a new major in the e-commerce/hospitality degree.

## Yarra Ranges Tech School

The Yarra Ranges Tech School commenced operations in 2017 utilising new technology to deliver advanced education and training in science, engineering and maths. The Tech School works in collaboration with local secondary schools to build interest in environmental and technical careers and emerging industries among early-secondary students, identifying career pathways, and addressing anticipated future skills gaps within the Victorian economy. The Tech School vision is to provide an inspiring learning hub, engaging students in pioneering technologies using innovative techniques such as 3D printing technologies and robotics.

A continued partnership approach between the Box Hill Institute, Deakin University, industry and local government and non-government schools will support a model directly linking secondary school curricula and pathways into vocational education and higher education opportunities.

## Partnerships

In 2017, many productive business partnerships began or were consolidated, including the Adult Migrant English Program (AMEP) and Skills for Education and Employment (SEE) programs.

Box Hill Institute's partnership with SOAR Aviation continued to deliver the Diploma of Aviation, and we continued to deliver training and programs across eight Corrections Victoria facilities. Our partnership with disability support provider Nadrasca provided work and transit education programs to members of the community to increase life and employability skills.

During 2017, Box Hill Institute commenced a new two-year funded program to deliver New Enterprise Incentive Scheme / Australian Small Business Advisory Services. We also continued to implement the Victorian Government's Reconnect initiative, giving education, work employability assistance to a cohort of people not in education, training or full time employment.

Box Hill Institute's focus on delivering quality teaching, innovation and our significant capability in online and technology-based learning has resulted in the continuation and expansion of our contract with the Department of Defence. Meanwhile, our Faculty of Health, Community & Life Sciences partnered with the Brotherhood of St Laurence to set up a Youth Foyer and to deliver a Certificate I in Developing Independence to disadvantaged youth in Lilydale.

Box Hill Institute was successful in establishing new industry partnerships with several iconic brands. Our Department of Hair, Beauty and Floristry secured a sponsorship agreement with Schwarzkopf and the music department formed a successful partnership with renowned Australian recording studios, Sing Sing Studios. Furthermore, Box Hill Institute is pleased to have secured a major sponsorship with Reece Plumbing involving a two-year arrangement offering substantial benefits to students and professional development opportunities to staff.



## Skills and Jobs Centres

During 2017, all three Skills and Jobs Centres continued to consolidate their work with individual customers, community organisations, employers, and internal business units. Skills and Jobs also supported Box Hill Institute Group's Prison program, running the Finding Employment After Prison workshop for prisoners in four prisons across the State. In early November, the Centres integrated into the Group customer service value chain, providing individual career and training information to new and repeat customers seeking clarity and education and employment options.

### Box Hill

The Centre continued to build its community links with the Local Learning and Employment Networks and Neighbourhood Houses, and built new relationships with Youth Connexion, National Disability Insurance Scheme providers, local schools, and local Job Active providers. While servicing an increasing number of individual clients, the Centre also participated in 20 career and employment exhibitions and was involved in over 40 internal Box Hill Institute events including school tours, information evenings and Open Days. The Centre has provided recruitment assistance to 116 employers and conducted some 50 workshops on job search skills. It also works closely with the Apprenticeship Support Officers at the Elgar campus to ensure out of trade apprentices are assisted to find another employer and remain in their course.

### CBD

While the numbers continue to grow in 2017, retrenched workers were a major focus in the CBD. Working with the Department of Economic Development, Jobs, Transport and Resources, the Centre presented at 10 onsite groups sessions in workplaces and saw 110 individuals at the Centre as a result. The Centre also engaged with a number of Schools presenting Studying with your Health not Against it for Ronald McDonald House; Jobs of the Future at Melbourne University High School; Career Planning at St Aloysius Catholic Girls College; and was the Guest Speaker at a Girls in STEM event held at Engineers Australia. While the Centre staff continued to support many CBD marketing events, they also provided support to the other Centres during peak periods.

### Lilydale

The Centre was very active during the year, providing information and advice to increased client numbers and expanding its substantial community links to include Anchor and local Job Active providers. Major growth occurred in event participation with attendance at 13 career and employment exhibitions, 25 internal Box Hill Institute events as well as Lakeside Community events, and provision of 41 employment trends and jobs search skills workshops. Working closely with the Reconnect Program, the Centre assisted all Lilydale Reconnect participants to establish their individual vocational pathway. The Centre continued to be a point of call for local employers, assisting 47 employers with recruitment of apprentices and non-apprentices.

## Teaching and Learning College

Box Hill Institute's internal professional development program, the Teaching and Learning College is indicative of our commitment to support quality and innovative teaching. It is Australia's only internal TAFE teacher-trainer facility, which provides an individual coaching and mentoring program for our teachers with access to further training online and face-to-face.

For the past 16 years, Box Hill Institute has held an annual Teaching and Learning Symposium; a professional development activity offered to teaching and administration staff. In 2017, the Symposium was at Lilydale Lakeside Campus and 17 presentations were streamed to approximately 300 participants. A majority of participants attended at the Lilydale Lakeside campus and the Opening and Closing address and selected sessions were streamed to the CAE and Box Hill Institute campuses.

## Participation

The Women in Non-Traditional Trade Areas (WINTA) Program provides a unique blend of support, skills development, and role modelling for women training or pursuing a career in trades or non-traditional areas. The Institute saw continued interest and received positive feedback in 2017 with 27 participants compared to 17 participants in 2016.

## **Accreditation Audit Compliance**

During 2017, Box Hill Institute successfully completed a number of important audits by our national and state regulators including the Higher Education and Skills Group (HESG) Victorian Training Guarantee 2017 Contract Compliance – Evidence of Participation Audit.

### ***Professional accreditations***

- > Bachelor of Library and Information Management – Australian Library and Information Association, accredited for a period of two (2) years to the end of January 2017
- > Bachelor of Computer Systems – Australian Computer Society, accredited to the end of 2021

### ***ASQA VET Re-accreditation***

- > TAE40116 Certificate IV in Training and Assessment
- > TAE50116 Diploma of Vocational Education and Training

## **Marketing Events**

Box Hill Institute welcomed over 4,000 visitors across our Box Hill and Lilydale Lakeside campuses during separate Open Days. The Open Days provided prospective students with course advice, demonstrations, information sessions, interactive workshops, and virtual reality experiences. The CAE showcase, held at Federation Square, was tied into a celebratory 70th anniversary event that had 3,000 people in attendance. Activities included demonstrations, food tastings, interactive workshops, and live music.

Enrolment and Information sessions were well attended with over 7,000 potential students and their families visiting our three campuses, and 50% of potential students commencing an application at the event.

## **Campus Modernisation**

During 2017, a number of campus modernisation initiatives were implemented at Box Hill Institute's Whitehorse and Nelson campuses. The design and construction of a new fitness training facility, higher education and foundation studies area, and a new library were completed at the Nelson Campus. Staff and students in these areas were relocated successfully and course delivery commenced in the newly refurbished facilities in early 2017.

Newly refurbished Whitehorse campus Building 2 and Building 3 now deliver one of our key programs, the Adult Migrant English Program.

The refurbishment of the Nelson campus is in progress with a new School of Music commencing construction in late 2017 and expected to be completed in 2018. Internal works, refresh works including a new cafeteria, and finishes are well underway and an external façade upgrade will commence in early 2018.

In 2017, Box Hill Institute sought a property developer to develop Spring Street at our Box Hill site, including construction of a new nursing training facility with mixed use development upstairs. A request for proposal process has been completed and final negotiation will commence in early 2018.

Development of the Lilydale Lakeside campus continued during 2017 with Building LA fully commissioned and operational in March. Building LA hosts a range of community amenities including the Point of View café, an academic library, health and wellbeing hub, and tenants including Eastern Regional Libraries and Anchor Inc.

Construction of the new Integrated Children's Centre at Lilydale Lakeside commenced in 2017 and is expected to be operational in mid-2018.

# AWARDS AND ACHIEVEMENTS

In line with developing our reputation for academic success, Box Hill Institute, our staff and students received or were shortlisted for many awards during 2017, including:

- > Australia-China Business Awards – Consumer Services – finalist
- > Australian Institute of Marketing Awards – Education category: Marketing Team's Skill Seeker Campaign
- > Australian Training Awards – International Training Provider of the Year – finalist
- > Australian Training Awards – Trainer of the Year: Susan Morris – finalist
- > LearnX Awards – Best Learning Model – Blended: Education Design Team – finalist
- > LearnX Awards – Best Performance & Organisational Strategy – Learning Transfer: Teaching Innovations Team – Gold
- > LearnX Awards – Best Talent: Learning Design Team – Platinum
- > Melbourne Fashion Week – 2017 Student Designer Award: Tess Whitfort
- > Premier's Sustainability Awards – Education: CLT Project – finalist
- > Small Business Development Awards – Best Metro BEC in Australia
- > Victorian Training Awards – Apprentice of the Year – Matthew Soderstrom – finalist
- > Victorian Training Awards – Industry Collaboration of the Year: Cyber Security Advisory Group – finalist
- > Victorian Training Awards – Trainer of the Year: Susan Morris
- > Whitehorse Business Awards – Large Business of the Year
- > WorldSkills Australian Regional – Automotive Mechanics Division: Alex Price – Gold
- > WorldSkills Australian Regional – Beauty Therapy Division: Angel Soleimani – Gold Nikeatea Ball – Silver, and Honami Suzuki – Bronze
- > Wurreker Awards – Innovative Koorie Learner Pathways – TAFE: Kim Bradford

# INTERNATIONAL HIGHLIGHTS

## International Inbound Students

In 2017, our international focus was to improve the Simplified Student Visa Framework (SSVF) risk rating, enrich the International student experience to improve retention, and to grow our international enrolment numbers.

The process to recruit international and local students was integrated and more international students participated in local events, demonstrating their enthusiasm for learning and enjoying a diverse range of culture. Actively engaged with local communities, Box Hill Institute also supported local students to participate in international competitions.

International student recruitment was challenged in 2017 due to a complicated international political environment and a number of national policy changes. Whilst international enrolments for public vocational education training providers declined, enrolments at Box Hill Institute grew strongly with over 1,000 international enrolments from more than 50 countries. Box Hill Institute provides students with the ability to study in their preferred programs and there has been a strong interest in new programs such as aviation.

In an environment where our international inbound student business has grown and markets have diversified and expanded worldwide, our international team has effectively managed the SSVF risk rating. The improvement to our SSVF risk rating increased confidence across the recruitment network to recommend Box Hill Institute to international markets, improving student recruitment. A positive SSVF risk rating also helps to improve retention rates and generate better return on investment.

## Nature of Strategic and Operational Risks for Overseas Operations

Box Hill Institute has identified growth through diversification as one of the priorities in its Strategic Plan. The Group and the Board consider all risks as part of the Risk Management Plan, including those associated with delivery overseas.

## Strategies Established to manage our Risks

Strategies employed to mitigate our risk are reviewed on a regular basis with the Executive, the Board and relevant sub-committees. The appropriate management of offshore operations is a priority and as such, the Group prepares:

- > A monthly project status report for each international project
- > A monthly business development pipeline report for the Board
- > Monthly financial reports to the Board including the Group's delivery overseas showing targets and actual results
- > A business case for the Board to outline each new major international activity for consideration and approval before the activity commences, as applicable

## Performance Measures and Targets Formulated for Overseas Operations

Box Hill Institute's transnational delivery is part of the annual budget process with monthly identification and reporting of revenue and surplus. Any significant variances are highlighted and discussed with the Executive, the Board and the relevant sub-committees.

## The extent to which expected outcomes for overseas operations have been achieved

The Group's international activities have been successful in 2017 and have contributed significantly to its commercial targets, enabling Box Hill Institute to reduce our reliance on Government funding. In 2017, a number of overseas visits were undertaken to deliver industry training and assessment programs as well as formal education courses, secure consulting projects, strengthen partnerships, oversee international operations, recruit students, and attend conferences and exhibitions.

## **Transnational Delivery**

In 2017, our focus for transnational delivery included a new operating model and the establishment of seamless pathways for offshore students in eligible programs. Box Hill Institute has had a long, proud history in operating transnational education and training programs, having delivered them since 1982. The great transnational partner network has created an excellent alumni program with more than 10,000 graduates making significant contributions in their home countries and around the world.

The world has been changing rapidly with the development of global citizens and the modern population movement. The mobility requirements for skills and knowledge have also changed and policies and focuses related to international education have evolved in areas including China, Vietnam, Malaysia and the Middle East, where Box Hill Institute has been delivering accredited and non-accredited training programs.

In response to these international and national factors, the Institute developed a new operating model in 2017 to improve benefits for students and offshore partner institutions. This improved focus has resulted in Box Hill Institute's invitation to become a member of the Belt and Road Vocational Education Alliance in China, and Box Hill Institute's Executive Manager International was invited to be one of the steering committee's executive members.

Quality enhancement is always critical in transnational operations. In 2017, Education Quality and the International teams worked collaboratively to audit three transnational partners in Kuwait and China. The outcomes of these audits were very positive and have facilitated improved communication and understanding for all parties. This enhances our relationship with our partners and ensures stronger partnerships in the future.

## **International Inbound Students**

In 2017, Box Hill Institute managed the smooth transition from Streamlined Visa Processing to the Simplified Student Visa Framework while re-establishing the overseas education agent network and continuing efforts to consolidate our global presence. Applications from prospective international students increased significantly from 2015 with applications received from over 50 countries.

# GOVERNANCE

The Box Hill Institute is governed by a board established under the Constitution of the Box Hill Institute and Centre for Adult Education Order 2016 (the Constitution) and the Education Training and Reform Act 2016 (the Act). The Board is comprised of members who have experience in government, industry and the community. Its role is to oversee and govern the Box Hill Institute and take all reasonable steps for the advancement of the objectives of the Institute under the Act and the Constitution and CAE objectives, and operate in accordance with the economic and social objectives and public sector management policy established from time to time by the Government of Victoria.

The Board is committed to ensuring that the community has effective access to vocational and further education programs that are responsive to its needs. The Board is also committed to ethical conduct in all areas of its responsibilities and authority.

The Board is ultimately responsible to the Victorian Government for the governance and management of the Box Hill Institute Group.

## Board Members

Board members are either appointed by the Minister, co-opted by the Board, or elected by staff. The CEO is an ex officio director.

The following Directors served on the Board during 2017:

- > Mr Allan Moore
- > Ms Amanda Brook
- > Ms Claire Filson
- > Ms Helen Buckingham
- > Mr Jack Diamond (Chairperson)
- > Prof John Rosenberg
- > Ms Julie Eisenbise
- > Mr Norman Gray AM (CEO – ex officio)
- > Mr Phillip Davies
- > Ms Susan Fenton (Staff Elected – passed away October 2017)
- > Ms Tracey Cooper
- > Dr Zena Burgess

In October 2017, Box Hill Institute Group suffered the unexpected death of staff member and Board member, Susan Fenton. Susan joined Box Hill Institute Group in 2011 as a teacher in the School of Foundation and Adult Learning and became a member of the Board in July 2016. She was an experienced engineer and teacher who excelled in facilitation and communicating with people from all walks of life.

Susan worked in the vocational sector for 17 years at Box Hill and Holmesglen Institutes, teaching, developing training packages, and partnering with industries. She enjoyed encouraging, teaching, listening and supporting students and vocational teachers to achieve their best. She also dedicated 35 years of her life to volunteering, which was recognised when she was awarded the Caroline Chisholm Award, named after the humanitarian known for her involvement with the welfare and political rights of women and children in the 19th century.

## Committees

In 2017, the following Board Committees assisted the Board in fulfilling its duties:

- > Audit, Finance and Risk Committee
- > Asset Management Committee
- > Education Quality Committee
- > Nominations Committee
- > Remuneration Committee

### Audit, Finance and Risk Committee

The objective of the Audit, Finance and Risk Committee is to assist the Board in ensuring that the control and compliance framework operating across the Group and its controlled entities is operating effectively and that its external accountability responsibilities are met.

The financial statements in the Annual Report have been reviewed by the members of the Audit, Finance and Risk Committee, were formally adopted by the Institute's Board, and have been authorised by the Board to release to the Parliament as included in the Annual Report.

Committee Membership during 2017 included:

- > Mr Allan Moore (Committee Chair) (from 1 July 2017)
- > Ms Claire Filson (Committee Chair) (until 30 June 2017)
- > Ms Julie Eisenbise

- > Mr Phillip Davies
- > Ms Susan Fenton (until 30 June 2017)
- > Ms Tracey Cooper
- > Dr Zena Burgess

#### **Asset Management Committee**

The objective of the Asset Management Committee is to assist the Board in ensuring that plans and projects relating to the use of the Institute's assets align to the approved annual Asset Management Plan and that the Board is fully informed of the processes and options being considered.

Membership during 2017 included:

- > Ms Amanda Brook (from 1 June 2017)
- > Mr Allan Moore (from 1 December 2017)
- > Ms Claire Filson
- > Ms Helen Buckingham
- > Mr Phillip Davies
- > Ms Tracey Cooper (Committee Chair)

#### **Nominations Committee**

The Nominations Committee assists the Board in fulfilling its responsibilities in relation to the evaluation and maintenance of appropriate skills required by the Board and the competency, selection, and nomination for the appointment of Co-opted Directors.

Membership during 2017 included:

- > Mr Allan Moore
- > Ms Amanda Brook
- > Ms Claire Filson
- > Mr Jack Diamond (Chairperson)
- > Prof John Rosenberg
- > Ms Julie Eisenbise
- > Ms Helen Buckingham
- > Mr Norman Gray AM (CEO)
- > Mr Phillip Davies
- > Ms Susan Fenton (Staff Elected – passed away in October 2017)
- > Ms Tracey Cooper
- > Dr Zena Burgess

#### **Education Quality Committee**

The Education Quality Committee assists the Board in fulfilling its responsibilities to oversee the maintenance of quality, relevance to market and industry needs, and the development and transformation of training delivery and services in line with the Box Hill Institute Group Strategic Plan.

Membership during 2017 included:

- > Ms Amanda Brook (until 31 May 2017)
- > Ms Claire Filson (from 1 July 2017)
- > Ms Helen Buckingham (Committee Chair)
- > Prof John Rosenberg
- > Ms Julie Eisenbise
- > Ms Susan Fenton (until October 2017)

#### **Remuneration Committee**

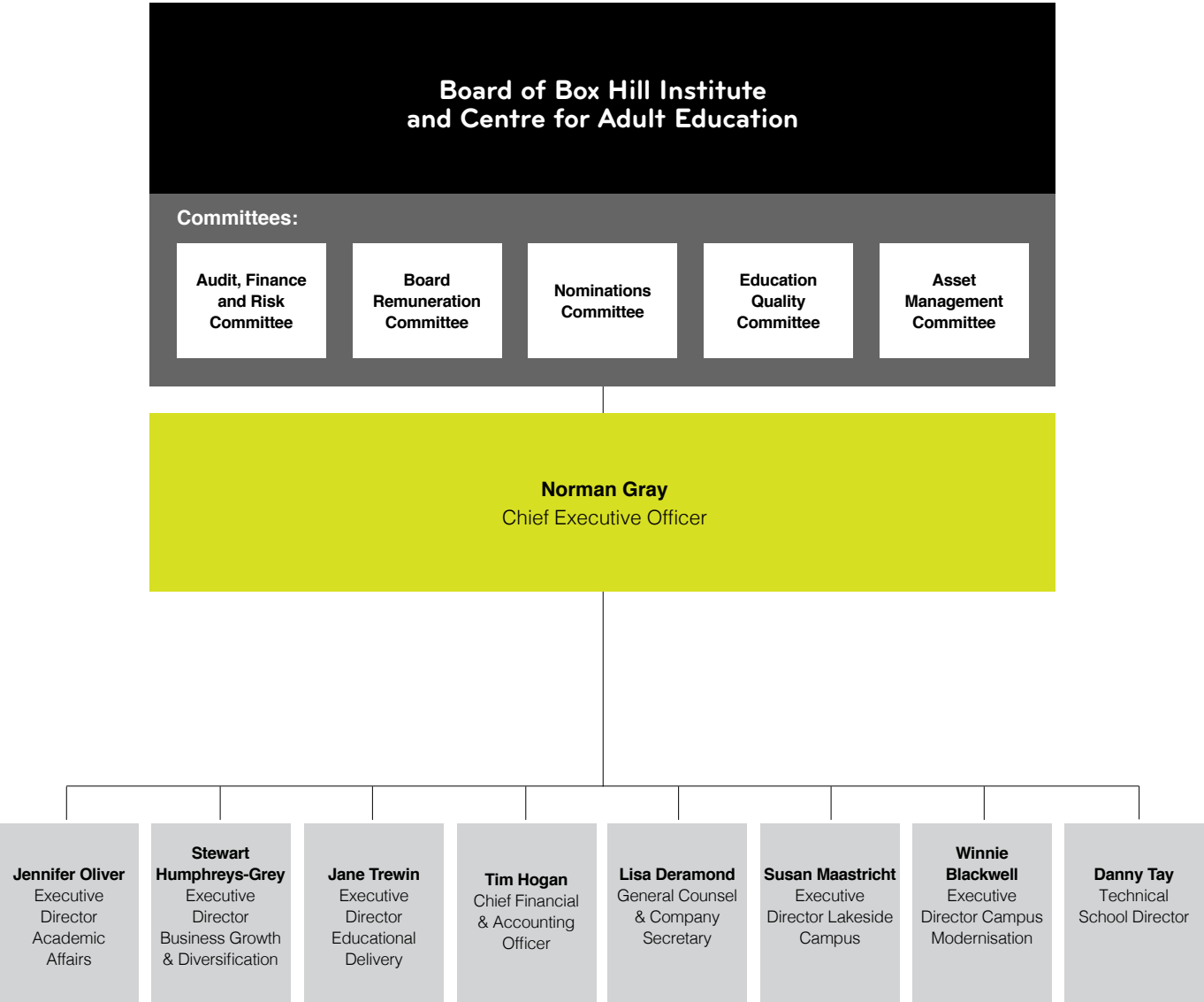
The Remuneration Committee assists the Board in ensuring that remuneration practices for the CEO and Executive Officers are in accordance with government policy relating to public sector employment administered by the State Services Authority and Ministerial directions to TAFE Institutes.

Membership during 2017 included:

- > Mr Allan Moore
- > Ms Amanda Brook
- > Ms Claire Filson
- > Ms Helen Buckingham
- > Mr Jack Diamond (Committee Chair)
- > Prof John Rosenberg
- > Ms Julie Eisenbise
- > Mr Phillip Davies
- > Ms Tracey Cooper
- > Dr Zena Burgess

# EXECUTIVE MANAGEMENT STRUCTURE 2017

Organisational Chart as at 31 December 2017



Board and Committee members are listed in the Governance section.



## Five Year Consolidated Financial Summary

YEAR ENDED 31 DECEMBER	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Summary of Financial Performance</b>					
Government Contributions - Operating	63,776	46,675	44,979	34,323	43,441
Sale of goods and services	57,963	50,884	50,691	62,968	66,273
Other Revenue	4,993	4,975	6,282	4,830	5,430
<b>TOTAL INCOME FROM TRANSACTIONS (Excluding Capital Grants)</b>	<b>126,732</b>	<b>102,534</b>	<b>101,952</b>	<b>102,121</b>	<b>115,144</b>
<b>TOTAL EXPENSES FROM TRANSACTIONS (Excluding Depreciation and Expenditure from capital contributions)</b>	<b>(117,213)</b>	<b>(103,390)</b>	<b>(97,046)</b>	<b>(108,765)</b>	<b>(116,572)</b>
<b>EARNINGS BEFORE DEPRECIATION, CAPITAL GRANTS AND OTHER ECONOMIC FLOWS</b>	<b>9,519</b>	<b>(856)</b>	<b>4,906</b>	<b>(6,644)</b>	<b>(1,428)</b>
Government Contributions - Capital	264	12,100	10,000	730	3,950
Depreciation and Amortisation	(8,882)	(8,218)	(7,118)	(6,915)	(5,766)
Expenditure using government contributions - capital	-	-	-	-	(285)
Other economic flows included in net result	837	(590)	304	5,117	227
Net result from discontinued operations	-	-	-	-	3,466
<b>Net result</b>	<b>1,738</b>	<b>2,436</b>	<b>8,092</b>	<b>(7,712)</b>	<b>163</b>

## Comprehensive Operating Statement

The lower result for 2017 compared with 2016 was primarily driven by an increase in costs due to the continued diversification of the Group's business, including in the contracted delivery area, and across the aviation program. These activities also generated a significant increase in revenue, both in student fees and contestable Government contributions.

Revenue from government contributions - operating increased compared with 2016 and included \$32.730 million of transitional grants to support increased investment in TAFEs (2016: \$24.225 million).

- > Capital grant contributions related to the Tech School at Lilydale campus and investment in asset management software capability (2017: \$0.264 million, 2016: \$12.100 million).
- > Employee expenses increased primarily due to delivering new contracts and the full year impact of an open Lilydale campus (2017: 76.670 million, 2016: \$71.166 million).

Demand for fee for service and Government subsidised Vocational programs and commercial work has improved on 2016 (2017: \$67.438 million, 2016: \$51.691 million) with the addition of a significant new project in 2017 and increased student delivery.

## Balance Sheet

YEAR ENDED 31 DECEMBER	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Summary of Balance Sheet Performance</b>					
Assets	500,557	293,039	262,811	259,926	268,469
Liabilities	(58,547)	(35,063)	(21,551)	(27,057)	(27,891)
<b>NET ASSETS</b>	<b>442,010</b>	<b>257,976</b>	<b>241,260</b>	<b>232,869</b>	<b>240,578</b>
Accumulated Surplus	105,488	103,867	100,020	89,949	97,483
Reserves	309,398	126,985	114,116	115,796	115,971
Contributed Capital	27,124	27,124	27,124	27,124	27,124
<b>NET WORTH</b>	<b>442,010</b>	<b>257,976</b>	<b>241,260</b>	<b>232,869</b>	<b>240,578</b>

The Box Hill Institute group's overall net worth increased by \$184.034 million predominantly due to the revaluation of land and building assets at 31 December 2017.

Cash balances have increased by \$11.130 million, due to cash generated from operating activities. Significant capital investment was funded by cash provided by financing activities.

Property, plant and equipment have increased by \$194.054 million as a result of a valuation of land and buildings at 31 December 2017 conducted by the Valuer-General of Victoria.

## Risk Management and Attestation Statement

For the period 1 January 2017 – 30 June 2017, I, Mr Jack Diamond, on behalf of the Board of Directors, certify that Box Hill Institute has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes, including the Insurance requirements.

For the period 1 July 2017 – 31 December 2017, I Mr Jack Diamond, on behalf of the Board of Directors, certify that Box Hill Institute has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions except for the following Material Compliance Deficiency in connection with Direction 3.7.2.3 Borrowings, Investments and Financial Arrangements and concerning borrowings:

- > a finance lease was arranged with a financial institution which is not owned by the State and does not have a rating the same or better than the State of Victoria. As the lease was part of a Managed Services Agreement entered into for the replacement of essential infrastructure, the Board was of the reasonable belief that the arrangement was compliant.

The Audit, Finance and Risk Committee (AFRC) has reviewed and verified the Institute's compliance assessment.



**Jack Diamond**  
Board Chairperson

8 March 2018

## Statements of Pecuniary Interests

The Institute has policies and procedures that require relevant officers of Box Hill Institute entities to complete Statements of Pecuniary Interests on an annual basis. All such statements have been duly completed.

Information about declarations of pecuniary interests by all relevant officers should be directed to:

The Freedom of Information Officer  
Box Hill Institute  
Private Bag 2014  
Box Hill, VIC 3128

## Details of Shares Held by Senior Officers

Requests for information about shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary, if any, should be directed to the Freedom of Information Officer (contact details above).

## National Competition Policy

Box Hill Institute has policies and procedures to ensure compliance with the National Competition Policy and which take into account the Victorian Government's Competitive Neutrality Policy and related legislation.

## Freedom of Information

Box Hill Institute has implemented a policy and procedures that, subject to privacy constraints, facilitate all reasonable requests for information from students, staff and the public under the provisions in the Freedom of Information Act 1982. Requests under the Freedom of Information Act should be addressed to the Freedom of Information Officer (contact details set out above).

Box Hill Institute may levy a charge for information provided that is the subject of a Freedom of Information request in accordance with the relevant requirements. There was one formal request for information under the Freedom of Information Act during the 2017 reporting period.

Students may access their personal records by applying to:

The Registrar  
Box Hill Institute  
465 Elgar Road  
Box Hill, VIC 3128

A staff member may access their personnel file by applying to:

General Manager Human Resources  
Box Hill Institute  
465 Elgar Road  
Box Hill, VIC 3128

## Financial Reporting Directions

This report is prepared in accordance with the requirements of the Financial Reporting Directions. For further details, please refer to the Financial Statements.

### **Compulsory Student Services and Amenities Fee**

Box Hill Institute Group levy a compulsory student services and amenities fee that is determined in accordance with the Ministerial Directions on Students Fees and Charges. The fee is fully applied to the provisions of funding for student recreation, counselling and welfare and other non-academic support services.

The processes for the collection and disbursement of the services and amenities fees are managed by Box Hill Institute and CAE respectively and are not paid to any student organisations. Total Student Services and Amenities Fees collected for the Box Hill Institute Group for the year ending 31 December 2017 were \$1,104,000. Student Services and Amenities Fees collected for Box Hill Institute were \$1,040,000. Student Services and Amenities Fees collected for CAE were \$64,000.

### **Protected Disclosure Act**

The purpose of the Protected Disclosure Act 2012 is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection to persons who make disclosures in accordance with the Act.

The Institute has policies and procedures to promote the protection of persons who make a protected disclosure under the Act, which can be accessed at on the Institute's website at [www.bboxhill.edu.au/about-us/policies-and-procedures](http://www.bboxhill.edu.au/about-us/policies-and-procedures) or from the Protected Disclosure Coordinator at [protecteddisclosure@bhi.edu.au](mailto:protecteddisclosure@bhi.edu.au).

Officers, members, employees and contractors of the Institute as well as members of the public, may make a disclosure of improper conduct or detrimental action under the Act to the Independent Broad-based Anti-corruption Commission (IBAC) online at [www.ibac.vic.gov.au/report-corruption-or-misconduct/online-form](http://www.ibac.vic.gov.au/report-corruption-or-misconduct/online-form)

The Institute's Protected Disclosure Coordinator cannot receive disclosures. They must be made directly to IBAC. The Coordinator is responsible for coordinating disclosures and the welfare of disclosers.

### **Carers Recognition Act**

The Box Hill Institute Group meets its obligations under the Carers Recognition Act 2012 by ensuring a carer friendly workplace, the implementation of and adherence to policies and services to better support care relationships, and by developing programs and services for supporting care relationships where needed.

### **Conduct Principles**

All staff are required to comply with the requirements in the Box Hill Institute Group's Code of Conduct and the Code of Conduct for the Victorian Public Sector Employees.

### **Victorian Public Sector Travel Principles**

Box Hill Institute Group has policies and procedures in relation to domestic and international travel and accommodation to ensure compliance with the Victorian Public Sector Travel Principles. This applies to all employees of Box Hill Institute and its controlled entities, and takes into account the Victorian Public Sector Travel Principles issued by the Department of Premier and Cabinet and the Department of Education and Early Childhood Development Policy and Guidelines.

### **Occupational Health and Safety**

A continual overarching commitment to Occupational Health and Safety (OHS) across the Box Hill Institute Group has achieved an increase in safety participation, reporting, training, and health and wellbeing activities during 2017.

OHS is incorporated into all workplace and learning activities to ensure the promotion of and emphasis on health and safety. A proactive focus on injury and illness prevention and physical and psychological wellbeing continues to form an integral component of our organisation and teaching cultures.

For Box Hill Institute, ongoing review of and consultation on OHS results during 2017 confirmed the effectiveness of proactive risk management strategies and initiatives. As a result, there was an increase in the reporting and rectifying of workplace hazards, with a total of 193.97 hazard reports per 100 FTE reported during 2017. This is a moderate increase compared to the 136.37 reported in 2016 and 35.83 reported in 2015.

The Box Hill Institute WorkCover policy continues to perform above the industry comparison rate. The average claim costs for 2017 was \$32,471.51 compared to \$2,884.20 in 2016 and \$25,045.69 in 2015. The cost variation is due to the types of claims made in 2017.

There were 8 lost time standard claims in 2017, contributing to a lost time injury frequency rate for the Group of 1.07, well below the 2017 target of 5.0. The reported lost time injury frequency rate in 2016 was 0.1 and 2.15 in 2015.

During 2017, there were 8 WorkSafe notifiable incidents reported and no WorkSafe notices issued within the Box Hill Institute operations.

For information about CAE, please refer to CAE Annual Report 2017.

## Environmental Performance

Energy Use		2017	2016	2015
Total energy usage, segmented by primary source	Electricity	25,979,510MJ	26,632,227 MJ	27,980,121 MJ
	Natural Gas	24,264,579MJ	24,376,286 MJ	19,973,564 MJ
	Total Energy	50,244,089MJ	51,008,513 MJ	47,953,685 MJ
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets		Not applicable	Not applicable	10,331 Tonnes
Percentage of electricity purchased as Green Power		0%	0%	0%
Total greenhouse gas emissions associated with energy use		8,639 tonnes	9,531.2 tonnes	8,953 tonnes
Units of energy used (per effective full time employee)		65,189.41MJ	67,535.00 MJ	59,506.26 <sup>2</sup> MJ
Units of energy used per unit of building area (per m <sup>2</sup> )		401.95 MJ	406.1 MJ	508.9 MJ

Waste Production		2017	2016	2015
Total units of office waste disposed of by destination (kg per year)	General Waste (landfill)	239,165 kg	212,420 kg	323,160 kg
	Total recycling	87,188 kg	140,010 kg	160,825 kg
	TOTAL	326,352 kg	352,430 kg	483,985 kg
Units of office waste disposed per full time employee by destination (per effective full time employee)	Landfill	310 kg	281 kg	339 kg
	Recycling	113 kg	185 kg	257 kg
Recycling rate (% of total waste by weight)		27%	40%	42%

Paper Use	2017	2016	2015
Total units of A4 equivalent copy paper used	10,025 reams	7,654 reams	10, 556 reams
Units of equivalent copy paper used per full-time employee	11.9 reams	10.13 reams	10.4 reams
Percentage of recycled content in copy paper purchased	10%	10%	10%

Box Hill Institute is committed to reducing its environmental footprint with initiatives established to reduce energy, water and paper usage. In an effort to reduce general waste to landfill, institutional recycling initiatives will continue into 2018.

With increased activities at Lilydale Lakeside campus in 2017, Box Hill Institute had a slight increase in energy usage per unit of building area and paper use. For 2018, a slight increase in energy and water usage are anticipated when new commercial activities such as the opening of the new Integrated Children Centre at Lilydale Lakeside campus and Box Hill Institute has longer operating hours in some areas.

In 2017, Box Hill Institute's total energy consumption by its 34 vehicles was 1,220,615 megajoules. Total vehicle travel associated with entity operations was 363,519 kilometres, and the greenhouse gas emissions from the vehicle fleet measured 160 tonnes CO<sub>2</sub>-e, at 0.44 per 1,000 kilometres.

### Future Environmental Targets

Box Hill Institute has targeted year on year reductions, which we pursue through a range of initiatives. These initiatives aim to decrease each environmental aspect year on year if possible. Our works at Nelson Campus includes installation of LED lighting. The two mechanical plants at Lilydale Lakeside campus

have been replaced with more energy efficient systems to reduce energy use. A continuous focus on recycling initiatives with more recycling stations and the inclusion of demolition and building waste in recycling assessments is aimed at reducing our waste production.

Water consumption is being reduced through the installation of flow restriction devices in washroom refurbishments, and our paper use continues to decrease with the installation of shared printers and the removal of personal printers.

Box Hill Institute Group will continue to use video and audio equipment for online conferencing and Skype meetings and promote the use of public transport by employees to reduce reliance on cars.

### Building Services

Box Hill Institute Group has established policies and mechanisms to ensure that works to existing buildings conform with building standards and with statutory obligations arising from the Building Act 1993, which relate to health and safety measures. We place a strong emphasis on the provision and maintenance of high quality buildings that meet regulatory requirements of OHS standards. All Box Hill Institute Group building works conform to building regulations.

### ICT Expenditure

A summary of Box Hill Institute Group's information and communication technology expenditure is included below.

BAU ICT Expenditure Total (\$'m)	Non-BAU ICT Expenditure (\$'m)	Operational Expenditure (\$'m)	Capital Expenditure (\$'m)
<b>Total</b>	<b>Total = A + B</b>	<b>A</b>	<b>B</b>
4.10	2.59	1.33	1.25

## Compliance with Other Legislation

Box Hill Institute Group complies with the requirements of relevant legislation and subordinate instruments, including the following:

- > Building Act 1993
- > Directions of the Minister of Training and Skills for the State of Victoria through the Secretary of the Department of Education and Training and the Higher Education and Skills Group
- > Education and Training Reform Act 2006
- > Financial Management Act 1994
- > Freedom of Information Act 1982
- > Occupational Health & Safety Act 2004
- > Privacy & Data Protection Act 2014
- > Protected Disclosure Act 2012
- > Public Administration Act 2004
- > TAFE Institute Commercial Guidelines
- > TAFE Institute Strategic Planning Guidelines
- > The Constitution of the Box Hill Institute and the Centre for Adult Education
- > Victorian Industry Participation Policy Act 2003
- > Working with Children Act 2005

During 2017, the Institute developed and implemented a Child Safe strategy, including a policy and procedure in line with Victoria's compulsory minimum standards for organisations, which provide services for children, including Victorian schools and non-school secondary providers.

## Major Commercial Activities

In accordance with the Commercial Guidelines – TAFE Institutes, in 2017 Box Hill Institute undertook the following major commercial activity:

- > Entered into a contract agreement with Epworth Healthcare for the sale of the Eastern part of its Whitehorse site in Box Hill. The contract was executed on 30 August 2017

## Additional Information Available on Request

Consistent with Financial Management Act 1994, Box Hill Institute Group has also prepared material,

details of which are available on request and in accordance with the organisation's Freedom of Information Policies:

- a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- c) details of publications produced by the entity about itself, and how these can be obtained
- d) details of changes in prices, fees, charges, rates and levies charged by the entity
- e) details of any major external reviews carried out on the entity
- f) details of major research and development activities undertaken by the entity
- g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- h) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- i) details of assessments and measures undertaken to improve the occupational health and safety of employees
- j) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- l) details of all consultancies and contractors including:
  - i. consultants/contractors engaged
  - ii. services provided
  - iii. expenditure committed to for each engagement

Enquiries should be addressed to:

The Freedom of Information Officer  
Box Hill Institute  
465 Elgar Road  
Box Hill VIC 3128

Telephone: (03) 9286 9222

## Campaigns

The below table relates to government advertising campaigns, including research and evaluation costs.

Campaigns More than \$100k								
Campaign Name	Summary	Start Date	End Date	Advertising (Media) Exp 2017 (excl. GST)	Creative & Campaign Dev. Exp 2017 (excl. GST)	Print & Colateral Exp 2017 (Excl. GST)	Other Campaign Exp 2017 (Excl. GST)	Total (Excl. GST)
VTAC & Direct Entry Campaign	Student recruitment campaign via VTAC and direct entry	October 2016	February 2017	\$189,309.67	\$16,722.73	\$610.13	\$11,670.00	\$218,312.53

## Consultancies over \$10,000

In 2017, there were 22 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017 in relation to these consultancies is \$2,072,066. Details of individual consultancies can be viewed at [www.boxhill.edu.au](http://www.boxhill.edu.au).

Consultants	Number of Engagements	Total fees Paid (excl. GST)	Particulars of Projects involved	Estimated Future Commitments (excl. GST)
Ashurst Australia	3	31,740	Provision of legal advice pertaining to property and contracts	137,145
Blue Ocean Strategy Australia	2	11,175	Provision of strategy training and strategic advice	
Chevalier Services Pty Ltd	1	135,200	Provision of courseware development	
Covertone Consulting Pty Ltd	1	12,000	Provision of compliance assessment for contracts	
Devers List Pty Ltd	1	36,914	Provision of legal advice pertaining to planning amendments	17,545
HAK Investments	1	264,389	Provision of international advisory services	
Iolt Limited	1	47,850	Provision of curriculum development and facilitator training	
John Mullen and Partners Pty Ltd	2	28,660	Provision of engineering consulting services	
Korn Ferry Hay Group Pty Limited	1	33,300	Provision of customer experience surveys	
Logie-Smith Lanyon	3	29,480	Provision of legal advice pertaining to employment matters	4,206
Mark Globor	1	14,082	Provision of curriculum development	
Mercer Consulting (Australia) Pty Ltd	3	18,600	Provision of training and executive position reviews	
Mertons Corporate Services Pty Ltd	3	35,460	Provision of function reviews	
Moores Legal Pty Ltd	4	28,501	Provision of legal advice pertaining to contracts and debt recovery	3,152



Consultants (continued)	Number of Engagements	Total fees Paid (excl. GST)	Particulars of Projects involved	Estimated Future Commitments (excl. GST)
Nicholsons Solicitors	1	14,186	Provision of legal advice pertaining to contracts	
Persian Heights	1	20,000	Provision of course development for commercial projects	
PPB Advisory	3	146,540	Provision of real estate advisory and business case development services	97,800
Practicus Australia Pty Limited	1	10,995	Provision of business case development	6,000
Professional Adviser Improvement Services Pty Ltd	1	12,000	Provision of financial modelling services	6,000
Sanston Securities Australia Pty Ltd	1	206,124	Provision of corporate advisory	
SJB Urban	1	33,713	Provision of Urban Design Consultancy Services	12,180
Tectura Pty Ltd	3	901,158	Provision of strategic advice and architecture services	226,044

### Consultancies under \$10,000

Number of Engagements	2
Total Fees Incurred	12,960

In 2017, there were two consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017 in relation to these consultancies is \$12,960 (excl. GST).

# WORKFORCE DATA

## Workforce Data - Box Hill Institute

Teaching Staff									
Employment Status		Full Time 2017	Full Time 2016	Part Time 2017	Part Time 2016	Total 2017	Total 2016	EFT 2017	EFT 2016
On-going	Female	38	38	42	35	80	73	57.55	55.25
On-going	Male	77	74	8	12	85	86	71.75	72.36
Fixed Term	Female	37	22	24	18	61	40	25.31	18.5
Fixed Term	Male	48	51	13	4	61	55	43.02	35.05
Casual	Female			325	269	325	269	84.84	79.43
Casual	Male			283	242	283	242	72.68	74.88
<b>SUB-TOTAL</b>	<b>Female</b>	<b>75</b>	<b>60</b>	<b>391</b>	<b>322</b>	<b>466</b>	<b>382</b>	<b>167.7</b>	<b>153.18</b>
<b>SUB-TOTAL</b>	<b>Male</b>	<b>125</b>	<b>125</b>	<b>304</b>	<b>258</b>	<b>429</b>	<b>383</b>	<b>187.45</b>	<b>182.29</b>
PACCT and Non-Teaching Staff									
Employment Status		Full Time 2017	Full Time 2016	Part Time 2017	Part Time 2016	Total 2017	Total 2016	EFT 2017	EFT 2016
Executive Officers	Female	8	9	0	0	8	9	8	7.76
Executive Officers	Male	7	7	0	0	7	7	5.79	4.21
Management	Female	55	53	4	3	59	56	41.65	47.44
Management	Male	39	44	3	2	42	46	30.57	40.99
General Staff On-going	Female	127	118	42	44	169	162	133.9	139.85
General Staff On-going	Male	83	72	7	6	90	78	69.91	68.39
General Staff Fixed Term	Female	60	72	14	14	74	86	54.48	48.98
General Staff Fixed Term	Male	38	44	5	5	43	49	28.49	26.64
General Staff Casual	Female			184	154	184	154	29.34	26.44
General Staff Casual	Male			83	73	83	73	13.46	9.12
<b>SUB-TOTAL</b>	<b>Female</b>	<b>250</b>	<b>252</b>	<b>244</b>	<b>215</b>	<b>494</b>	<b>467</b>	<b>267.37</b>	<b>270.47</b>
<b>SUB-TOTAL</b>	<b>Male</b>	<b>167</b>	<b>167</b>	<b>98</b>	<b>86</b>	<b>265</b>	<b>253</b>	<b>148.22</b>	<b>149.35</b>
<b>TOTAL</b>	<b>Female</b>	<b>325</b>	<b>312</b>	<b>635</b>	<b>537</b>	<b>960</b>	<b>849</b>	<b>435.07</b>	<b>423.65</b>
<b>TOTAL</b>	<b>Male</b>	<b>292</b>	<b>292</b>	<b>402</b>	<b>344</b>	<b>694</b>	<b>636</b>	<b>335.67</b>	<b>331.64</b>
<b>GRAND TOTAL</b>		<b>617</b>	<b>604</b>	<b>1037</b>	<b>881</b>	<b>1654</b>	<b>1485</b>	<b>770.74</b>	<b>755.29</b>

## Employment and Conduct Principles

Box Hill Institute Group recruits and promotes the most suitably qualified, experienced and capable employees through an open, transparent, and merit based selection process that complies with relevant legislative requirements. All employees are expected to conduct themselves in a manner consistent with the Box Hill Institute Group Code of Conduct. All employees have been correctly classified in workforce data collections.



**BOX HILL**  
INSTITUTE

# **FINANCIAL STATEMENTS**

## **31 DECEMBER 2017**

# Independent Auditor's Report

## To the Board of the Box Hill Institute

<b>Opinion</b>	<p>I have audited the consolidated financial report of the Box Hill Institute (the institute) and its controlled entities (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> <li>• consolidated entity and institute balance sheets as at 31 December 2017</li> <li>• consolidated entity and institute comprehensive operating statements for the year then ended</li> <li>• consolidated entity and institute statements of changes in equity for the year then ended</li> <li>• consolidated entity and institute cash flow statements for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• declaration by the board chair, chief executive officer and chief financial officer.</li> </ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the institute as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under that Act and those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the institute and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the institute is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the institute and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**responsibilities  
for the audit  
of the financial  
report**

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the institute and the consolidated entity'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 and the consolidated entity'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 and the consolidated entity 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
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the institute and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the institute and the consolidated entity. I remain solely responsible for my audit opinion.

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  
20 February 2018

Charlotte Jeffries  
*as delegate for the Auditor-General of Victoria*

# BOX HILL INSTITUTE GROUP FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## How this report is structured

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

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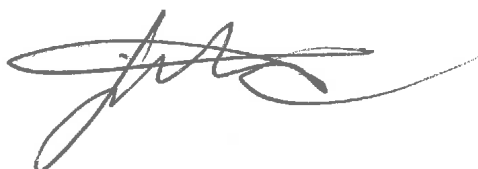
## Declaration by Board Chair, Chief Executive Officer and Chief Financial Officer

In our opinion the attached financial statements for the Box Hill Institute and the consolidated entity 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.

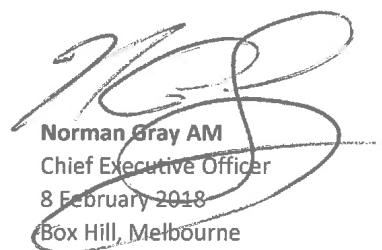
We further state that, in our opinion, the information set out in the comprehensive operating statements, balance sheets, statements of changes in equity, cash flow statements and notes to and forming part of the financial report, presents fairly the financial transactions during the year ended 31 December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

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

The Board Chair, Chief Executive Officer and Chief Financial Officer sign this declaration in accordance with a resolution of the Board of the Box Hill Institute.



**Jack Diamond**  
Board Chair  
8 February 2018  
Box Hill, Melbourne



**Norman Gray AM**  
Chief Executive Officer  
8 February 2018  
Box Hill, Melbourne



**Tim Hogan**  
Chief Financial Officer  
8 February 2018  
Box Hill, Melbourne

# BOX HILL INSTITUTE GROUP

## COMPREHENSIVE OPERATING STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated		Institute	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>					
<b>Income from transactions</b>					
Government contributions	2.1	64,040	58,775	61,451	56,436
Sale of goods and services	2.2	57,963	50,884	54,465	47,668
Other income	2.3	4,993	4,975	2,616	7,939
<b>Total income from transactions</b>		<b>126,996</b>	<b>114,634</b>	<b>118,532</b>	<b>112,043</b>
<b>Expenses from transactions</b>					
Employee benefits	3.1.1	76,670	71,166	71,726	65,488
Depreciation and amortisation	4.3	8,882	8,218	8,133	7,527
Supplies and services	3.2	30,586	21,938	24,878	16,004
Other operating expenses	3.3	9,957	10,286	9,476	9,671
<b>Total expenses from transactions</b>		<b>126,095</b>	<b>111,608</b>	<b>114,213</b>	<b>98,690</b>
<b>Net result from transactions</b>		<b>901</b>	<b>3,026</b>	<b>4,319</b>	<b>13,353</b>
<b>Other economic flows included in net result</b>					
Gains/(losses) from other economic flows	9.1	837	(590)	(231)	(791)
<b>Total other economic flows included in net result</b>		<b>837</b>	<b>(590)</b>	<b>(231)</b>	<b>(791)</b>
<b>Net result</b>		<b>1,738</b>	<b>2,436</b>	<b>4,088</b>	<b>12,562</b>
<b>Other economic flows - other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Changes in physical asset revaluation surplus	4.1.1	182,413	14,129	181,167	13,882
<b>Comprehensive result</b>		<b>184,151</b>	<b>16,565</b>	<b>185,255</b>	<b>26,444</b>

The above Comprehensive Operating Statements should be read in conjunction with the accompanying notes.



# BOX HILL INSTITUTE GROUP

## BALANCE SHEETS

### AS AT 31 DECEMBER 2017

		Consolidated		Institute	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	6.1	37,164	26,034	36,221	24,718
Receivables	5.1	8,940	8,029	15,573	13,186
Investments and other financial assets		1,402	1,344	-	-
<b>Total financial assets</b>		<b>47,506</b>	<b>35,407</b>	<b>51,794</b>	<b>37,904</b>
<b>Non-financial assets</b>					
Land and buildings held for sale	4.1.2	10,648	10,648	10,648	10,648
Property, plant and equipment	4.1	435,625	241,571	425,535	232,306
Intangible assets	4.2	2,354	2,655	2,331	2,610
Other non-financial assets	5.2	4,424	2,758	4,371	2,326
<b>Total non-financial assets</b>		<b>453,051</b>	<b>257,632</b>	<b>442,885</b>	<b>247,890</b>
<b>Total assets</b>		<b>500,557</b>	<b>293,039</b>	<b>494,679</b>	<b>285,794</b>
<b>Liabilities</b>					
Payables	5.3	11,022	9,289	9,067	7,312
Employee provisions	3.1.3	10,055	11,034	9,238	9,976
Revenue in advance		9,253	4,740	8,773	4,423
Borrowings	6.2	28,217	10,000	28,217	10,000
<b>Total liabilities</b>		<b>58,547</b>	<b>35,063</b>	<b>55,295</b>	<b>31,711</b>
<b>Net assets</b>		<b>442,010</b>	<b>257,976</b>	<b>439,384</b>	<b>254,083</b>
<b>Equity</b>					
Contributed capital		27,124	27,124	27,124	27,124
Accumulated surplus/(deficit)		105,488	103,867	104,607	100,473
Reserves		309,398	126,985	307,653	126,486
<b>Net worth</b>		<b>442,010</b>	<b>257,976</b>	<b>439,384</b>	<b>254,083</b>

The above Balance Sheets should be read in conjunction with the accompanying notes.

# BOX HILL INSTITUTE GROUP

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2017

	Physical assets revaluation surplus \$'000	Restricted Funds Reserve \$'000	Accumulated surplus \$'000	Contributions by owner \$'000	Total \$'000
<b>Consolidated</b>					
<b>At 1 January 2016</b>	112,681	1,435	100,020	27,124	241,260
Net result for the year	-	-	2,436	-	2,436
Other comprehensive income	14,129	-	-	-	14,129
Transfers from physical asset revaluation surplus	(1,210)	-	1,210	-	-
Transfers from accumulated surplus	-	(50)	50	-	-
Adjustment to prior year expenses	-	-	151	-	151
<b>Year ended 31 December 2016</b>	<b>125,600</b>	<b>1,385</b>	<b>103,867</b>	<b>27,124</b>	<b>257,976</b>
Net result for the year	-	-	1,738	-	1,738
Other economic flows - other comprehensive income	182,413	-	-	-	182,413
Adjustment to opening Retained Earnings	-	-	(117)	-	(117)
<b>Year ended 31 December 2017</b>	<b>308,013</b>	<b>1,385</b>	<b>105,488</b>	<b>27,124</b>	<b>442,010</b>
	Physical assets revaluation surplus \$'000	Restricted Funds Reserve \$'000	Accumulated surplus \$'000	Contributions by owner \$'000	Total \$'000
<b>Institute</b>					
<b>At 1 January 2016</b>	112,429	1,435	86,501	27,124	227,489
Net result for the year	-	-	12,562	-	12,562
Other comprehensive income	13,882	-	-	-	13,882
Transfers from physical asset revaluation surplus	(1,210)	-	1,210	-	-
Transfers from accumulated surplus	-	(50)	50	-	-
Adjustment to prior year expenses	-	-	150	-	150
<b>Year ended 31 December 2016</b>	<b>125,101</b>	<b>1,385</b>	<b>100,473</b>	<b>27,124</b>	<b>254,083</b>
Net result for the year	-	-	4,088	-	4,088
Other economic flows - other comprehensive income	181,167	-	-	-	181,167
Adjustment to opening Retained Earnings	-	-	46	-	46
<b>Year ended 31 December 2017</b>	<b>306,268</b>	<b>1,385</b>	<b>104,607</b>	<b>27,124</b>	<b>439,384</b>

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

# BOX HILL INSTITUTE GROUP

## CASH FLOW STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

		Consolidated		Institute	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Government contributions - operating		63,776	45,416	61,187	42,986
Government contributions - capital		264	12,100	264	12,100
User fees and charges received		70,560	61,337	64,243	53,986
Interest received		261	264	253	199
Distribution received		-	287	-	6,287
Net GST received		1,461	-	1,531	-
<b>Total receipts</b>		<b>136,322</b>	<b>119,404</b>	<b>127,478</b>	<b>115,558</b>
<b>Payments</b>					
Payments to suppliers and employees		(123,752)	(106,097)	(111,976)	(89,745)
Interest and other borrowing costs paid		(243)	-	(213)	-
Net GST paid		-	(3,116)	-	(3,133)
<b>Total payments</b>		<b>(123,995)</b>	<b>(109,213)</b>	<b>(112,189)</b>	<b>(92,878)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>6.1.1</b>	<b>12,327</b>	<b>10,191</b>	<b>15,289</b>	<b>22,680</b>
<b>Cash flows from investing activities</b>					
Purchase of non-financial assets		(20,425)	(41,890)	(20,120)	(40,053)
Proceeds from sales of non-financial assets		121	1,670	117	1,670
Payments received from investment in associate		890	642	-	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(19,414)</b>	<b>(39,578)</b>	<b>(20,003)</b>	<b>(38,383)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		23,217	10,000	23,217	10,000
Repayment of borrowings		(5,000)	-	(5,000)	-
Advances to related party		-	-	(2,000)	(6,181)
<b>Net cash flows from/(used in) financing activities</b>		<b>18,217</b>	<b>10,000</b>	<b>16,217</b>	<b>3,819</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>11,130</b>	<b>(19,387)</b>	<b>11,503</b>	<b>(11,884)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>26,034</b>	<b>45,421</b>	<b>24,718</b>	<b>36,602</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6.1</b>	<b>37,164</b>	<b>26,034</b>	<b>36,221</b>	<b>24,718</b>

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

# BOX HILL INSTITUTE GROUP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 1.1 Basis of preparation

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

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

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

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

Management have made a number of judgements and incorporated a range of estimates in applying the Australian Accounting Standards (AAS). These have significant effects on the financial statements, and relate to the following areas:

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

These financial statements cover BHI and its controlled entities as an individual reporting entity and include all the controlled activities of BHI (refer to note 9.2).

#### Goods and Services Tax (GST)

Income, expenses, assets and liabilities 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.

#### 1.2 Compliance information

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

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

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

## Introduction

BHI's overall objective is to perform its functions for the public benefit through education delivery, building community capacity and enriching the lives of young people and adults through lifelong learning.

To enable BHI to fulfil its objective and provide training outputs as described in Section 3, it receives income comprising Government contributions, student tuition fees and charges. BHI also generates training revenue from contractual arrangements with commercial clients and industry partners.

## 2.1 Government contributions

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Grants and other transfers</b>				
State government - contestable	28,907	20,913	27,200	19,203
State government - other contributions	34,771	25,762	33,889	25,133
Commonwealth Government - other contributions	98	-	98	-
<b>Total Government contributions- operating</b>	<b>63,776</b>	<b>46,675</b>	<b>61,187</b>	<b>44,336</b>
State-capital	264	12,100	264	12,100
<b>Total Government contributions - capital</b>	<b>264</b>	<b>12,100</b>	<b>264</b>	<b>12,100</b>
<b>Total Government contributions</b>	<b>64,040</b>	<b>58,775</b>	<b>61,451</b>	<b>56,436</b>

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

**BOX HILL INSTITUTE GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

## 2.2 Sale of goods and services

	Consolidated		Institute	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Student fees and charges	14,744	12,048	14,409	11,752
Fee for service - government	13,416	12,185	13,077	12,185
Fee for service - international operations - onshore	6,137	4,178	6,137	4,178
Fee for service - international operations - offshore	2,633	4,450	2,633	4,450
Fee for service - other	16,655	13,769	14,005	11,009
<b>Other non-course fees and charges</b>				
Sale of goods	4,378	4,254	4,204	4,094
<b>Total fees and charges</b>	<b>57,963</b>	<b>50,884</b>	<b>54,465</b>	<b>47,668</b>

### Student fees and charges

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

### Fee for service

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

### Revenue from sale of goods

Revenue from sale of goods is recognised by BHI when:

- the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- BHI 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 BHI; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Revenue received in advance

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

## 2.3 Other income

	Consolidated		Institute	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Dividends from Controlled Entity	-	-	-	6,000
Interest income	261	264	253	199
Rental income	2,769	3,372	611	594
Other revenue	1,963	1,339	1,752	1,146
<b>Total other income</b>	<b>4,993</b>	<b>4,975</b>	<b>2,616</b>	<b>7,939</b>

BHI receives rental income for certain land and buildings leased out to the general public during the semester break period and when the buildings are excess to the current requirement.

### Interest income

Interest income is recognised in the period that it is earned.

### Rental income

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

### Other revenue

Other revenue includes car parking revenue and child care benefits, which are recognised as revenue when the services are provided.

## Leases receivable

	Consolidated		Institute	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Receivable:</b>				
Within one year	1,679	2,410	270	132
Later than one year but not later than five years	2,564	3,734	238	73
<b>Total lease receivables</b>	<b>4,243</b>	<b>6,144</b>	<b>508</b>	<b>205</b>
GST payable on the above	(386)	(553)	(46)	(19)
<b>Net operating lease receivables</b>	<b>3,857</b>	<b>5,591</b>	<b>462</b>	<b>186</b>

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.

# BOX HILL INSTITUTE GROUP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

## 3.1 Employee benefits

### *Significant judgement and estimates: Provision for employee benefits*

The present value of employee benefit obligations including annual leave, long service leave and on-costs are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include:

- Employee tenure period
- Future salary growth rate
- Discount rates for changes in the value of money over time

### 3.1.1 Employee benefits in the comprehensive operating statement

	Consolidated		Institute	
	2017	2016	2017	2016
Expense	\$'000	\$'000	\$'000	\$'000
Salaries, wages, overtime and allowances	60,100	55,518	56,241	51,020
Superannuation	6,145	5,629	5,759	5,202
Payroll tax	3,862	3,213	3,384	2,960
Worker's compensation	236	315	237	282
Long service leave	1,250	1,183	1,258	1,087
Annual leave	3,824	4,174	3,626	3,847
Termination benefits	1,082	1,016	1,051	977
Other	171	118	170	113
<b>Total employee benefits</b>	<b>76,670</b>	<b>71,166</b>	<b>71,726</b>	<b>65,488</b>

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

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. BHI 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.

Provision is also 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.

### 3.1.2. Superannuation

Employees of BHI are entitled to receive superannuation benefits and BHI contributes to both defined benefit and defined contribution plans. Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of BHI.

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

The defined benefit plan(s) provides benefits based on years of service and final average salary. The expenses recognised represent the contributions made by BHI to the superannuation plans in respect of current services of current BHI staff which are based on the relevant rules of each plan. The total amount of defined benefit plan payments made by the Consolidated Group in 2017 was \$237k (2016, \$343k).

BHI does not recognise any defined benefit liabilities 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 they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.



### 3.1 Employee benefits (continued)

#### 3.1.3. Employee benefits in the balance sheet

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current provisions</b>				
<b>Employee benefits - Annual leave</b>				
Unconditional and expected to wholly settle within 12 months	1,837	1,942	1,706	1,681
Unconditional and expected to wholly settle after 12 months	206	261	186	224
<b>Employee benefits - Long service leave</b>				
Unconditional and expected to wholly settle within 12 months	1,555	1,788	1,432	1,640
Unconditional and expected to wholly settle after 12 months	4,500	4,240	4,086	3,905
<b>Employee benefits - Other</b>				
Unconditional and expected to wholly settle within 12 months	-	683	-	631
<b>Provisions for on-costs</b>				
Unconditional and expected to wholly settle within 12 months	272	618	249	561
Unconditional and expected to wholly settle after 12 months	973	677	890	624
<b>Total current provisions for employee benefits</b>	<b>9,343</b>	<b>10,209</b>	<b>8,549</b>	<b>9,266</b>
<b>Non-current provisions</b>				
Employee benefits	617	712	597	613
Employee benefits on-costs	95	113	92	97
<b>Total non-current provisions</b>	<b>712</b>	<b>825</b>	<b>689</b>	<b>710</b>
<b>Total employee provisions</b>	<b>10,055</b>	<b>11,034</b>	<b>9,238</b>	<b>9,976</b>

#### Wages, salaries and annual leave

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

Depending on the expectation of the timing of settlement, these liabilities are measured at:

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

**Unconditional LSL** is disclosed in the notes to the financial statements as a current liability, even where BHI 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. The discount rate applied is as advised by the Minister of Finance.

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

#### Ex gratia expenses

A total of \$387k in ex-gratia payments were made to departing staff during 2017 (2016, \$139k)

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### 3.2 Supplies and services

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Purchase of supplies and consumables	2,135	2,286	1,891	2,088
Third party program delivery	9,687	2,032	9,626	1,970
Contract and other services	6,096	5,736	5,299	4,802
Cost of goods sold/distributed (ancillary trading)	1,262	1,281	1,228	1,281
Building repairs and maintenance	2,947	2,203	2,727	2,025
Operating lease payments	5,139	5,068	967	721
Other supplies and services	920	929	862	876
Fees and charges	2,400	2,403	2,278	2,241
<b>Total supplies and services</b>	<b>30,586</b>	<b>21,938</b>	<b>24,878</b>	<b>16,004</b>

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

#### 3.2.1 Non-cancellable operating lease commitments payable

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

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Payable:</b>				
Within one year	4,651	4,676	589	628
Later than one year but not later than five years	18,664	20,221	478	1,042
Later than five years	24,487	27,573	596	612
<b>Total operating lease commitments</b>	<b>47,802</b>	<b>52,470</b>	<b>1,663</b>	<b>2,282</b>
GST reclaimable on the above	(4,346)	(4,770)	(151)	(207)
<b>Net operating lease commitments</b>	<b>43,456</b>	<b>47,700</b>	<b>1,512</b>	<b>2,075</b>

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

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

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

### 3.3 Other operating expenses

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
General expenses	104	83	104	83
Marketing and promotional expenses	2,909	3,311	2,666	2,976
Utilities	1,668	1,495	1,542	1,323
Audit fees and services	384	348	369	303
Staff development	665	608	663	602
Travel and motor vehicle expenses	1,195	1,507	1,192	1,504
Other expenses	3,032	2,934	2,940	2,880
<b>Total other operating expenses</b>	<b>9,957</b>	<b>10,286</b>	<b>9,476</b>	<b>9,671</b>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

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

# BOX HILL INSTITUTE GROUP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 4.1 Property, plant and equipment

##### *Fair value measurement*

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

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

Consolidated	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	242,000	80,847	-	-	242,000	80,847
Buildings	159,793	140,812	-	(12,431)	159,793	128,381
Construction in progress	5,735	7,114	-	-	5,735	7,114
Plant and equipment	26,821	21,015	(8,712)	(6,425)	18,109	14,590
Motor vehicles	373	387	(120)	(178)	253	209
Leasehold improvements	16,071	15,820	(9,302)	(8,231)	6,769	7,589
Artwork	328	456	-	-	328	456
Computers	5,531	4,158	(2,893)	(1,773)	2,638	2,385
<b>Net carrying amount</b>	<b>456,652</b>	<b>270,609</b>	<b>(21,027)</b>	<b>(29,038)</b>	<b>435,625</b>	<b>241,571</b>

Institute	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	238,334	78,536	-	-	238,334	78,536
Buildings	159,715	140,736	-	(12,422)	159,715	128,314
Construction in progress	5,726	7,114	-	-	5,726	7,114
Plant and equipment	26,769	20,955	(8,680)	(6,388)	18,089	14,567
Motor vehicles	373	387	(120)	(178)	253	209
Leasehold improvements	2,734	2,734	(1,893)	(1,511)	841	1,223
Computers	5,380	4,046	(2,803)	(1,703)	2,577	2,343
<b>Net carrying amount</b>	<b>439,031</b>	<b>254,508</b>	<b>(13,496)</b>	<b>(22,202)</b>	<b>425,535</b>	<b>232,306</b>

##### **Initial recognition**

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

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

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

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

##### **Subsequent measurement**

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

Non-specialised land, non-specialised buildings and artworks are valued using the market approach, whereby physical assets are compared to recent comparable sales or sales of comparable assets.

## 4.1 Property, plant and equipment (continued)

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

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

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

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

### Revaluations of non-financial physical assets

Non-current physical assets measured at fair value are revalued in accordance with Financial Reporting Directions (FRDs) issued by the Minister for Finance (refer to Note 7.3 for additional information on fair value determination of property, plant and equipment).

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

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

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

Class of assets	Useful Life
Buildings	2 - 60 years (2016: 2 - 60 years)
Plant and Equipment	3 - 25 years (2016: 3 - 25 years)
Motor Vehicles	3 years, residual of 40% (2016: 3 years, residual of 40%)
Computers	2 - 10 years (2016: 2 - 10 years)
Leasehold Improvements	5 - 20 years (2016: 5 - 20 years)

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

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

### Impairment

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

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

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

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

### Net gain/(loss) on 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, less costs to sell.

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

**4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment**

	Land		Buildings		Construction in progress		Plant and equipment		Motor vehicles		Leasehold imp.		Artwork		Computers		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>																		
Opening balance	80,847	56,485	128,383	123,122	7,114	1,039	14,588	15,337	209	271	7,589	6,663	456	456	2,385	1,016	241,571	204,389
Additions	-	16,430	582	7,566	11,926	14,100	6,025	1,614	132	-	252	10	-	-	1,384	2,104	20,301	41,824
Revaluations	161,153	14,129	23,679	-	-	-	-	-	-	-	-	-	(128)	-	-	-	184,704	14,129
Disposals	-	-	-	-	-	-	(92)	(152)	(63)	(41)	-	-	-	-	-	-	(155)	(193)
Transfers from/(to)	-	(6,197)	13,305	1,733	(13,305)	(8,025)	-	(79)	-	-	-	1,920	-	-	-	-	-	(10,648)
Depreciation	-	-	(3,949)	(4,038)	-	-	(2,331)	(2,023)	(14)	(13)	(1,072)	(1,004)	-	-	(1,131)	(735)	(8,497)	(7,813)
Impairment/Write off	-	-	(2,207)	-	-	-	(81)	(109)	(11)	(8)	-	-	-	-	-	-	(2,299)	(117)
<b>Closing balance</b>	<b>242,000</b>	<b>80,847</b>	<b>159,793</b>	<b>128,383</b>	<b>5,735</b>	<b>7,114</b>	<b>18,109</b>	<b>14,588</b>	<b>253</b>	<b>209</b>	<b>6,769</b>	<b>7,589</b>	<b>456</b>	<b>2,638</b>	<b>2,385</b>	<b>435,625</b>	<b>241,571</b>	
<b>Institute</b>																		
Opening balance	78,536	54,421	128,316	123,046	7,114	1,008	14,565	15,230	209	271	1,223	1,593	-	-	2,343	978	232,306	196,547
Additions	-	16,430	582	7,566	11,917	12,291	6,025	1,615	132	-	-	10	-	-	1,340	2,073	19,996	39,985
Revaluations	159,798	13,882	23,661	-	-	-	-	-	-	-	-	-	-	-	-	-	183,459	13,882
Disposals	-	-	-	-	-	-	(92)	(152)	(63)	(41)	-	-	-	-	-	-	(155)	(193)
Transfers from/(to)	-	(6,197)	13,305	1,734	(13,305)	(6,185)	-	-	-	-	-	-	-	-	-	-	-	(10,648)
Transfers to held for sale (note 4.1.2)	-	-	-	-	-	-	(2,327)	(2,019)	(14)	(13)	(382)	(380)	-	-	(1,106)	(708)	(7,770)	(7,150)
Depreciation	-	-	(3,941)	(4,030)	-	-	-	-	-	-	-	-	-	-	-	-	(2,301)	(117)
Impairment/ Write off	-	-	(2,208)	-	-	-	(82)	(109)	(11)	(8)	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>238,334</b>	<b>78,536</b>	<b>159,715</b>	<b>128,316</b>	<b>5,726</b>	<b>7,114</b>	<b>18,089</b>	<b>14,565</b>	<b>253</b>	<b>209</b>	<b>841</b>	<b>1,223</b>	<b>-</b>	<b>-</b>	<b>2,577</b>	<b>2,343</b>	<b>425,535</b>	<b>232,306</b>

## 4.1 Property, plant and equipment (continued)

### 4.1.2 Land and buildings held for sale

The eastern part of the Whitehorse campus (land and buildings) has been classified as held for sale at 31 December 2017, in accordance with AASB 5 *Assets Held for Sale and Discontinued Operations*. This was also classified as held for sale at 31 December 2016. A contract of sale was signed in August 2017 and the transaction is expected to settle in the first half of 2018.

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land and buildings held for sale	10,648	10,648	10,648	10,648
<b>Total current assets classified as held for sale</b>	<b>10,648</b>	<b>10,648</b>	<b>10,648</b>	<b>10,648</b>

**Non-financial physical assets** (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

### 4.1.3 Capital commitments

The Institute has a number of contractual obligations for the construction of assets as part of its ongoing capital program. These are reflected below.

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Payable:				
Within one year	8,525	3,035	8,525	3,035
<b>Total capital expenditure commitments</b>	<b>8,525</b>	<b>3,035</b>	<b>8,525</b>	<b>3,035</b>
GST reclaimable on the above	(775)	(276)	(775)	(276)
<b>Net capital expenditure commitments</b>	<b>7,750</b>	<b>2,759</b>	<b>7,750</b>	<b>2,759</b>

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

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#### 4.2 Intangible assets

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Opening balance	4,648	4,582	4,273	4,206
Additions	124	66	124	67
<b>Closing balance</b>	<b>4,772</b>	<b>4,648</b>	<b>4,397</b>	<b>4,273</b>
<b>Accumulated amortisation and impairment</b>				
Opening balance	(1,993)	(1,588)	(1,663)	(1,286)
Amortisation charge	(385)	(405)	(363)	(377)
Impairment	(40)	-	(40)	-
<b>Closing balance</b>	<b>(2,418)</b>	<b>(1,993)</b>	<b>(2,066)</b>	<b>(1,663)</b>
<b>Net carrying amount at end of the year</b>	<b>2,354</b>	<b>2,655</b>	<b>2,331</b>	<b>2,610</b>

#### Initial recognition

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

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

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

#### Subsequent measurement

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

#### Impairment

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Comprehensive Operating Statement. Impairment of goodwill is not reversed.

#### 4.3 Depreciation and amortisation

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Buildings	3,949	4,038	3,941	4,030
Plant and equipment	2,331	2,023	2,327	2,019
Motor vehicles	14	13	14	13
Leasehold imp.	1,072	1,004	382	380
Computers	1,131	735	1,106	708
Intangible assets	385	405	363	377
<b>Total depreciation and amortisation</b>	<b>8,882</b>	<b>8,218</b>	<b>8,133</b>	<b>7,527</b>



## 5.1 Receivables

	Consolidated		Institute	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current receivables</b>				
<b>Contractual</b>				
Sale of goods and services	5,374	6,393	4,020	5,232
Provision for doubtful contractual receivables	(356)	(1,251)	(326)	(800)
Amounts receivable from related parties	-	-	7,997	5,961
Revenue receivable	729	882	729	862
<b>Total contractual</b>	<b>5,747</b>	<b>6,024</b>	<b>12,420</b>	<b>11,255</b>
<b>Statutory</b>				
Amount receivable from Victorian Government	3,146	1,590	3,106	1,557
Other receivables	-	368	-	327
<b>Total statutory</b>	<b>3,146</b>	<b>1,958</b>	<b>3,106</b>	<b>1,884</b>
<b>Total current receivables</b>	<b>8,893</b>	<b>7,982</b>	<b>15,526</b>	<b>13,139</b>
Current receivables	8,893	7,982	15,526	13,139
Non-current receivables	47	47	47	47
<b>Total receivables</b>	<b>8,940</b>	<b>8,029</b>	<b>15,573</b>	<b>13,186</b>

**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 mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables.

Receivables are stated inclusive of the amount of GST receivable. Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

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

### Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off are classified as an expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result. Refer to Note 9.1

### Ageing analysis of contractual receivables

Consolidated	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	
<b>2017</b>							
Trade receivables	5,018	1,208	2,489	1,700	-	-	(379)
Revenue receivables	729	-	729	-	-	-	-
<b>Total</b>	<b>5,747</b>	<b>1,208</b>	<b>3,218</b>	<b>1,700</b>	<b>-</b>	<b>-</b>	<b>(379)</b>
<b>2016</b>							
Trade receivables	5,142	4,721	1,371	123	178	-	(1,251)
Revenue receivables	882	882	-	-	-	-	-
<b>Total</b>	<b>6,024</b>	<b>5,603</b>	<b>1,371</b>	<b>123</b>	<b>178</b>	<b>-</b>	<b>(1,251)</b>

The ageing profile of the Institute's contractual receivables is materially consistent with the Consolidated Group's ageing profile

The average credit period on sales of goods is 30 days. No interest is charged on receivables.

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**5.2 Other non-financial assets**

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Prepayments	3,415	2,421	3,361	1,989
Inventories - Supplies and consumables at cost	196	186	197	186
Deferred expenditure	813	151	813	151
<b>Total other non-financial assets</b>	<b>4,424</b>	<b>2,758</b>	<b>4,371</b>	<b>2,326</b>

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

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

Inventories held-for-distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value.

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

**Deferred expenditure** relates to costs incurred in relation to the sale of property, which will be reflected in profit and loss at the time that the relevant sale transaction occurs.

## 5.3 Payables

	Consolidated		Institute	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Contractual</b>				
Supplies and services	3,062	3,276	2,882	3,321
Accrued expenses	6,195	4,247	6,005	3,952
Lease incentive liabilities	1,584	1,727	-	-
<b>Total contractual</b>	<b>10,841</b>	<b>9,250</b>	<b>8,887</b>	<b>7,273</b>
<b>Statutory</b>				
Taxes payable	181	39	180	39
<b>Total statutory</b>	<b>181</b>	<b>39</b>	<b>180</b>	<b>39</b>
<b>Total payables</b>	<b>11,022</b>	<b>9,289</b>	<b>9,067</b>	<b>7,312</b>
Current payables	10,796	7,636	8,841	7,092
Non-current payables	226	1,653	226	220
<b>Total payables</b>	<b>11,022</b>	<b>9,289</b>	<b>9,067</b>	<b>7,312</b>

### Payables consist of:

- contractual payables, such as accounts payable, and unearned income. Accounts payable represent liabilities for goods and services provided to BHI prior to the end of the financial year that are unpaid, and arise when BHI 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 (e.g. amounts owing to Victorian Government and GST payable).

### Maturity Analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>Consolidated</b>							
<b>2017</b>							
Supplies and services	3,062	3,062	3,062	-	-	-	-
Accrued expenses	6,195	6,195	6,195	-	-	-	-
<b>Total</b>	<b>9,257</b>	<b>9,257</b>	<b>9,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2016</b>							
Supplies and services	3,056	3,056	3,056	-	-	-	-
Accrued expenses	4,247	4,245	4,245	-	-	-	-
<b>Total</b>	<b>7,303</b>	<b>7,301</b>	<b>7,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The ageing profile of the Institute's contractual payables is materially consistent with the Consolidated Group's ageing profile.

The average credit period is 30 days. No interest is charged on the other payables. Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency.

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**FOR THE YEAR ENDED 31 DECEMBER 2017**

## 6.1 Cash and deposits

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	21,998	17,383	21,055	16,067
Deposits at call	15,166	8,651	15,166	8,651
<b>Total cash and deposits</b>	<b>37,164</b>	<b>26,034</b>	<b>36,221</b>	<b>24,718</b>

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

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.

### 6.1.1 Reconciliation of operating result to net cash flows from operating activities

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Net result for the year</b>	<b>1,738</b>	<b>2,436</b>	<b>4,088</b>	<b>12,562</b>
<b>Non cash movements</b>				
Depreciation & amortisation of non-financial assets	8,882	8,218	8,133	7,527
Net (gain)/loss on sale of non-financial assets	(4)	(571)	(4)	(571)
Write off of property, plant & equipment	-	108	-	108
Impairment and forgiveness of loans and receivables	(5)	1,119	118	592
Impairment of non-current assets	91	8	91	8
Share of profits of associates and joint venture	(948)	(639)	-	-
Adjustment to prior year expenses	(117)	150	46	150
Decrease/(increase) in receivables	(911)	(2,507)	(505)	(2,619)
Decrease/(increase) in other assets	(1,666)	(1,604)	(2,045)	(1,361)
Increase/(decrease) in payables	6,246	2,916	6,105	5,733
Increase/(decrease) in provisions	(979)	557	(738)	551
<b>Net cash flows from/(used in) operating activities</b>	<b>12,327</b>	<b>10,191</b>	<b>15,289</b>	<b>22,680</b>

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

## 6.2 Borrowings

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Advances from Government	15,000	10,000	15,000	10,000
Finance lease liabilities	331	-	331	-
<b>Non-Current</b>				
Advances from Government	10,000	-	10,000	-
Finance lease liabilities	2,886	-	2,886	-
<b>Total borrowings</b>	<b>28,217</b>	<b>10,000</b>	<b>28,217</b>	<b>10,000</b>

### Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs.

The measurement basis subsequent to initial recognition depends on whether BHI has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost.

Any difference between the initial recognised amount and the redemption value is recognised in the net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. BHI determines the classification of its interest bearing liabilities at initial recognition.

### Maturity Analysis of borrowings

The current portion of the Advances from Government is repayable within 3 months to 1 year of balance date.

The non-current portion of the Advances is repayable within 1 to 5 years of balance date. The maturity profile of the consolidated group's borrowings matches the Institute's profile.

The maturity analysis of finance leases is presented in section 6.2.1 below.

### 6.2.1 Finance leases

	Consolidated	
	2017	2016
<b>Finance lease liability payable</b>	-	-
1 - 3 months	119	-
3 months - 1 year	472	-
1 - 5 years	2,237	-
Longer than five years	1,484	-
<b>Minimum future lease payments</b>	<b>4,312</b>	-
Less future finance charges	(1,095)	-
<b>Present value of minimum lease payments</b>	<b>3,217</b>	-
Included in the financial statements as:		
Current finance lease liability	331	-
Non-current finance lease liability	2,886	-
<b>Total</b>	<b>3,217</b>	-

# BOX HILL INSTITUTE GROUP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

## 7.1 Financial instruments

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

### 7.1.1 Categories of financial instruments

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Contractual financial assets</b>				
<b>Loans and receivables and cash</b>				
Cash and deposits	37,164	26,034	36,221	24,718
Trade receivables	5,018	5,142	3,694	4,432
Other receivables (security deposits/amounts receivable from related parties)	47	47	8,044	6,008
Revenue receivable	729	882	729	862
<b>Total contractual financial assets</b>	<b>42,958</b>	<b>32,105</b>	<b>48,688</b>	<b>36,020</b>
<b>Contractual financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Supplies and services	3,062	3,056	2,882	3,101
Other payables (lease incentive liabilities)	1,584	1,727	-	-
Accrued expense	6,195	4,247	6,005	3,952
<b>Total contractual financial liabilities</b>	<b>10,841</b>	<b>9,030</b>	<b>8,887</b>	<b>7,053</b>

### Categories of financial instruments

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

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

### Impairment of financial assets

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

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

## 7.1 Financial instruments (continued)

### 7.1.2 Net holding gain/(loss) on financial instrument by category

#### Loans and receivables and cash

Holding gains on contractual financial assets are limited to interest income on cash and deposits (0.27% - 2.66% during 2017), and provisions for doubtful debts recognised in relation to trade and other receivables (refer Note 5.1).

#### Financial liabilities at amortised cost

There are no holding gains or losses associated with the Institute's contractual financial liabilities. Interest is not charged on the Institute's payables, and the borrowings from Government are held on interest-free terms.

### 7.1.3 Financial risk management objectives and policies

BHI is exposed to a variety of financial risks, market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. BHI's risk management program seeks to manage these risks and the associated volatility of its financial performance.

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

Risk management is carried out by Financial Services under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk in relation to the collection of trade and other receivables. There has been no significant change in BHI's exposure, or its objectives, policies and processes for managing BHI's financial risks or the methods used to measure the risk from the previous reporting period.

#### Credit risk

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

Credit risk is measured at fair value and is monitored on a regular basis by the Audit, Finance and Risk Management Committee through reporting provided by management on the ageing of trade receivables. Refer to Note 5.1 for an ageing analysis of BHI's receivables at balance date.

The trade receivables balance at 31 December 2017 and 31 December 2016 do not include any counterparties with external credit ratings.

In addition, BHI 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. BHI's policy is to only deal with banks with high credit ratings.

BHI's transactional cash holdings are held with commercial authorised deposit-taking institutions with AA- credit ratings. Short-term investments and term deposits are held with Government agencies that are AAA-rated.

## **7.1 Financial instruments (continued)**

### **Liquidity risk**

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

BHI 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.

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

BHI manages liquidity risk by maintaining an adequate short term reserves and banking facilities that can be drawn at short notice to meet its short-term obligations and careful planning of its financial obligations based on forecasts of future cash flows.

### **Foreign currency risk**

BHI's exposure to foreign currency risk relates to the delivery of services in currencies other than the Australian dollar, and payables relating to purchases of supplies and consumables from overseas. BHI's foreign currency risk is minimal as there are a limited amount of transactions denominated in foreign currencies and a relatively short timeframe between commitment and settlement. BHI does not have any bank accounts denominated in foreign currency at 31 December 2017.

BHI manages its exposure to foreign currency risk by predominantly transacting in \$AUD. Based on past and current assessment of economic outlook, it is deemed unnecessary for BHI to enter into any hedging arrangements to manage foreign currency risk.

### **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.

BHI's exposure to interest rate risk is limited, as its cash and deposits are held in short-term facilities with floating interest rates and its borrowings are held on interest-free terms.

The carrying amount of BHI's financial assets and financial liabilities that are exposed to interest rate risk are presented in Section 7.1.1

The weighted average effective rate for cash at bank for 2017 was 1.2% (2016, 1.5%)

The weighted average effective rate for deposits at call for 2017 was 1.6% (2016, 1.76%)

The weighted average effective rate for lease incentive liabilities for 2017 was 7.9% (2016, 7.9%)

A reasonably possible increase of 50 basis points (2016: 50 basis points) in interest rates at the reporting date would have increased equity and net result by \$186k (2016, \$130k). This analysis assumes that all other variables remain constant. Given current interest rate levels, a decrease in the applicable rate is not considered to be probable, and has not been modelled.



## 7.2 Contingent assets and contingent liabilities

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

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

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Quantifiable contingent liabilities</b>				
Bank guarantees	431	431	-	-
Other contingent liabilities	179	-	179	-
<b>Total contingent liabilities</b>	<b>610</b>	<b>431</b>	<b>179</b>	<b>-</b>

### Contingent liabilities

Contingent liabilities are:

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

### 7.3 Fair value determination

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

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

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

The following assets and liabilities are carried at fair value:

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

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

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

#### **Fair value estimation**

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

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

BHI determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

### 7.3 Fair value determination (continued)

#### Fair value measurement hierarchy

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

	Carrying amount at 31 December	Consolidated		
		Level 1 Quoted prices	Level 2 Observable price inputs	Level 3 Unobserva ble inputs
	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
Non specialised land	29,433	-	29,433	-
Specialised land	212,567	-	-	212,567
Buildings used for Education purposes	159,793	-	-	159,793
Plant and equipment	18,109	-	-	18,109
Vehicles	253	-	-	253
Artworks	328	-	328	-
Computers	2,638	-	-	2,638
Leasehold improvements	6,769	-	-	6,769
<b>Total property, plant and equipment at fair value</b>	<b>429,890</b>	<b>-</b>	<b>29,761</b>	<b>400,129</b>
	\$'000	\$'000	\$'000	\$'000
<b>2016</b>				
Non specialised land	9,348	-	9,348	-
Specialised land	71,499	-	-	71,499
Buildings used for Education purposes	136,059	-	-	136,059
Plant and equipment	6,912	-	-	6,912
Vehicles	209	-	-	209
Artworks	456	-	-	456
Computers	2,385	-	-	2,385
Leasehold improvements	7,589	-	-	7,589
<b>Total property, plant and equipment at fair value</b>	<b>234,457</b>	<b>-</b>	<b>9,348</b>	<b>225,109</b>

#### Valuations of property, plant and equipment

Fair value assessments have been performed at 31 December 2017 for all classes of assets. In accordance with Financial Reporting Direction 103F *Non-financial Physical Assets*, which scheduled the "Education" purpose group for a revaluation in the current year, all land and buildings were subject to an external valuation conducted by the Valuer-General Victoria. All other assets were subject to managerial valuations, which determined that fair value was materially similar to carrying value.

**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.

An independent valuation was performed for all non-specialised land by the Valuer General Victoria with an effective date of 31 December 2017. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset.

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

### 7.3 Fair value determination (continued)

#### **Specialised land and specialised buildings**

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

The CSO and heritage registration 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 and heritage registration are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

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

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

**Motor vehicles** are valued using the depreciated replacement cost method. BHI 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 to reflect the utilisation of the vehicles.

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

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

#### **Artwork**

An independent valuation of BHI's artwork was performed by the Valuer-General Victoria. The valuation was performed using the market approach, with the value of these items determined with reference to sales evidence and unit of value by comparative basis. The effective date of the valuation was 31 December 2017.

This valuation technique is different from the previous methodology, which determined fair value by taking into consideration the historical significance, age and condition of the artworks, as well as the artist's reputation.

### 7.3 Fair value determination (continued)

There were no changes in valuation techniques throughout the period to 31 December 2017, with the exception of artwork as explained above. This change in valuation technique resulted in a transfer between Level 3 and Level 2 for BHI's artwork during 2017.

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

#### Reconciliation of level 3 fair value movements

Consolidated	Specialised land		Specialised building		Plant and equipment		Motor vehicles		Leasehold improvements		Artworks		Computers	
	2017	\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000
Opening balance		71,499		136,816		6,155		209		7,589		456		2,385
Additions/transfers from WIP		-		13,887		6,025		132		252		-		1,384
Disposals		-		-		(92)		(63)		-		-		-
Net revaluation increments/(decrements)		141,069		23,679		-		-		-		(128)		-
Impairment loss		-		(2,207)		(81)		(11)		-		-		-
Depreciation		-		(3,949)		(2,331)		(14)		(1,072)		-		(1,131)
Transfers to level 2		-		-		-		-		-		(328)		-
<b>Closing Balance</b>		<b>212,568</b>		<b>168,226</b>		<b>9,676</b>		<b>253</b>		<b>6,769</b>		<b>-</b>		<b>2,638</b>

Consolidated	Specialised land		Specialised building		Plant and equipment		Motor vehicles		Leasehold improvements		Artworks		Computers	
	2016	\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000
Opening balance		66,655		131,555		6,904		271		6,663		456		1,016
Purchases (sales)		-		7,566		1,614		-		10		-		2,104
Disposals		-		-		(152)		(41)		-		-		-
Net revaluation increments/(decrements)		11,041		-		-		-		-		-		-
Transfer from/(to)		-		6,184		(79)		-		1,920		-		-
Transfers to assets held for sale		(6,197)		(4,451)		-		-		-		-		-
Impairment loss		-		-		-		(8)		-		-		-
Depreciation		-		(4,038)		(2,023)		(13)		(1,004)		-		(735)
Write off		-		-		(109)		-		-		-		-
<b>Closing Balance</b>		<b>71,499</b>		<b>136,816</b>		<b>6,155</b>		<b>209</b>		<b>7,589</b>		<b>456</b>		<b>2,385</b>

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

2017 and 2016	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community service obligation (CSO) adjustment Heritage Registration
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of buildings
Motor Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Leasehold improvements	Depreciated replacement cost	Cost per unit Useful life of leasehold improvements
Artworks (2016 only)	Market approach	Historical significance & artist's reputation
Computers	Depreciated replacement cost	Cost per unit Useful life of computers

**BOX HILL INSTITUTE GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

## 8.1 Responsible persons

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

Position	Name	Dates of appointment
Minister for Training and Skills	The Hon. Gayle Tierney MLC	1 January 2017 to 31 December 2017
Chair	Mr Jack Diamond	1 January 2017 to 31 December 2017
CEO	Mr Norman Gray	1 January 2017 to 31 December 2017
Board Member	Mr Allan Moore	1 January 2017 to 31 December 2017
Board Member	Ms Amanda Brook	1 January 2017 to 31 December 2017
Board Member	Ms Claire Filson	1 January 2017 to 31 December 2017
Board Member	Ms Helen Buckingham	1 January 2017 to 31 December 2017
Board Member	Prof. John Rosenberg	1 January 2017 to 31 May 2017
Board Member	Prof. John Rosenberg	26 June 2017 to 31 December 2017
Board Member	Ms Julie Eisenbise	1 January 2017 to 31 December 2017
Board Member	Mr Phillip Davies	1 January 2017 to 31 December 2017
Board Member	Ms Susan Fenton	1 January 2017 to 5 October 2017
Board Member	Ms Tracey Cooper	1 January 2017 to 31 December 2017
Board Member	Dr Zena Burgess	1 January 2017 to 31 December 2017

Remuneration of the chief executive officer and board members in connection with the management of the Institute are disclosed below.

Income range	2017	2016
\$20 000 - \$29 999	-	7
\$30 000 - \$39 999	1	1
\$40 000 - \$49 999	8	5
\$50 000 - \$59 000	-	1
\$60 000 - \$69 000	1	-
\$70 000 - \$79 999	1	-
\$350 000 - \$359 000	-	1
\$390 000 - \$399 000	1	-
<b>Total number of responsible persons</b>	<b>12</b>	<b>15</b>
<b>Total remuneration of responsible persons (\$'000)</b>	<b>905</b>	<b>813</b>

## 8.2 Remuneration of executives

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

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

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

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

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

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

	Consolidated Total remuneration 2017	Institute Total remuneration 2017
Remuneration		
Short-term employee benefits	1,420	1,420
Post-employment benefits	108	108
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total remuneration</b>	<b>1,528</b>	<b>1,528</b>
<b>Total number of executives</b>	<b>10</b>	<b>10</b>
<b>Total annualised employee equivalents <sup>(i)</sup></b>	<b>7.4</b>	<b>7.4</b>

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

### Payments to other personnel

There was one contractor charged with significant management responsibilities, to whom the total expenses paid by the Institute exceeded \$391k. He was responsible for planning, directing or controlling, directly or indirectly, BHI's activities.

# BOX HILL INSTITUTE GROUP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

### 8.3 Related parties

Related parties of BHI and its Consolidated group include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all entities that are controlled and consolidated into BHI's consolidated financial statements.

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

The following entities have been consolidated into BHI's financial statements in accordance with AASB 10:

- Box Hill Enterprises Ltd; and
- Centre for Adult Education. (Refer also to Note 9.2)

Key management personnel of the BHI includes the Minister of Training and Skills, the Hon. Gayle Tierney MLC, the Board and members of the Senior Executive Team, which at 31.12.2017 comprised:

- Chief Financial Officer, Tim Hogan
- Director - Technical School, Danny Tay
- Executive Director - Academic Affairs, Jennifer Oliver
- Executive Director - Business Growth & Diversification, Stewart Humphreys-Grey
- Executive Director - Campus Modernisation, Winnie Blackwell
- Executive Director - Educational Delivery, Jane Trewin
- Executive Director - Lakeside Campus, Susan Maastricht
- General Counsel and Company Secretary, Lisa Deramond

Key management personnel of the agencies consolidated pursuant to section 53(1)(b) of the FMA into BHI's financial statements include those listed above.

#### Compensation of Key management personnel

	Consolidated
	Total remuneration
	2017
Remuneration	
Short-term employee benefits	2,233
Post-employment benefits	201
Other long-term benefits	-
Termination benefits	-
<b>Total remuneration</b>	<b>2,434</b>

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

Other related transactions and loan requiring disclosure under the Directions of the Minister for Finance and AASB 124 *Related Parties* have been considered and there are no matters to report.



## 8.4 Auditors remuneration

### Remuneration of the Victorian Auditor-General's Office for:

Audit of the financial statements

### Remuneration of other auditors

Other assurance services

### Total Remuneration of auditors

Consolidated		Institute	
2017	2016	2017	2016
\$'000	\$'000	\$'000	\$'000
129	175	105	129
225	135	225	135
354	310	330	264

**BOX HILL INSTITUTE GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**9.1 Gains/(losses) from other economic flows**

	Consolidated		Institute	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Net gain/(loss) on non-financial assets</b>				
Impairment of non-financial assets	(91)	(8)	(91)	(8)
Write-off of intangible assets and property, plant and equipment	-	(108)	-	(108)
Net gain/(loss) on disposal of physical assets	4	571	4	571
<b>Total net gain/(loss) on non-financial assets</b>	<b>(87)</b>	<b>455</b>	<b>(87)</b>	<b>455</b>
<b>Net gain/(loss) on financial instruments</b>				
Impairment of loans and receivables	5	(1,119)	(118)	(592)
Net FX gain/(loss) arising from financial instruments	(1)	(9)	-	(9)
<b>Total net gain/(loss) on financial instruments</b>	<b>4</b>	<b>(1,128)</b>	<b>(118)</b>	<b>(601)</b>
<b>Other gains/(losses) from other economic flows</b>				
Net gain/(loss) arising from revaluation of long service leave liability	(28)	(556)	(26)	(645)
Share of net profit of associates excluding dividends	948	639	-	-
<b>Total other gains/(losses) from other economic flows</b>	<b>920</b>	<b>83</b>	<b>(26)</b>	<b>(645)</b>
<b>Total gains/(losses) from other economic flows</b>	<b>837</b>	<b>(590)</b>	<b>(231)</b>	<b>(791)</b>

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

- gains and losses from disposals of non-financial assets (refer to Note 4.1);
- revaluations and impairments of non-financial physical and intangible assets (refer to Note 4.1 and Note 4.2);
- remeasurement arising from employee benefits due to changes in bond rates; and
- fair value changes of financial instruments, including impairment of loans and receivables

## 9.2 Controlled entities

### Basis of consolidation

In accordance with AASB 10 *Consolidated Financial Statements*, control exist when an entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of entities included in the consolidated financial statements are from the date on which control commences until the date on which control ceases.

In preparing consolidated financial statements for BHI, all material transactions and balances between consolidated entities are eliminated.

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities:

Controlled entities	Country of Incorporation	Class of Shares	2017 %	2016 %
Box Hill Enterprises Ltd	Australian	Limited by guarantee	100	100
Centre for Adult Education	Australian	N/A	100	100

### Box Hill Enterprises Ltd (BHE)

BHE is a dormant company previously involved in the commercial delivery of tertiary education.

BHI is deemed to have control over BHE due to the following factors:

- BHI holds 100% of the share capital issued by BHE; there are no non-controlling interests.
- The BHE Board contains only members from BHI's Board.
- BHI provides significant financial and administration support to BHE
- BHI has the right to variable returns from BHE, and has the ability to affect those returns.

### Centre for Adult Education (CAE)

CAE is a leading provider of Adult and Community Education in Victoria.

BHI is deemed to have control over CAE due to the following factors:

- The CAE Board contains only members from BHI's Board.
- BHI provides significant financial and administration support to CAE
- BHI has the right to variable returns from CAE, and has the ability to affect those returns.

### 9.3 Events after reporting date

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

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

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

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

## 9.4 Application of standards issued but not yet effective

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1-Jan-18	<p>The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.</p> <p>While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.</p>
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1-Jan-18	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1-Jan-18	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1-Jan-18	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1-Jan-19	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>No change for lessors.</p>
AASB 1058 Income of Not-for-Profit Entities	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1-Jan-19	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.





**BOX HILL**  
INSTITUTE

# **PERFORMANCE STATEMENT**

## **31 DECEMBER 2017**

# Independent Auditor's Report

## To the Board of Box Hill Institute

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



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

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

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

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MELBOURNE  
20 February 2018



Charlotte Jeffries  
*as delegate for the Auditor-General of Victoria*

# BOX HILL INSTITUTE GROUP PERFORMANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Indicator title	Description and methodology	Metric	2017 Target	2017 Actual	Explanation of variances	Prior year result
Training Revenue diversity	Breakdown of training revenue split by Government funded and Fee for Service	Percentage	35%	35%	Mix of training revenue was consistent with 2017 targets	33%
	<i>Training revenue split by:</i> <ul style="list-style-type: none"> <li>· Victorian Training Guarantee</li> <li>· Fee for Service (FFS)</li> </ul>		65%	65%		68%
Employment costs as a proportion of training revenue (Note 1)	Employment and Third Party training delivery costs as a proportion of training revenue (VTG and FFS)  <i>Employment costs + 3rd party training delivery costs / Training Revenue</i>	Percentage	83.0%	89.9%	Although employment costs were lower than budget, a shortfall in training revenue resulted in this indicator falling short of the target.	107.1%
Training revenue per teaching FTE (Note 2)	Training Revenue (excl. revenue delivered by third parties) per Teaching FTE  <i>Training Revenue (excl. revenue delivered by 3rd parties) / Teaching FTE</i>	\$'000s	\$217.0	\$199.0	Improvement on 2016 performance through both increases in revenue and improvements in utilisation of teaching staff	\$156.3
Operating margin percentage	Operating margin %  <i>EBIT (excluding Capital Contributions) / Total Revenue (excluding Capital Contributions)</i>	Percentage	1.0%	0.7%	Performance in line with target	(8.8%)
Enrolment targets	VTG % change from 2016	Percentage	> 0%	-3%	VTG student enrolment numbers overall have decreased from 2016 which is consistent with a contracting VET market. Fee for service numbers significantly increased over the period.	6%
	FFS % change from 2016		> 0 %	17%		14%
Financial Position	EBITDA excl. capital contributions	\$ million	> (\$0.9)	\$9.8	Improved financial position with additional Government support received.	(\$0.9)
Increase market share (Note 3)	% market share	Percentage	> 19.5 %	20.8%	BHI improved our market share in 2017 despite a declining VET market. Performance is consistent with target.	not reported

**Note 1:**

Two changes have been made to the calculation in 2017 to reflect the intention of the measure:

A) Removal of commercial business employment costs

B) Including only the proportion of third party delivery costs that are relate to employment costs.

2016 measure on this basis would have been 99.2%

**Note 2:**

A change has been made to the calculation in 2017 to reflect the intention of the measure:

Where a contract includes both third party delivery and traditional delivery in-house, a proportion of the revenue for the in-house component is retained in this measure (previously all revenue relating to the contract would have been excluded)

2016 measure on this basis would have been \$164k.

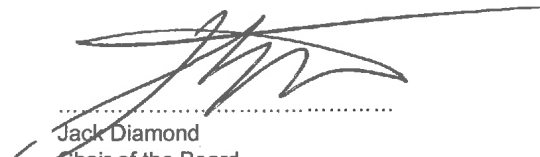
**Note 3:**

2017 actual sourced from the Q3 TAFE Performance and Accountability Framework Report.

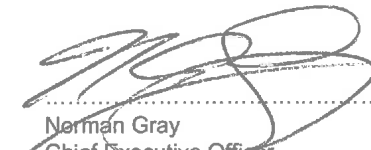
In our opinion, the accompanying Statement of Performance of Box Hill Institute and the consolidated entity in respect of the 2017 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Statement includes the performance indicators as determined by the responsible Minister, predetermined targets where applicable and the actual results for the year against these indicators, and an explanation of any significant variance between the actual results and performance targets.

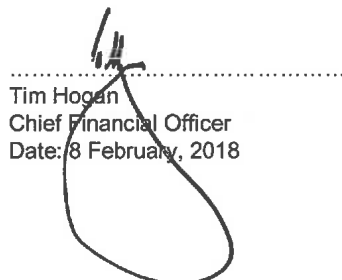
As at the date of signing, we are not aware of any circumstance which would render any particulars in the Statement to be misleading or inaccurate.



.....  
Jack Diamond  
Chair of the Board  
Date: 8 February, 2018



.....  
Norman Gray  
Chief Executive Officer  
Date: 8 February, 2018



.....  
Tim Hogan  
Chief Financial Officer  
Date: 8 February, 2018

# DISCLOSURE INDEX

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3	FRD 22H	Nature and range of services provided including communities served	1-11
<b>Management and Structure</b>			
4	FRD 22H	Organisational structure and chart, including responsibilities and details of the accountabilities of an entity's main activities	14
5	FRD 22H	Names of Board and committee members	12
<b>Financial and Other Information</b>			
6	FRD 03A	Accounting for Dividends	n/a
7	FRD 07B	Early adoption of authoritative accounting pronouncements	67
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9	FRD 17B	Long Service leave and annual leave for employees	38-39
10	FRD 20A	Accounting for State motor vehicle lease arrangements prior to 1 February 2004	n/a
11	FRD 22H	Operational and budgetary objectives, performance against objectives and achievements	1-16, 70-72
12	FRD 22H	Occupational health and safety statement including performance indicators, performance against those indicators. Reporting must be on the items listed at 5.10(a) to (e) in the FRD	18-19
13	FRD 22H	Workforce data for current and previous reporting period including a statement on the application of employment and conduct principles and that employees have been correctly classified in the workforce data collections ( <i>see Attachment B for details of the Department's required reporting approach to all workforce data</i> ).	24
14	FRD 22H	Summary of the financial results, with comparative information for the preceding four reporting periods	15
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16	FRD 22H	Key initiatives and projects, including significant changes in key initiatives and projects from previous years and expectations for the future	6-8
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18	FRD 22H	Summary of application and operation of the <i>Freedom of Information Act 1982</i>	17
19	FRD 22H	Discussion and analysis of operating results and financial results	15-16
20	FRD 22H	Significant factors affecting performance	15-16
21	FRD 22H	Where a TAFE has a workforce inclusion policy, a measurable target and report on the progress towards the target should be included	n/a
22	FRD 22H	Schedule of any government advertising campaign in excess of \$100,000 or greater (exclusive of GST) include list from 5.16(a) – (d) in the FRD	22
23	FRD 22H	Statement of compliance with building and maintenance provisions of the <i>Building Act 1993</i>	20
24	FRD 22H	Statement, where applicable, on the implementation and compliance with the National Competition Policy	17
25	FRD 22H	Summary of application and operation of the <i>Protected Disclosure Act 2012</i>	18
DELETED BY STATE			n/a

Item No.	Source	SUMMARY OF REPORTING REQUIREMENT	Page number
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26	FRD 22H and FRD 24C	Summary of Environmental Performance including a report on office based environmental impacts	19-20
27	FRD 22H	<p>Consultants:</p> <p>Report of Operations must include a statement disclosing each of the following</p> <ol style="list-style-type: none"> <li>1. Total number of consultancies of \$10,000 or more (excluding GST)</li> <li>2. Location (eg website) of where details of these consultancies over \$10,000 have been made publicly available</li> <li>3. Total number of consultancies individually valued at less than \$10,000 and the total expenditure for the reporting period</li> </ol> <p>AND for each consultancy more than \$10,000, a schedule is to be published on the TAFE institute website listing:</p> <ul style="list-style-type: none"> <li>&gt; Consultant engaged</li> <li>&gt; Brief summary of project</li> <li>&gt; Total project fees approved (excluding GST)</li> <li>&gt; Expenditure for reporting period (excluding GST)</li> <li>&gt; Any future expenditure committed to the consultant for the project</li> </ul>	22-23
28	FRD 22H	Statement, to the extent applicable, on the application and operation of the <i>Carers Recognition Act 2012</i> (Carers Act), and the actions that were taken during the year to comply with the Carers Act	18
29	FRD 22H	List of other information available on request from the Accountable Officer, and which must be retained by the Accountable Officer (refer to list at 5.19(a) – (l) in the FRD)	21
30	FRD 22H	<p>An entity shall disclose the following in the report of operations:</p> <ul style="list-style-type: none"> <li>&gt; Total entity ICT Business As Usual (BAU) expenditure for the full 12 month reporting period; and</li> <li>&gt; Total entity ICT Non-Business As Usual expenditure for the full 12 month reporting period; and provide a breakdown for: <ul style="list-style-type: none"> <li>(i) Operational expenditure (OPEX); and</li> <li>(ii) Capital expenditure (CAPEX).</li> </ul> </li> </ul>	20
31	FRD 25C	Victorian Industry Participation Policy Disclosures	n/a
32	FRD 26B	Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004	n/a
33	FRD 29B	Workforce Data Disclosures on the public service employee workforce. <b>Note:</b> TAFEs <i>must</i> report on a calendar year basis (i.e. not financial year basis).	n/a
34	SD 3.7.1	The Responsible Body must ensure that the Agency applies the <i>Victorian Government Risk Management Framework</i> .	17
35	FRD 22H	An entity's report of operations shall contain general and financial information, including other relevant information, outlining and explaining an entity's operations and activities for the reporting period.	1-24

# DISCLOSURE INDEX

## CONTINUED

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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,	29
37	SD 5.2.3	The report of operations must be signed and dated by the Responsible Body or a member of the Responsible Body.	29
38	CG 10 (clause 27)	Register of Major Commercial Activities and Report	21
39	CG 12 (clause 33)	TAFE Institute Controlled Entities	65
<b>FINANCIAL REPORT</b>			
<b>Financial Statements Required Under Part 7 of the Financial Management Act 1984</b>			
40	SD 5.2.2(b)	<p>The declaration required under Direction 5.2.2(a) must state that in the joint opinion of the signing persons:</p> <ul style="list-style-type: none"> <li>&gt; the financial statements present fairly the financial transactions during the reporting period and the financial position at the end of that period; and</li> <li>&gt; the financial statements have been prepared in accordance with applicable requirements in the FMA, the Directions, the Financial Reporting Directions and Australian Accounting Standards.</li> </ul>	29
<b>Other Requirements Under Standing Direction / Financial Management Act 1994 (Fma)</b>			
41	SD 5.2.2(a) and FMA s49	<p>An Agency's financial statements must include a signed and dated declaration by:</p> <ul style="list-style-type: none"> <li>&gt; the Accountable Officer;</li> <li>&gt; subject to Direction 5.2.2(c), the CFO; and</li> <li>&gt; for Agencies with a statutory board or equivalent governing body established by or under statute, a member of the Responsible Body.</li> </ul>	29
42	FRD 30D	Rounding of amounts	34
43	SD 3.2.1.1(c)	<p>The Responsible Body must establish an Audit Committee to:</p> <ul style="list-style-type: none"> <li>&gt; 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</li> </ul>	12
<b>Other Requirements as per Financial Reporting Directions in Notes to the Financial Statements</b>			
44	FRD 11A	Disclosure of ex-gratia payments	31, 39
45	FRD 21C	Disclosures of Responsible Persons, Executive Officer and Other Personnel (Contractors with significant management responsibilities) in the Financial Report	60-62
46	FRD 102A	Inventories	46-48
47	FRD 103F	Non-financial physical assets	39, 46-48
48	FRD 105B	Borrowing costs	51
49	FRD 106A	Impairment of assets	46
50	FRD 107B	Investment properties	n/a
51	FRD 109A	Intangible assets	46
52	FRD 110A	Cash flow statements	33
53	FRD 112D	Defined benefit superannuation obligations	38

Item No.	Source	SUMMARY OF REPORTING REQUIREMENT	Page number
Other Requirements as per Financial Reporting Directions in Notes to the Financial Statements (Continued)			
54	FRD 113A	Investment in subsidiaries, jointly controlled entities and associates	15-19
55	FRD 114B	Financial instruments – general government entities and public non-financial corporations	52-59
56	FRD 119A	Transfers through contributed capital	32
57	FRD 120K	Accounting and reporting pronouncements applicable to the reporting period	34-65
Compliance with other Legislation, Subordinate Instruments and Policies			
58	Legislation	<p>The TAFE institute Annual Report must contain a statement that it complies with all relevant legislation, and subordinate instruments, (and which should be listed in the Report) including, but not limited to, the following:</p> <ul style="list-style-type: none"><li>&gt; <i>Education and Training Reform Act 2006</i> (ETRA)</li><li>&gt; TAFE institute constitution</li><li>&gt; Directions of the Minister for Training and Skills (or predecessors)</li><li>&gt; TAFE institute Commercial Guidelines</li><li>&gt; TAFE institute Strategic Planning Guidelines</li><li>&gt; <i>Public Administration Act 2004</i></li><li>&gt; <i>Financial Management Act 1994</i></li><li>&gt; <i>Freedom of Information Act 1982</i></li><li>&gt; <i>Building Act 1993</i></li><li>&gt; <i>Protected Disclosure Act 2012</i></li><li>&gt; <i>Victorian Industry Participation Policy Act 2003</i></li></ul>	21
59	ETRA s3.2.8	Statement about compulsory non-academic fees, subscriptions and charges payable in 2017	18
60	Policy	Statement that the TAFE institute complies with the Victorian Public Sector Travel	18
See table on page 6 of the guidelines for required formatting.			70-72
61	Key Performance Indicators	<p>Institutes to report against:</p> <ul style="list-style-type: none"><li>&gt; KPIs set out in the annual Statement of Corporate Intent; and</li><li>&gt; Employment costs as a proportion of training revenue;</li><li>&gt; Training revenue per teaching FTE;</li><li>&gt; Operating margin percentage;</li><li>&gt; Training Revenue diversity.</li></ul>	
Overseas Operations of Victorian Tafe Institutes			
62	PAEC and VAGO (June 2003 Special Review item 3.110)	<ul style="list-style-type: none"><li>&gt; Financial and other information on initiatives taken or strategies relating to the institute's overseas operations</li><li>&gt; Nature of strategic and operational risks for overseas operations</li><li>&gt; Strategies established to manage such risks of overseas operations</li><li>&gt; Performance measures and targets formulated for overseas operations</li><li>&gt; The extent to which expected outcomes for overseas operations have been achieved.</li></ul>	10

## **Box Hill Institute**

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